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INDIAN EXPENDITURE COMMISSION.

VOL. I.

FIRST REPORT

OF THE

ROYAL COMMISSION

ON THE

ADMINISTRATION OF THE EXPENDITURE OF INDIA;

WITH

MINUTES OF EVIDENCE.

Presented to both Houses of Parliament by Command of Her Majesty.

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BY EYRE AND SPOTTISWOODE,
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1896.

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Note.

The Evidence divides itself into three heads:

I. Financial machinery of the Government of India;

II. Progress of Expenditure; and

III. Apportionment of Expenditure in which both Great Britain and India are interested.

For various reasons it was not found possible to complete the Evidence in each section before taking up the next; but, with a view to keeping the sections distinct, the Evidence relating to each head, even though not taken on consecutive days, has been brought together.

It will be found that the first seven days and the 30th day, except Qq. 13,641–81 (Qq. 1–3675, and 13,503–640, and 13,682—723) relate to the inquiry into the Financial Machinery; that the 8th to the 11th, 15th, 16th, 18th, and 20th to 25th and part of the 29th days (Qq. 3676–5704, 7184–8217, 8718–9264, 9614–12,268, and 13,409–502) relate to Progress of Expenditure; and that the 12th to the 14th, 17th, 19th, and 26th to 29th days (Qq. 5705–7183, 8218–717, 9265–613, 12,269–13,408) relate to the apportionment of charge between Great Britain and India.

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ROYAL COMMISSION TO INQUIRE INTO THE ADMINISTRATION AND MANAGEMENT OF THE EXPENDITURE OF INDIA AND INTO THE APPORTIONMENT OF CHARGE BETWEEN INDIA AND THE UNITED KINGDOM.

VICTORIA, R.I.

Victoria, by the Grace of God of the United Kingdom of Great Britain and Ireland Queen, Defender of the Faith, Empress of India, &c., to—

Our right trusty and well-beloved Reginald Earle, Baron Welby, Knight Grand Cross of Our Most Honourable Order of the Bath; Our right trusty and well-beloved Councillor Leonard Henry Courtney; Our right trusty and well-beloved Councillor William Lawies Jackson; Our trusty and well-beloved George Nathaniel Curzon, Esquire, commonly called the Honourable George Nathaniel Curzon; Our trusty and well-beloved Sir William Wedderburn, Baronet; Our trusty and well-beloved Sir Donald Martin Stewart, Baronet, Knight Grand Cross of Our Most Honourable Order of the Bath, Knight Grand Commander of Our Most Exalted Order of the Star of India, Companion of Our Most Eminent Order of the Indian Empire, Field-Marshal of Our Forces, Member of the Council of India; Our trusty and well-beloved Sir Edward Walter Hamilton, Knight Commander of Our Most Honourable Order of the Bath, Assistant Secretary to the Commissioners of Our Treasury for Great Britain and Ireland; Our trusty and well-beloved Sir James Braithwaite Peile, Knight Commander of Our Most Exalted Order of the Star of India, Member of the Council of India; Our trusty and well-beloved Sir Andrew Richard Scoble, Knight Commander of Our Most Exalted Order of the Star of India, one of Our Council learned in the Law; Our trusty and well-beloved Ralph Henry Knox, Esquire, Companion of Our Most Honourable Order of the Bath, Accountant-General of Our Army; Our trusty and well-beloved George Lisle Ryder, Esquire, Companion of Our Most Honourable Order of the Bath; Our trusty and well-beloved Thomas Ryburn Buchanan, Esquire, Barrister-at-Law; Our trusty and well-beloved William Sproston Caine, Esquire; and Our trusty and well-beloved Dadabhai Naoroji, Esquire; Greeting!

Whereas We have deemed it expedient that a Commission should forthwith issue to inquire into the administration and management of the Military and Civil expenditure incurred under the authority of the Secretary of State for India in Council, or of the Government of India, and the apportionment of charge between the Governments of the United Kingdom and of India for purposes in which both are interested.

Now know ye, that We, reposing great trust and confidence in your knowledge and ability, have authorised and appointed, and do by these Presents authorize and appoint, you, the said Reginald Earle, Baron Welby; Leonard Henry Courtney; William Lawies Jackson; George Nathaniel Curzon, commonly called the Honourable George Nathaniel Curzon; Sir William Wedderburn; Sir Donald Martin Stewart; Sir Edward Walter Hamilton; Sir James Braithwaite Peile; Sir Andrew Richard Scoble; Ralph Henry Knox; George Lisle Ryder; Thomas Ryburn Buchanan; William Sproston Caine; and Dadabhai Naoroji; to be Our Commissioners for the purposes of the said inquiry.

And for the better effecting the purposes of this Our Commission, We do by these Presents give and grant unto you, or any five or more of you, full power to call before you such persons as you shall judge likely to afford you any information upon the subject of this Our Commission; and also to call for, have access to, and examine, all such books, documents, registers, and records, as may afford you the fullest information on the subject; and to inquire of and concerning the premises by all other lawful ways and means whatsoever.

And We do by these Presents will and ordain that this Our Commission shall continue in full force and virtue; and that you, Our said Commissioners, or any five or more of you, may from time to time proceed in the execution thereof and of every matter and thing therein contained, although the same be not continued from time to time by adjournment.

And We do further ordain that you, or any five or more of you, have liberty to report your proceedings under this Our Commission from time to time, if you shall judge it expedient so to do.

And Our further will and pleasure is, that you do, with as little delay as possible, report to Us, under your hands and seals, or under the hands and seals of any five or more of you, your opinion on the matters herein submitted for your consideration.

And for the purpose of aiding you in your inquiries, We hereby appoint Our trusty and well-beloved Richmond Thackeray Willoughby Ritchie, Esquire, to be Secretary to this Our Commission.

Given at Our Court at Saint James's, the twenty-fourth day of May, one thousand eight hundred and ninety-five, in the fifty-eighth year of Our Reign.

By Her Majesty's Command,
HENRY H. FOWLER.

VICTORIA R.

Victoria, by the Grace of God, of the United Kingdom of Great Britain and Ireland Queen, Defender of the Faith, to Our trusty and well-beloved Robert Gray Cornish Mowbray, Esquire, Master of Arts, greeting!

Whereas We did by Warrant under Our Royal Sign Manual bearing date the twenty-fourth day of May, one thousand eight hundred and ninety-five, appoint Our right trusty and well-beloved Reginald Earle, Baron Welby, Knight Grand Cross of Our Most Honourable Order of the Bath, together with the several gentlemen therein mentioned, or any five or more of them, to be Our Commissioners to inquire into the Administration and Management of the Military and Civil Expenditure incurred under the authority of the Secretary of State for India in Council, or of the Government of India, and the apportionment of charge between the Governments of the United Kingdom and of India for purposes in which both are interested.

And whereas one of Our Commissioners so appointed, namely, Our right trusty and well-beloved Councillor George Nathaniel Curzon hath on being appointed one of the Under Secretaries of State to Our Principal Secretary of State for Foreign Affairs, humbly tendered unto Us his resignation of his appointment as one of Our said Commissioners.

Now know ye, that We, reposing great confidence in you, do by these Presents appoint you the said Robert Gray Cornish Mowbray to be one of Our Commissioners for the purposes aforesaid in the room of the said George Nathaniel Curzon, resigned, in addition to and together with the other Commissioners whom We have already appointed.

Given at Our Court at St. James's, the third day of February, one thousand eight hundred and ninety-six, in the fifty-ninth year of Our Reign.

By Her Majesty's Command.

(Signed) M. W. RIDLEY.

Robert Gray Cornish Mowbray, Esquire, M.A.

To be a Commissioner to inquire into the Administration and Management of the Expenditure of India, and into the Apportionment of Charge between India and the United Kingdom.

VICTORIA R.

Victoria, by the Grace of God, of the United Kingdom of Great Britain and Ireland Queen, Defender of the Faith, Empress of India, &c. &c. To the Commissioners constituted by Warrant under Our Royal Sign Manual bearing date the twenty-fourth day of May last, to inquire into the Administration and Management of the Military and Civil Expenditure incurred under the authority of the Secretary of State for India in Council, or of the Government of India, and the apportionment of charge between the Government of the United Kingdom and of India for purposes in which both are interested, greeting!

Whereas We did by Our said Warrant appoint Our trusty and well-beloved Richmond Thackeray Willoughby Ritchie, Esquire, to be Secretary to the Commission constituted by the same Warrant:

And whereas the said Richmond Thackeray Willoughby Ritchie has resigned such appointment:

Now know ye, that, in the room of the said Richmond Thackeray Willoughby Ritchie, We have made choice of Our trusty and well-beloved Colin George Campbell, Esquire, to be Secretary to our said Commission.

Given at Our Court at St. James's, the ninth day of August, one thousand eight hundred and ninety-five, in the fifty-ninth year of Our Reign.

By Her Majesty's Command.

(Signed) M. W. RIDLEY.

Colin George Campbell, Esquire.

Secretary to the Royal Commission to inquire into the Administration and Management of the Expenditure of India, and into the Apportionment of Charge between India and the United Kingdom.

I 87800.

FIRST REPORT.

TO THE QUEEN'S MOST EXCELLENT MAJESTY.

MAY IT PLEASE YOUR MAJESTY,

WE, the undersigned Commissioners appointed to inquire into the Administration and Management of the Military and Civil Expenditure incurred under the authority of the Secretary of State for India in Council, or of the Government of India, and the apportionment of charge between the Government of the United Kingdom and of India for purposes in which both are interested, desire humbly to submit to Your Majesty the following Report of the steps which we have taken in the prosecution of the inquiry entrusted to us. We commenced to hold sittings for the examination of witnesses on the 5th November last, and have held since that date 30 sittings, in the course of which we have received evidence from officials deputed by the Government of India and by the Secretary of State, as well as from gentlemen who have recently held the position of Financial Member of the Governor-General's Council, and others. We have also heard evidence on behalf of the Admiralty and the War Office in regard to the charges made against the Government of India on account of the British naval and military forces at the disposal of the Government of India.

We are not yet in a position to submit any recommendations upon the questions referred to us, but we think it desirable to lay before Your Majesty, without delay, the evidence which we have hitherto taken.

We, therefore, humbly submit this our preliminary Report for Your Majesty's gracious consideration.

WELBY.
LEONARD H. COURTNEY.
W. L. JACKSON.
W. WEDDERBURN.
D. M. STEWART.
E. W. HAMILTON.
RALPH H. KNOX.
J. PEILE.
ANDREW R. SCOBLE.
G. L. RYDER.
T. R. BUCHANAN.
W. S. CAINE.
DADABHAI NAOROJI.
R. G. C. MOWBRAY.

COLIN G. CAMPBELL,
Secretary.

August 10th, 1896.

ANALYSIS OF EVIDENCE.

SECTION I—FINANCIAL MACHINERY.

Note.—Qq. 13,641–74 relate to the general question of Apportionment of Charge (Section III.).

SECTION II.—PROGRESS OF EXPENDITURE.

SECTION III.—APPORTIONMENT OF EXPENDITURE.

See also Qq. 13,641–74 in Section I.

ANALYSIS OF EVIDENCE.

SECTION I.—FINANCIAL MACHINERY.

(*Days* 1–7, *and the* 30*th.*)

DAYS 1, 2, AND 6.

WATERFIELD, SIR HENRY, K.C.S.I., C.B., Secretary in the Financial Department of the India Office, and JACOB, MR. STEPHEN, C.S.I., Comptroller and Auditor-General to the Government of India. ANALYSIS OF EVIDENCE OF.

(Past and Present Services of the Witnesses, 1–7.)

SYSTEM OF ACCOUNT IN INDIA. *See* APPENDIX.)

1. THE SEPARATE GOVERNMENTS.
2. ADMINISTRATION.
3. THE BUDGET.
4. THE COLLECTION OF REVENUE.
5. DISTRIBUTION OF FUNDS FOR EXPENDITURE.
6. ACCOUNT AND AUDIT.

1. THE SEPARATE GOVERNMENTS.

Enumerates the eight Provincial Governments, each of which is a separate centre of Financial Administration, 8–9.

The style of the Governments of Bombay and Madras, the larger provinces, is "The Governor in Council," and of the minor provinces, "The Lieutenant-Governor" or "The Chief Commissioner," 10–15.

2. ADMINISTRATION.

A. Civil Financial Officers.

The chief Financial Officers of the Central Government are the Financial Member of Council, the Financial Secretary, and the Comptroller and Auditor-General—of the Presidencies of Bombay and Madras, the Financial Member of Council, assisted by the heads of branches, and by the advice of the Accountants-General; of the larger provinces, the Lieutenant-Governor; and of the minor provinces, the Chief Commissioner, 10–15.

The Financial Member of Council.

The term of office is five years, but this has been occasionally extended, 16–18. The Viceroy, should he agree with the Financial Member in differing from a decision of the majority of the Council on a question in which finance is involved, may suspend action pending a reference to the Secretary of State; otherwise the Finance Member can only record his dissent, which is forwarded to the Secretary of State, 25–35. *Paper handed in* showing instances of dissents of the Financial Member, then come before the Secretary of State by the way of record, 562–81.

His powers and duties are generally similar to those of the Chancellor of the Exchequer in England, 19–29.

The Financial Secretary.

Corresponds generally to the Secretary of the Treasury in England; he is a member of the Indian Civil Service, and holds office till promotion or retirement; it is his duty to see generally that financial regularity is observed, 71–3.

His staff consists of a Deputy Secretary, an Under Secretary, an Assistant Secretary, a Registrar, and subordinates, 74–5.

The Comptroller and Auditor General.

Detailed list of his duties, 76–79.

His executive duties nearly correspond to those of the Assistant Secretary of the English Treasury, the

WATERFIELD, Sir HENRY—*cont.*

Controller of the National Debt Office, and the Deputy Master of the Mint; he is chief auditor of the Accounts; 79–92, 102–3, 113–21. He is also the unofficial adviser of the Finance Member, *Jacob*, 2842.

When the Government is at Simla he is the representative of the Treasury at Calcutta; he is, however, outside the Financial Department proper, 93–6.

In any crisis he would be the first to know the general state of the reserves of the treasuries, and would communicate it instantly to the Government of India, 104–13.

His staff, which is entirely distinct from that of the Financial Department proper, includes three Deputies, one of whom is his assistant in executive functions, and two in audit functions, four assistant Comptrollers-General, and subordinate officers, 97–101*b*.

He is the first officer who focusses all the accounts of the different spending departments throughout India, 76–8.

Descriptions of the several Accounts rendered to the Comptroller and Auditor-General, 406–12, (*Jacob*, 2844*a*–5.)

Provincial Accountants General.

Are officers of the Central Government under the Comptroller-General, they act only as *advisers* of the Provincial Governments, rather on questions as to whether the regulations are complied with, and whether proposals are within the powers of the Provincial Governments, than on questions of financial administration, and are quite apart from the Provincial Finance Department, 122–34, 866–71. Duties of Accountants-General, 868–9.

Treasury Officers.

The Treasury officer is one of the assistants of the chief civil officer or Collector of each district, and is subordinate to the Provincial Government; he is practically district paymaster; besides his Treasury duties he is generally on the district staff, performing revenue and magisterial work; he is assisted by an accountant, a treasurer, and staff, 135–7. The treasurer is responsible for the cash, and gives security, the balance being tested at uncertain intervals by the District Collector, 183–4.

B. Military Financial Officers.

The Military Financial officers are (1) the Military Member of Council, (2) the Military Secretary, (3) the Military Accountant-General (corresponding to the Accountant-General of the Army in England, 401–3), (4) the Military Controllers in each Command, who are the Auditors of Military Expenditure, (352); and (5) the Military Examiners, who are purely audit and account officers on the staff of the Military Controller, 352–4, 462–87.

3. THE BUDGET.

Is usually presented to the Legislative Council in the last week in March, 303.

Process of Framing the Budgets.

The various district and departmental officers prepare their estimates in October; these the respective Departments combine and send to the Provincial Government, for whom the Accountants-General compile them into a budget about the middle of January, 304–7, the Civil budgets are submitted to the Finance Department of the Government

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of India by the 15th January, the Military and Public Works Budgets by the end of February, 308–15.
The Military Budget is primarily prepared by the Controllers of each command, the Public Works Budgets primarily by the Provincial Governments. The Accountants-General in the Military and Public Works Departments combine the estimates furnished by the several Controllers of Military Accounts or by the Provincial Governments and managers of State railways respectively, 316–20.
There is no formal decision arrived at annually on the Budget, as to military policy, the establishment being fixed, 322–32.
Description in detail of the process of examining the Budget by the Financial Department, 321.
The Budget estimate only provides for receipts and expenditure expected actually to be received or paid within the year, 333.
Details of information upon which the revised estimate is framed, 413–8.
The Financial Member of Council is furnished by the Comptroller-General on the 9th of each month, with an account of revenue and expenditure of the previous month, and later on in the month with a more detailed account, 432–46. These are also furnished to the Military Member, 384–95. The only departments with responsible expert officers at headquarters from whom the Financial Member could obtain immediate information regarding noticeable variations in the Revenue are the Opium and Salt Departments; the Financial Member would have to refer to the Provincial Governments for similar information in connexion with other departments, 447–52, 452–60.
Returns as to military expenditure during the previous month are received by the Military Accountant-General from the Controller in each Command on the 20th and in greater detail (including Military Expenditure incurred in other Departments) on the 26th of each month, 360–80; quarterly statements of expenditure, not provided in the Estimates, are laid before the Military Member of Council, 362–83.

THE COLLECTION OF REVENUE.

a. General.
b. Customs.
c. Excise.
d. Stamps.
e. Land Revenue.
f. Opium.
g. Post and telegraph.
h. Railways.

a. General.
There are 266 district treasuries, not including sub-treasuries; (a sub-treasury is an outlying post in an extensive district), 152–62. The revenue collected within a district is paid into the district treasury, 224; in the smaller districts the cash balances are kept in strong rooms, in the larger ordinarily in the branch Presidency Banks, 138–51, 156–8, 190. Losses are very rare, 185–9 (*hands in Statement of places where there are branches of the Presidency Banks*, 561. APPENDIX.)
All the District Treasuries are in telegraphic communication with the Accountants-General of their province, 223.
Any money that is not wanted at a District Treasury is remitted to a central station, where the bulk of the payments are made and from which funds can easily be removed by drafts, 164. The movement of funds is now a source of profit, owing to the premium on bills, *Jacob*, 2832. The whole of the money at the central stations is not invariably banked; in the Presidency towns, for instance, a part is kept as a reserve in the strong box, in order to secure the speedy transfer from a treasury with a large balance to one in need. This is done by means of transfers from the Treasury to the Currency reserve, and *vice versâ*, 166–72, 177–82. The Provincial Accountants-General receive monthly information from the several treasuries, and thus are able to order remittances from surplus to deficit treasuries, 404–5; the question of the balance to be maintained in the reserve Treasuries has been fully considered; it has been decided that balances cannot be safely reduced below eight crores, and that of this a minimum balance should be kept at the Presidency Banks, interest being payable by Government on the deficit, should the balance fall below the minimum, *Jacob*, 2805–30. The reason for maintaining Reserve Treasuries is that the banks may not always be able to call in funds to meet Government demands with sufficient rapidity (instances of this), for in India the Government balance forms a very large proportion of the total funds of the country, 172–5.

b. Customs.
The Financial Department in India is responsible for the general administration of the Customs. In each province the Customs Department is under the Provincial Government, 225–8. There is one Act for the whole of India, subject to which the Provincial Governments have considerable power in regard to details, 231–5. Local considerations render absolute uniformity impracticable, (266); but to secure harmony of administration all customs orders of general application are published in the Gazette of India, 229–30. Appeal against the action of Customs officials is to the Provincial Government, but there is in practice appeal from the Provincial to the Imperial Government, which also occasionally reviews the action of the Provincial Governments on its own initiative, 230–6. As a general rule Customs officers pay the gross revenue collected into the district treasuries, on which they draw for their expenditure; accounts are rendered to the departmental controlling officers, 236–9.

c. Excise.
Similarly the Excise Department is under the several Provincial Governments, subject to the ultimate control of the Government of India in the Financial Department; when a proposal is made (usually at the instance of the Provincial Governments, 249) for an alteration in the excise law, the Provincial Governments, who would take advice from their chief excise authorities (254), are consulted by the Imperial Government, and a Bill is drafted and circulated, not only to the Provincial Governments, but for the information of the general public; upon the consequent recommendations the project of law is finally brought into shape, 240–50, 255–7. There are separate local Excise Acts for Bombay, Madras, and Bengal respectively; for the rest of India there is a general Act, 251–3. The excise revenue is paid into the District Treasuries, subject to the same conditions as the customs, 260.

d. Stamp Revenue.
The Stamp revenue is also under the management of the Provincial Governments, large questions and general regulations being under the control of the Central Government. Stamps are sold at treasuries and sub-treasuries, which receive directly the bulk of the revenue, including fines, 261–3.

e. Land Revenue.
The Imperial control of the collection of Land Revenue is vested in the Revenue and Agricultural Department of the Government of India, great latitude being reserved to the Provincial Governments. The systems in the various provinces, and even districts of the same province, vary greatly. All questions requiring an alteration in the law must be settled by the Central Government, 270–4. The staff of the Central Department consists of a secretary, an under-secretary, a registrar, and subordinate staff, 275. Its functions include the management of general questions of survey and settlement, appeals, and general control, 276–80.
In the case of any alteration of law involving a loss of revenue or increase of charge, the Finance Department must be consulted, 281.

f. Opium.
The Opium Department is directly under the Government of India in the Finance Department. In Bengal the Government manufactures the opium, and derives its revenue from sale by auction. In Bombay it is manufactured in the native States, and a transit duty is levied. The revenue is wholly Imperial, 282–3.

g. Post Office and Telegraph Department.
The Post Office is under the control of its Director-General in direct subordination to the central Finance Department; the Telegraph Department under the Director-General of Telegraphs, in direct subordination to the central Public Works Department, 284–6. The receipts from both are paid into the several district treasuries, 287. The Telegraph Department has for several years produced a net revenue; the Post Office is not looked upon as a revenue-producing department;

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the position of both is annually reported, 288.
the expansion of the Post Office in the near future is probable, subject to general financial considerations, 289–98.

k. State Railways.

For the most part State railways are under the control of the Government of India in the Public Works Department; some are provincial; there are the same regulations for all, 301. The revenue from railways (and irrigation works) would usually be paid into the most convenient Central Treasury, 299–300.

As a rule each Railway Administration settles its rates between a maximum and minimum prescribed by the Public Works Department; but any alteration involving a loss of revenue must be sanctioned by the Finance Department, and, in case of difference of opinion between the Departments, by the Governor-General in Council, 301–2.

5. DISTRIBUTION OF FUNDS FOR EXPENDITURE:

a. In the case of Civil Departments.

The Treasury officers are bound by certain general rules applying to the various classes of expenditure, 194.

b. In the Public Works Department.

Funds are provided to the Department by means of letters of credit issued to Treasury officers by the Accountant-General of the Province, at the instance of the Examiner of Public Works Accounts, in favour of each Executive Engineer, who makes payments by cheques on the Treasury. The expenditure of the Department was Rx. 34,000,000 in 1893–4, 194–7, 340–4.

c. In the Military Department.

Funds are placed at the disposal of Military Disbursing officers by annual assignments in their favour issued to Treasury officers by the Provincial Accountant-General on the application of the Military Controller, 349–50.

Money is drawn by the Disbursing officers by cheques against their assignments, ordinarily representing their exact requirements. Except during military expeditions, balances in their hands are very small, 198–215.

In case of emergency, where the delay involved in procuring formal sanction would cause public inconvenience, a supplementary assignment may be made to a Disbursing officer, on the authority of a station or district order, without limit—such advances must be at once brought to the notice of the military authorities, 355–9.

Each Controller may sanction extraordinary expenditure up to the limit of Rs.1,000 a month, in order to avoid petty references for formal sanction, 381–2.

6. AUDIT AND ACCOUNT.

a. General.

All civil expenditure (whether Imperial or Provincial, 902), is audited by the Provincial Accountants-General or Comptrollers and their subordinates, (906-27); these officers are entirely independent of the Provincial Governments, they have the power to disallow any payments, even made on the authority of the Provincial Government, if irregular, subject to reference to the highest authority, 918–22. They are not executive officers, except in so far as the Accountant-General advises the Provincial Government and is the compiler of the Provincial Budget, 910–14. Though the Revenue officers are primarily responsible for the accounts of the Treasury officers, their accounts are submitted twice a month (194) for audit by the subordinates of the Accountant-General, who enter objections in a book (to which the Accountant-General is directed to pay constant attention, 510); 504–18. To check the action of his subordinates the Comptroller-General sends round his two Deputy Auditors-General to every office in India to test the accounts for two or three months, 514. These test audit reports are submitted *in extenso* to the Government of India with the Comptroller-General's comments; he relies on them for assurance that items are not passed which ought not to be passed, 533–7. There is also an annual report on outstanding objections, *Jacob*, 2846.

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The decision of the Comptroller and Auditor-General is, in audit cases, final, subject to appeal to the Government of India, and, if required, to the Secretary of State; instances of such references, 538–44.

Misappropriation of money must, in any case, be discovered within a month, 545–60.

The Appropriation Audit Report of the Comptroller and Auditor-General is practically a review of the expenditure of the past year, and not a detailed criticism of the yearly charges, etc., like the Appropriation Report of the English Comptroller and Auditor-General, in which all irregularities are noticed. Irregularities in India are promptly disallowed by the subordinate audit officers, and do not ordinarily reach the Comptroller-General, 529, except in rare cases, where they are referred for his decision by the Accountant-General (511); there are practically no irregularities left to be discovered by the Appropriation Report, 1107–26. The audit system adequately ensures that all irregularities are reported to the Government of India, 2867–9.

The Appropriation Report is made to the Government of India, the authority which grants the supplies. Just as the English report is made to Parliament, the granting authority, 999. It is not laid before Parliament, but the Secretary of State is responsible to Parliament for the expenditure of Indian Revenues, (956–65). The Comptroller-General is, from his position, an absolutely independent officer, 969–72; it is not part of his duty to check expenditure authorised by the Secretary of State, *Jacob*, 976–7; nor would he go behind the orders of the Government of India except in matters which require the sanction of the Secretary of State, *Jacob*, 1033–40, 1114–1137, the Comptroller-General's report, as a matter of course, goes to the Secretary of State, and is published in the Gazette of India, *Jacob*, 1041–3, The instructions of 1889 to Audit Officers to bring to notice cases in which the sanction of the Secretary of State, though necessary, has not been obtained, have been successfully carried out, 1121–8.

The suggestion accepted by the Government of India in 1882, that a more detailed system of Audit by an absolutely independent auditor should be carried out, was set aside by the Secretary of State on the score of expense, 1001–1009, 1133. The modified system now in force was considered sufficient, 1010–6.

b. In the Public Works Department.

The details of testing and watching Public Works expenditure, 345–7.

Military works are generally executed by the Military Works Department, 343, 348.

The Accounts of the several engineers are sent monthly to the Examiners, who audit them, and report, if necessary, to the Accountant-General of the Public Works Department; they disallow items of expenditure not duly sanctioned; the audited Accounts are compiled by the Accountant-General and furnished to the Finance Department, 498–500. The Public Works Department prepares a separate Appropriation Report, *Jacob*, 432.

c. In the Military Department.

The Examiners examine the accounts of the Disbursing officers, who must only make payments according to the regulations, and are required to furnish to the Examiners vouchers for every payment, 466–477.

The Examiners are on the staff of the Military Controller, who compiles their accounts into a monthly account for the Military Accountant-General, 478–87.

The Examiners would either disallow payments not properly authorised, or, in doubtful cases, refer to the Controller, whose decision is final unless appealed against; any want of necessary sanction of the Secretary of State would be brought to notice by the Controller, 488–92.

Regulations for inspecting and auditing stores accounts, 493–7.

The Controllers draw up Appropriation Reports, which they send to the Military Accountant-General, who compiles from them his Appropriation Report, and forwards them with his own, to the Comptroller-General and the Financial Department of the Government of India, 396–400, 423–30.

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d. In other Departments.

The Forest Department and Post Office have separate Accounts Departments, under the immediate control of the Comptroller-General; the Marine Department under the Military Accountant-General; the Telegraph Department under the Public Works Accountant-General. The audited accounts of all these departments are sent to the Comptroller-General or Accountant-General, 501–2.

Account Codes.

The Account Codes seem as simple as they can be made, 216–22.

The paper "System of Account" is an epitome of the Civil Account Code, there are also the Military Account, Public Works Account, and Postal Account Codes, the Comptroller-General is responsible for any alterations in the Civil Account Code, subject to higher sanction where necessary; for alterations in the Public Works and Military Codes the Public Works and Military Departments are respectively responsible, 334–9.

PROVINCIAL SYSTEM. (*See* Appendix, "Provincial Finance.")

Definition of Provincial Government, 856.

The Secretaries to the Provincial Governments communicate on financial questions with the Financial Department of the Government of India, 857–62, and with other Departments, except the Military Department, 874–8.

Military Finance does not concern the Provincial Governments; it is wholly Imperial, 872–3.

The System of Decentralisation has done away with a vast amount of correspondence that would otherwise have been necessary, 884–7.

With the exception of the Salt Revenue in Northern India, which for the sake of convenience is collected by officers of the Central Government, 657–67, and certain Departmental Receipts (Post Office, Telegraph, Mint, Army and Military Works, 656 and 781), the whole of the Revenue is collected by officers of the Provincial Governments, 642.

Officers of the Central Government charged with the collection of Imperial heads of revenue are independent of the Provincial Governments, 668–70 (as are also officers of Scientific Departments, *e.g.*, the Survey of India, wherever stationed, 880–83).

The germ of the provincial system was a suggestion made in 1861 by Mr. Laing, Financial Member of Council, that, for the purpose of executing public works of a minor character, funds should be raised by the Provincial Governments by means of a tobacco tax or octroi; these particular taxes, however, were never imposed, except by municipalities for their own purposes, 633–40.

The policy of transferring to the Provincial Governments, with a view to administrative as well as financial improvement, the responsibility for the administration of a large portion of their own revenues was introduced by Lord Mayo in 1871, in the shape of fixed grants. In 1877, in lieu of a portion of the fixed grant, certain heads of revenue were assigned to the Provincial Governments; a further step in this direction was made with respect to Burma and Assam in 1879, and the amended system was generally applied in 1882, 582–7. The Provincial Governments have always been responsible for the collection of revenue, but till 1877 derived no direct benefit from careful collection, 584.

The Provincial Agreements assure to the Provincial Governments a normal income, the Central Government taking the risks of war and fall in exchange (except to some extent of late years in respect of Compensation Allowance), 840–6.

The Central Government reserves to itself the right to call on the Provincial Governments to contribute to the Imperial Expenditure in case of abnormal pressure; such contributions have been levied four times, first during the Afghan War (these contributions were afterwards refunded, and added to the balances of the Provincial Governments,) next in 1886–7; next in 1890–1, and lastly in 1893–4, 847–55.

Every five years an examination is made of the circumstances of the several Provinces, and the agreements are revised with a view, on the one hand, to ensure to the Imperial Government a due share of any improvement in the revenues; and, on the other hand, while giving the Provincial

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Governments a fair proportion of any increase, to lessen the chance of their being called upon to render abnormal assistance to the Imperial Government, 588. Fixed proportions of the various heads of Revenue are assigned to the Provincial Governments, on the principle of establishing general equilibrium, the necessary adjustments being effected by additions to or subtractions from the normal proportion (25 per cent.) of Land Revenue assigned to the Province, 642–4, 770–1. No attempt is made to arrive at equilibrium under each separate head transferred; the equilibrium is arrived at by general adjustments, 823–37. The revision of the Provincial agreements is conducted by the Financial Department in correspondence with the Provincial Governments, 588–97.

Under the Agreement of 1882 the Provincial Governments had an interest, more or less direct, in the collection of 42 crores of Revenue and administered about 16 crores of expenditure, 700–2.

A large increase has taken place in the revenues, which may be ascribed to a great extent to more careful administration, 679–88. As an instance, the Excise Revenue has increased 85 per cent. without any appreciable increase in the scale of taxation, 689–97.

The total increase in the Provincial Revenues has amounted to 22 per cent. without any very considerable addition of taxation, excepting the Income tax (which may be variously estimated to have added from Rx. 350,000 to Rx. 500,000, to the Revenue), and this increase has been due partly to more careful collection, partly to an improvement in the general prosperity of the country, 709–805.

In 1887—the first revision under the new system—and again in 1892 the Revenue and expenditure of the Provincial Governments were re-estimated and the assignments refixed with a view to equilibrium, the Imperial Government taking practically the whole of the net increase, 700–8. In 1886 a special Finance Committee was appointed to consider Provincial Finance, and to advise the Financial Department in carrying on this revision, 588–97, 601–4.

Practically the same provisions, excepting as regards receipts from provincial railways and land revenue, now apply to all Provinces alike, 598–600.

The increase in the Land Revenue is caused by resettlements on expiration of existing contracts; the assessments are in a great part of India a proportion of the rental value of the land, and the increased return must be ascribed to increased agricultural prosperity, 721–29, 748–55; a limit has been placed upon the enhancement of individual assessments by the Secretary of State, 733–47. Recommendations for revised assessments must have the approval of (1) the Provincial Government, (2) the Government of India, and (3) the Secretary of State, 764–70.

In addition to their assigned Revenues, those Provinces which have Legislative Councils may, with the consent of the Government of India, levy a provincial or local rate, which is a further tax on land—in addition to the Land Revenue proper—to meet local expenditure, 605–32.

All charges under the head of general administration—such as Education, Medical, Police, Law and Justice, Civil Roads, and the Administration of Revenue—are Provincial; offices of Account and Audit are mainly Imperial, 649–55, 1108–11.

No attempt is made to arrive at equilibrium under each separate head transferred; the equilibrium is arrived at by general adjustments, 823–37.

In consideration of the fixed assignments under each head, the Provincial Governments undertake to defray fixed proportions of the expenditure under each head.

All payments by the Provincial Governments are made out of the general cash balances in the most convenient manner, an adjustment of accounts between the Central and Provincial Governments being made afterwards, 671–2. No change can be made in existing systems of Revenue management or collection without the approval of the Central Government; which, whilst giving the Provincial Governments great freedom in details, maintains a general supervision and control over their expenditure and Revenue management, 673–8, 789–805; *hands in* and describes the Bengal Budget for 1894–5, 800–5, 807.

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The Provincial Budgets.—The Estimates of each District or Departmental office (305) are revised and corrected by the head of the Department, who sends them to the Accountant-General. He, after seeing whether the expenditure has been sanctioned; passes them on to the Provincial Government, which makes any alteration it thinks fit and returns them to the Accountant-General for compilation. The compiled Budget is then submitted by him to the Provincial Government with his observations thereon, and at the same time forwarded to the Comptroller-General; the Provincial Governments, by 16th January, submit their Budgets to the Government of India in the Financial Department; this leaves about two months for correspondence on disputed points, 887–8.

Excess of expenditure over the Budget grant must be sanctioned by the Central Government. In any case it would have to be met from the Provincial Balances (*quotes an instance*), 808–12.

Two essential rules of Indian Finance are, that, in absence of strict necessity, new expenditure only begins with the new financial year, and that the mere insertion in the Budget of a charge requiring special authority is not a sanction for the incurring of that charge without that authority, 821–2.

The Provincial Governments can enter fresh expenditure on their Budgets, within the limits of their Revenue, without further sanction, provided that the expenditure is within their general powers; they must be assured of the increased revenue before they can propose an increased expenditure (1075), and they must have the sanction of the Government of India for considerable expenditure from balances, 1069–77, 1077.

Balances.

The Provincial Governments are bound to budget for a minimum cash balance at the close of the year, 891–2 (*hands in a list of balances*, 892), unless with the previous sanction of the Government of India, 895. These balances are designed to meet purely local emergencies, they are not ear-marked, but form part of the general balances, for the location and management of which the Comptroller-General is responsible, 890–900.

Should a Provincial Government reduce its balance below the prescribed minimum, the Central Government would probably recreate it by means of a loan, and the Province would not be allowed to use its spare revenues until the amount had been replaced; such cases have occurred, 813–20.

In the case of severe distress from Famine, the Central Government will not aid the Provincial Government until the current income of the latter and two-thirds of its accumulated savings, in excess of the ordinary working balance, have been spent; after the pressure has passed away the margin of normal income over normal expenditure must be applied to complete famine relief works or payment of interest on loans raised in consequence of the famine, 806.

Local and Municipal Authorities.

The system under which Provincial Governments delegate part of their authority to local bodies, the powers, duties, and sources of income of such bodies, 930–5.

5TH DAY.

WATERFIELD, SIR HENRY (recalled), and CAVE-BROWNE, C.S.I., MR. EDWARD RABAN, Accountant-General in the India Office. ANALYSIS OF EVIDENCE.

Experience of Mr. Cave Browne, 2357–8.

1. *Home Accounts.*

India Office procedure, 2394–5, 2465–78; branches of India Office and division of business, 2396–2415.

Heads of payments are given in the explanatory memorandum of the Secretary of State, 2362; the figures are stated in that account in three columns, viz., the sum paid in sterling, the amount which must be added to the sterling figure in order to obtain the number of Rx. which the Government of India has to pay, and the total which is the real rupee charge, 2362–76; this mode of stating the charge for exchange is for the sake of convenience, 2382; though it comes to the same

WATERFIELD, Sir HENRY—*cont.*

thing as entering sterling in Rx. at 2*s.*, it is not based on the conventional idea that the rupee is worth 2*s.*, 2377–9; care is taken not to describe the difference as *loss* by exchange, 2389; the average rate of exchange for the year is obtained by taking the amount of rupee bills sold throughout the year, and dividing that by the sterling amount received for those bills, and on this average the rupee equivalent of the sterling payment is calculated, 2611–20A.

2. *Financial Department.*

The Finance Committee of Council and Financial Secretary, with the assistance of the Accountant-General, are the financial advisers of the Secretary of State, 2443; theoretically all business involving expenditure goes before the Secretary of State personally, 2444–6; and he sees all important papers at a very early stage, 2476; expenditure in India, with certain exceptions, is criticised by the Financial Department, and financial proceedings reviewed, 2447–53; financial procedure, in the India Office, 2454–64; the policy of imposing fresh taxation would be dealt with by the Financial Department, the details by the Revenue Department, 2969–73.

3. *Accountant-General's Department.*

Duties of Accountant-General, 2416; he invests the cash balances subject to the approval of the Secretary of State in Council and general regulations, 2425–9, 2435–42; on rare occasions temporary borrowings are necessary, but usually the balances are maintained by sale of bills, 2430–4

4. *Home Expenditure.*

Services for which payment is made in the India Office, 2360; payments are not made under code, 2477–8; but under the authority of the Secretary of State in Council in some form or other, 2391; explanations of different heads of account, 2479–2584; the establishment of the Secretary of State is regulated by Order in Council, 2482–4; in other respects in regard to expenditure the Secretary of State in Council has complete authority, 2485–9; procedure in regard to increase of expenditure in England, 2490–3; important increases would be referred to the Government of India, instances, 2494–2522.

5. *Stores.*

Method of procuring stores for India, 2523–7; strength of Stores Department, 3529–33; details of various classes of stores and mode of supply, 2534–61, 2621–37; method of payment for stores for guaranteed railways, 2574.

6. *Estimates.*

The estimates are prepared in November on the Indian system, 2585; they are sent to India with a despatch, and revised figures are sent out early in March, 2587; any criticism or remonstrance by the Government of India would probably not take place in reply to this despatch, but on a specific proposal, 2588–94.

(3RD DAY.)

NEWMARCH, MAJOR GENERAL SIR OLIVER, K.C.S.I., Secretary in the Military Department of the India Office. ANALYSIS OF EVIDENCE OF.

(Past and Present Services, 1147–57.)

MILITARY FINANCE.

1. ADMINISTRATION.
2. PREPARATION OF THE MILITARY BUDGET.
3. DISTRIBUTION OF FUNDS FOR EXPENDITURE.
4. ACCOUNT AND AUDIT.

1. ADMINISTRATION.

Officers.

The officers concerned with Military Administration in India, are, i. The Military Member of Council; ii. The Commander-in-Chief; iii. The Military Secretary; iv. The Military Accountant-General; v. The Controllers (of each of the four Commands, 1167–72); vi. The Examiners; and vii. The Disbursing Officers, 1149–72A.

The Military Member and the Commander-in-Chief.

The former deals with the Finance and the Departments of the Army, the latter deals with the executive and *personnel*, 1158–66.

NEWMARCH, Major General Sir OLIVER—*cont.*

The Military Accountant-General is the head of the Account branch of the Military Department; and, with the assistance of a Deputy Accountant-General, an Assistant Accountant-General, and a large staff of clerks, he reviews and consolidates the military estimates for the whole of India, and is responsible for the orderly conduct of Military Finance; he is practically a Deputy Financial Secretary in the Military Department; 1173–9, 1215–27. The various detailed statements of account that he receives every month always keep him thoroughly cognisant of the state of military finance, 1397–9.

The Controllers, (of whom there is one in each of the four commands, 1172A), consolidate the monthly audited accounts of the subordinate accounts and audit officers into a general statement for each command, 1376–8; draw up military appropriation reports 1381–3; and compile the military estimates, 1216; a test audit is conducted by a special officer under their orders, 1401–3; they are responsible for the distribution of assignments to the disbursing officers, 1238–41, 1256–7.

The Examiners. The Controller of each of the four commands has under him three Examiners, viz., the Examiner of Commissariat, Remount and Medical accounts, the Pay Examiner, and the Examiner of Ordnance and Clothing accounts, 1180–8. With the exception of the Pay Examiner (who is to some extent a disbursing officer, 1182), they act purely as auditors, 1324–38; 1413–24.

The Disbursing Officers are military officers, they include District and Regimental Paymasters, Commanding Officers of native regiments and batteries, Commissariat Officers, the Superintendent of Family Pensions, Pension Pay Officers, Remount and Clothing Officers, Ordnance Officers, and, at small stations, the officer in command, 1190–1208, 1250–4.

2. THE PREPARATION OF THE MILITARY BUDGET.

Every disbursing officer by a fixed date sends to the Controller of his command the estimate of his requirements for the ensuing year based on existing facts; the Controllers compile the estimates and send them to the Military Accountant-General, who consolidates them into one estimate for all India (making any alterations he thinks fit) which he submits to the Military Member by the 25th January, 1215–27. (Considerable modifications are often made at headquarters, 1450–5). The Government of India has, therefore, about two months to consider the Military Estimate, 1229–30; and during these two months consultations take place between the Commander-in-Chief, the Military, and the Finance Members of Council, reference being made to the Governor-General in Council in case of disagreement, 1209–28. For any large contemplated increase the Secretary of State's sanction must generally be obtained, 1406–10. The estimates for services at home are received from the Secretary of State, but they are occasionally revised on the representation of the Governor-General, 1461–6. The Budget as a whole is finally accepted by the Governor-General in Council, 1231–7

3. DISTRIBUTION OF FUNDS FOR EXPENDITURE.

The Controller of each command arranges with the Provincial Accountant-General for a yearly assignment—subdivided into monthly assignments—in favour of each disbursing officer with the District Treasury; the disbursing officers can only draw up to the limit provided for in each month, and the Treasury officer is informed by the Provincial Accountant-General of the amount up to which each disbursing officer may draw, 1237–40.

In case of sudden demand, application might be made to the Controller for a supplementary assignment; if the case were urgent an order might be procured from the commanding officer for the amount, and the matter would be immediately reported to the Controller, 1241.

Ordnance officers alone receive no cash assignment; their bills for supplies are paid by the Commissariat officers, on the authority of the Inspector General of Ordnance; and they receive only a petty cash allowance, 1250–77, 1282–4.

NEWMARCH, Major General Sir OLIVER—*cont.*

Paymasters of Native and of British Regiments draw pay for the troops once and four times a month respectively, 1278–89.

Pensioners are now paid through the Civil Treasuries, precautions being taken to identify them, 1290–313, 1467–70.

Disbursing officers draw cheques on the Treasuries as on a bank, and such cheques are honoured without inquiry if within the monthly assignment, 1313–23.

4. AUDIT.

The Examiners, under the Controller in each command, conduct the examination of the whole of the military expenditure, 1324–33, 1413–24, and a test audit is also conducted by officers deputed by the Controller, 1334–8.

The Examiners have no discretion to pass payments not in accordance with the regulations, or not properly vouched, 1370–5; they must disallow such payments, subject to appeal, first to the Controller, then to the Commander-in-Chief, and ultimately to the Governor-General whose decision is final, 1352–69; no statement of objections is rendered by the Examiners to the Controller, except in case of appeal, 1378–80.

As regards the payment of troops, the audit officers are satisfied with the statement of the company paymaster, and do not require to see the receipt of every soldier, 1343–51, 1431–7.

There is no second audit on behalf of the Comptroller and Auditor-General, but he may at any time have a test-audit performed on his behalf, 1399–405, 1400–5.

Commissariat accounts are furnished to the Controllers monthly, 1339–42.

The various military account codes are not so complicated as to give rise to questions, 1242–9A.

(3RD DAY.)

BECHER, MR. A. R. Deputy Accountant-General, Public Works Department of the Government of India, ANALYSIS OF EVIDENCE OF.

Experience, 1471–4.

THE PUBLIC WORKS DEPARTMENT.

The main divisions of the Department are the Railways Branch, which is subdivided into the Construction and Open Lines Divisions, the Irrigation Branch, the Buildings and Roads Branch, and the Accounts Branch; the Telegraph Department is also under the Public Works Department, 1475–86.

The expenditure administered by the Public Works Department is about 33 million Rx., 1487–89.

The Executive branches are Provincial; the Accounts Branch is Imperial, 1497–1500.

Great works, such as the Periyar project in Madras, are carried out by Provincial officers, but railways, for instance, possibly because they generally pass through more than one province, are carried out under the Central Government, 1537–41.

"Special Defence Works" are carried out by the Military Works Department, which is under the Military Department, 1543–4.

The Accounts Branch.

The strength of the headquarter staff is 84 officers, including an Accountant-General, a Deputy Accountant-General; it is the Finance as well as the Audit Branch of the Department, 1490, 1501.

The Accounts Department compiles the Estimates of the Executive Branch for the Budget, 1494–6.

There is an Examiner of Public Works Accounts in each Province,, with subordinate staff, 1501; the Examiners are purely Audit Officers, 1473, though they are also advisers of the Provincial Governments, 1502: it is on their requisition that the Civil Accountants-General give order to the Treasury Officers to issue money to the Executive officers, 1503–8.

The preparation of the Budget.

The amounts which can be found from Provincial and Local Funds and from Imperial Funds for Public Works, are settled by the Provincial and Imperial Governments, respectively, and the latter informs the Provincial Governments what works it proposes to carry out within the Provinces; the Provincial Governments send their Budget estimates in on the 15th January to the central Public Works Department, where they are revised

BECHER, Mr. A. R.—*cont.*
and criticised, and a combined estimate is submitted to the Governor-General in Council by about the 15th February. There is thus at this stage only about a month for consideration, 1509–19.
In the previous October, however, a preliminary forecast of proposed expenditure has been submitted by the Provincial Governments, and the Budget is prepared for the amount then arranged, 1519.
The Provincial Governments practically settle the amounts available for their own wants, 1649–50; their powers of sanction without superior authority are limited in respect of any individual work, 1667–71.
There is a similar restriction upon the Government of India, 1672–3.
Small alterations are frequent, but large alterations are rare, in the final stages of the Budget, 1519–20, 1633–41.
The Financial Department informs the Public Works Department what money can be provided for Imperial Works, and the latter apportions the money in the manner it thinks best, 1521–3, providing for works in progress and for necessary repairs in preference to new works, 1524–7.
Proposals to pay for works out of borrowed money must be sanctioned by the Secretary of State and such works must be of the "productive" class (definition of "productive," 1632); these are usually Railways and Irrigation works, 1528–36. Buildings and Roads would be entirely provided for out of revenue, 1542.
Military works having only been transferred to the Military Works Department of recent years from the Public Works Department, for convenience the accounts continue to be rendered to the Public Works Department, and the estimate, though prepared by the Director-General of Military Works, is included in the Public Works Estimates, 1543–52, 1674–1711.

Distribution of Funds.
The Provincial Governments are informed when their Budgets have been approved, and the Provincial Public Works Secretariats proceed to apportion the grant for the year amongst the Superintendents of Circles, who in turn distribute to their subordinates. Every month the Executive Engineer of each division submits to the examiner a statement of the amount he proposes to spend in the following month. The Examiner compiles from these a statement showing the amounts to be drawn on each Treasury, which he forwards to the Provincial Accountant-General, who instructs the Treasury officers to issue money to the Executive Officers, 1503–4, 1554–7.
A Treasury officer would refuse to honour a cheque in excess of the monthly assignment in the absence of a supplementary letter of credit, 1558–60.

Audit.
The Accounts of the Executive Engineers, with vouchers, are audited monthly by the Public Works Examiner in each Province (there is a special Examiner of Military Works Accounts attached to the Public Works Accounts Branch, 1709.) Examiners have the power of disallowance, 1561–5; subject to reference to higher authority, 1566–9. Disallowances would only come before the Central Government on reference, 1611–2. The Examiner sends either monthly or quarterly a statement of the more important irregularities which have not been satisfactorily settled by the Provincial Government (1591–3) to the Public Works Accountant-General, who is thus kept informed of the action of his subordinates, 1570–8, 1586–93; any gross irregularity would be reported immediately, 1580–82. The bulk of the irregularities are merely questions of rule, &c, 1579; the Public Works Account Code is generally understood and works smoothly, 1596. The Examiner compiles the audited accounts into one general account which he submits to the Accountant-General, 1583–7; the Examiners also carry out a test audit, 1598–1601.
The Central Public Works Accounts Branch compiles a monthly statement from the Provincial Accounts for the Comptroller-General; the Public Works chapter of the Finance and Revenue Accounts is also compiled in the Public Works Accounts Branch, and a review of the accounts of each branch of the Department, showing special irregularities which have still to be remedied, 1602–3.
The Comptroller-General makes no second audit of the Public Works Accounts, except his test audit, which is fitted in with that of the Public Works Accountant-General, 1613–9.

Stores.
Stores for important works are obtained from England through the Secretary of State, 1620–1; the Executive engineers have to render monthly stores accounts which are audited like the cash accounts; the chief check on these accounts is the original estimate, which is usually fairly accurate; a half yearly survey of stores in stock is made and a balance return founded thereon, which is also audited by the Examiner, 1620–9.
The Financial arrangements of the Department are generally entirely satisfactory, 1630–2.
Question of possible saving by the employment of natives, 1632–8.

(3RD DAY.)

BERNARD, SIR CHARLES, K.C.S.I., Secretary in the Revenue Department of the India Office. ANALYSIS OF EVIDENCE.

Experience, 1714–19.

Result of Decentralisation on the Revenues.

Excise.
Some of the increase in Excise Revenue in the last 13 years is attributable to increased prosperity, but there has been a decided increase in rates of taxation, *e.g.*, spirits, beer, opium, hemp drugs, 1720–6; details of increase of receipts under different heads of excise, 1727–36; the duty on liquors has everywhere been raised of late years with a view to raising the maximum of revenue on the minimum of consumption, 1739; the administration of the revenue also has improved, and the Provincial Governments have a freer hand in this respect, 1740–1; there has been no stimulation of consumption, 1742–3; but a decrease in illicit consumption, 1774; undoubtedly increased attention has been paid to excise questions during the last 15 years, but, though contemporaneous with the decentralisation system, it is not clear that it is the result of it, 1755–16.

Land Revenue.
The increase in land revenue is due partly to resettlements, partly to extension of cultivation in Bombay, Madras, Burma, and Assam, but not to better collection, 1747–51; enhancements on revision are due mainly to increased prices owing to the opening up of fresh markets for produce, 1752–9; decentralisation of the finances has not conduced to further enhancement of the land revenue, 1784.

Revenue Administration.
The land revenue could not be administered from a central office, but there is in the Central Financial Department an officer charged with reviewing the operations of the Provincial Revenue Departments, 1760; he, however, does not represent the Chairmen of the English Revenue Boards, but there are in each Province officers corresponding to them, 1761–2; the Finance Minister must rely on the Provincial Governments, and he is able to receive from them sufficient information, 1763–71.
Tobacco tax, objections to, 1803–4.

(4TH DAY.)

BARBOUR, SIR DAVID MILLER, K.C.S.I., formerly Financial Member of the Council of the Governor General of India, ANALYSIS OF EVIDENCE.

Experience, 1817–21.

Position of Financial Member.
Theoretically, the position of the Financial Member in India corresponds to that of the Chancellor of the Exchequer in England; practically it differs, because he has not got behind him the control of any body corresponding to Parliament, 1823–32; the check on the Finance Minister is the Governor-General in Council; behind the Governor-General in Council comes the Secretary of State and (in the remote distance) Parliament, 1845–9;

BARBOUR, Sir DAVID MILLER—*cont.*
the Indian audit system furnishes a sufficient guarantee to all these authorities that irregularities are not committed, 1841, 1850–3; the Finance Department, being practically weak though theoretically strong, relies on the support of the Secretary of State, 1854–5. If possible, the information of the Secretary of State regarding Indian finance should be strengthened, 2173–5, 2190–1; the power of the Viceroy is very great; if he is inclined to economy, the Government is economical; if to liberality, it is liberal, 1856–69; a policy involving expenditure is brought to the notice of the Financial Member early enough to enable him to state financial considerations, 1872–6; he can record his dissent, but there is a want of touch between him and the Home authorities, which it is difficult to remedy without impairing the authority of the Viceroy, 1887–91; the rule giving the Viceroy power to suspend the decision of Council on a question involving Finance, if he and the Finance Member are in a minority, is practically a dead letter, 1892–1900, 1910–21; the Viceroy alone may, in certain circumstances, overrule his Council, 1901–9; it is not the formal machinery of financial control that requires improvement, but greater attention should be paid to financial considerations and to the fact that great apparent financial prosperity is generally followed by the reverse, 1833, 1928–42.

Estimates.
The Financial Member has opportunity of discussing proposed expenditure with the Department concerned, 1954–5; it is not so easy as it is in England for the Finance Minister to get immediate information on Revenue questions or for the purpose of deciding appeals; but this difficulty are inseparable from the circumstances of India, and such matters must be left in the first instance to the Provincial Governments, 1957–74; though he has no special staff for the purpose, the Financial Member may, and does, either depute an officer to inquire into a particular matter or go himself, but he must conduct enquiries through the Provincial Government, 1975–8; each Province has authorities responsible for Revenue Administration, 1979–84; organisation of Revenue Departments not perfect, but satisfactory and improving, 1979–85; it is not possible for the Finance Department to make a close estimate of revenue for any particular year, except under the heads of Excise, Stamps, Opium, and some other heads, therefore it is necessary to estimate cautiously, though the revenue is more than fairly buoyant, 2038–43; the revised estimates in the Budget deal with expenditure as incurred, not with Treasury issues, 2046–7; the latter system would be difficult to introduce in India, 2070–5; the Budget is produced before the close of the financial year (and this arrangement is desirable in order that the estimates may be sanctioned and distributed by the beginning of the next year, 2065–6); but, even if it were deferred, so long as the Financial year closes on the 31st March, there would have to be a partial estimate in the Accounts for the expiring year, and the estimate is always somewhat less favourable than the result of the final Accounts, 2048–82.

District Treasuries.
System satisfactory, 1987; the monthly return from treasuries of receipts and issues is sufficient for the guidance of the Finance Member, and no improvement on the system drawn up by Mr. Westland in consequence of the mistake in regard to the Afghan War Estimates, has been discovered, 2329–30, 2033–7, 2044–5; there is little to be done in the direction of extending the use of banks, 1988–9; the losses from district treasuries are quite insignificant, 1990–3; the cost of the system is not great, and cash is moved, when possible, by means of bills, 1994–2011; the Bank of Bengal holds the Government balance and manages debt. Government cannot rely upon it for temporary advances, but works by its own balance, which should not be reduced below Rx. 8,000,000, as a minimum, 2012–28.

Provincial System.
The provincial system should eventually be still further developed if possible, by putting the Provincial Governments in a position of financial

BARBOUR, Sir DAVID MILLER—*cont.*
independence, 2083–4; the aim should be to assign to the Provinces permanently a reasonable share of their revenues, 2104; and the powers of control reserved to the Imperial Government should be exercised as little as possible, 1947, 2127. In the meantime, provincial estimates are subject to revision by Government of India, 1946–53; the constant revisions and absorption by the Central Government of increased revenue, as well as the special contributions levied on the provincial assignments are, at present, a necessary evil, though it is true that the Central Government takes the risks of finance except in the case of famine, 2085–94, 2104A–6; though the system has a certain tendency towards encouraging profuse local expenditure in years of prosperity, that tendency is checked by the Central Government, and it does not really lead to a higher standard of permanent expenditure, 2095–9. The principle of decentralisation has been given full effect to, though contributions and revisions have been more severe than was originally contemplated, 2129. It would not be possible to levy the contributions rateably without respect to the circumstances of each province, 2131. The increase of revenue under the provincial system is not so much due to more zealous collection as to the greater latitude allowed to the provincial authorities, 2110–4; in the case of Excise, there has been a considerable increase of taxation under powers vested in the Revenue authorities under existing legislation, 2115–20; the whole of the increased revenues is not to be attributed to increased taxation (2121); but generalisations from the figures must be made with caution, 2121–2.

Audit.
The real audit is made by officers who have no executive functions, 2132–4; there is a weakness, in that the Military and Public Works auditors are appointed and promoted by the authorities of their respective departments, and also in so far as the Comptroller-General audits expenditure for which he is personally responsible; but the weakness is not serious, 3135; the Comptroller-General does not come into direct contact with the Financial Member at all, 2141–2; he is quite outside the Financial Department, 2143–4; the local auditors take up every question connected with an expenditure, 2324A; they have power to disallow and to interpret rules; it would be impossible to refer all disallowances to a central officer, 2145–54; there would be no objection to a return being made of serious cases, as is done at present in the Public Works Department, 2155. The Comptroller-General's Appropriation Report is not of much value, but there is nothing much left for him to report, all irregularities being brought to notice from day to day, 2156–61. There is, moreover, a perfectly independent test audit which has an excellent moral effect, 2338–40. A perfectly independent auditor appointed by Parliament would in principle be more satisfactory, but would not be worth the cost, 2158. A critical Appropriation Report would not be the best means of giving Parliament information on Indian finance, but a committee or commission sitting from time to time, to report on particular matters would be useful, 2252.

Checks on Secretary of State.
The Government of India has power to protest, 2192–2209; but no appeal by it to higher authority is possible, 2210–13.

Prosperity of India.
There has of late years been a large addition to taxation and to the land revenue; but the average income of the people is very low, 2276–95.

Possible employment of Natives.
Saving effected by, 2293–317.

(5TH DAY.)

GODSELL, MR. WILLIAM, Auditor of the Accounts of the Secretary of State in Council. ANALYSIS OF EVIDENCE.

India Office Audit.
Conditions of appointment aim at securing independence, 2650–7, duties, 2658–60; staff, 2661–3; report laid before Parliament generally similar in form to that of English Comptroller and Auditor General, 2664–6; powers do not include that of

GODSELL, Mr. WILLIAM—*cont.*
disallowance, but disapproval may be reported to Secretary of State, who may or may not press the charge, 2667–77; no actual reports of approval or disapproval are made, 2725–6; in minor matters the Auditor reports a payment for disallowance, and the Secretary of State either disallows or passes it at his discretion, 2690–3; power to refer report to Committees of both Houses desirable, 2679–80; there has been only one instance of the Auditor questioning a payment definitely sanctioned by Council, 2681; but it was the opinion of a previous Auditor, Sir C. Jackson, that it was his duty to report if in his opinion the Secretary of State exceeded his powers, 2682–9; however important a policy may be, the Auditor would be at liberty to express a judgment on it to be laid before Parliament, unless the matter was already before Parliament, 2750–9, 2780–92, if he considered the appropriation of Indian revenues involved to be outside the Act of 1858, 2793; he would consider whether an expenditure was legal, 2744, and, as a matter of pre-audit, reasonable, 2745–6; but he would not consider himself called upon to say whether it was judicious, 2795A; the Auditor's report is submitted to the Secretary of State with a statement of the action taken upon it, but the statement is not laid before Parliament, 2695–2702; the Auditor's power is confined to the action of the Indian Government in Great Britain: he has no control over the final disposal of supplies by the Government of India, 2703–17, 2727–43, 2747–9; he experiences no difficulty in getting information, 2718–9; he may summon any subordinate of the Secretary of State as a witness, but in practice obtains information by correspondence, 2720–4; all accounts with a few exceptions are examined in detail, some are only tested, 2760–9; direct evidence is required of fulfilment of conditions of inter-departmental agreements, 2770–9.

(6TH DAY.)

COLVIN, SIR AUCKLAND, K.C.S.I., formerly Financial Member of the Council of the Governor-General, ANALYSIS OF EVIDENCE OF.

Experience, 2870–81.

Position of Finance Member theoretically corresponds to that of the Chancellor of the Exchequer, 2881*a*; he has security that every measure requiring his sanction is really brought to his notice, 2882–5; the audit system is a complete guarantee of this, 2891–2; there is, moreover, the practice of recording proceedings which are submitted by each Department to the Department above it, 2893–4; the proceedings of a Department not subordiate to the Financial Department would, however, only come to the notice of the Financial Member if his attention were drawn to them by the Member in charge of that Department, 2895. The Finance Member would refer any question as to legality of expenditure to the Legal Member, 3190–5. The Military Member has come to be regarded as a financial check on the Commander-in-Chief, though in practice he is not always so, 3228–35.

The checks on the Financial Member are the Viceroy personally, the Viceroy in Council, the Secretary of State and anticipation of the action of Parliament, but the last is stronger in relation to those officials who are nearest to the immediate sphere of parliamentary action, 2896–8.

It would be desirable, if possible, to strengthen the powers of the Finance Member in so far as concerns the deliberations which precede sanction to expenditure, 2899–900; so far as when a policy is formed, its results can be foreseen, he has ample opportunities of impressing his views on his colleagues, 2901, before a decision is arrived at, or, presumably, the Viceroy's mind made up, 3161; but he has not the detailed knowledge of the policy possessed by his colleagues in charge of that policy; moreover, the element of the unknown is greater in India than in Europe, 2902–6.

Sufficient attention is not paid by the Government of India to financial considerations, though such considerations are peculiarly important, not only on economic grounds, but because the taxpayer is an alien, unable to make his voice directly heard, 2909–11. The Finance Member generally has the support of the Indian Press, 3188–9.

Since 1885 and the establishment of the Russian power in Central Asia, military considerations have had a preponderating influence in the Government, and this has resulted in the weakening of the Finance Member, 2912–28. To some extent the control of the Finance Member over Public Works Expenditure also has weakened; but the internal administration being carried on by the Provincial Governments, pressure is not put to any great extent, in administrative matters, on the Finance Member, 2929–31. The decentralisation system, however, by turning the attention of the Viceroy from internal affairs to foreign affairs, which are costly, may also have contributed to the weakening of the Finance Member, 2957.

The power of suspending execution of a decision when the Viceroy and the Financial Member are in a minority was the first indication of the recognition of the altered position of the latter, 2951; it would not be desirable to give the Financial Member by himself power of suspending action pending reference to the Secretary of State, 3248–50. but the Viceroy generally supports the Finance Member so far as he can consistently with his own views, 2959–61. The influence of the Secretary of State inclines to economy, except in the matter of railway construction, 2932–6, 3167. The power of the Financial Member to dissent adequately secures consideration of his views by the Secretary of State, but is useless without the support of the Viceroy, 2937–40; direct unofficial communication between the Financial Member and the Secretary of State would not be advisable; he already corresponds with members of the Home Council, 2941–50.

The direction in which to look for the strengthening of the Finance Minister would be the strengthening of the financial interests in the Secretary of State's Council, by a larger diffusion of financial knowledge in it and (theoretically) in the Finance Department of the India Office, which should be amalgamated with the Revenue Department, 3284–97, and also the endeavour to establish control by Parliament without undue interference with the Government of India, 3115–34; the present Budget debate in Parliament is not of much benefit to India, 3170–3; the Secretary of State, and through him Parliament, are only responsible for expenditure on frontier expeditions, etc., in so far as they may be said to be the *causa causans* thereof, 3256–80.

Estimates.

The Finance Member is amply informed of the programme of expenditure, 2962–4; so far as concerns departments directly under him, *e.g.*, the Salt Department, Post Office, &c., he has ample means of gaining information concerning variations in revenue; so far as concerns Land Revenue, &c. he would rely, in the first place, on the Revenue Member, who would have expert knowledge, and, in the second place, he would fall back upon the Provincial Governments, 2965–73; the cost of having at headquarters an expert head of each Revenue Department would not be compensated by the advantage, 2974, 2978–81; such a measure is less necessary because appeals from the action of revenue authorities lie to the Provincial Governments, and only questions of principle reach the Central Government, 2982–8. The same remark would apply to having officers analogous to the French Inspectors-General of Finance, 2975–7. The date of the Budget is fixed, chiefly by climatic considerations, before the close of the financial year, and, even if it were produced later, it would still have to depend as to two months on estimate; there is some inconvenience in the system of revised estimate, but it is probably inseparable from the conditions of the country, 3040–5.

District Treasuries.

The district treasury regulations work very satisfactorily, 2988–91; surplus funds are not allowed to accumulate longer than absolutely necessary, 2992; the monthly treasury returns are useful, not as a check, but as a weather-cock to show which way the wind is blowing, 2993–8; it would be two or three months later than the date of the monthly return before the precise object of the issues would be known, 2998A–3001; but the

COLVIN, Sir AUCKLAND—*cont.*

Finance Minister would be able to judge of the progress of expenditure by comparison with previous years, 3002–14.

Weekly returns of receipts and issues would be neither useful nor practicable in India, 3031–35.

The Government use banks to the full extent that is advisable, 3015–18; the Government do not borrow from the banks, but are rather themselves in possession of accumulated balances; the system of large balances is indispensable, but care has to be taken that they should not be too large; frequent borrowing would disturb the money market, 3025–9; the minimum balance of about 8 crores which the Government maintains is a reserve balance outside of all probable requirements: besides this reserve there is always a large floating balance in the treasuries, 3209–15.

Provincial System.

Provincial Governments should be allowed great discretion, 3047–8. Decentralisation has been carried nearly as far as it can go, and no further results comparable with what have already been achieved can be expected from it, 3135–9; under the revision system the Central Government gets its own share of the increase calculated on the basis of the last five years; then, in making the new contract, the receipts and expenditure are summed up, and so much of the receipts assigned to the Provincial Government as will balance the expenditure; any surplus of receipts goes to the Central Government, 3049–56; therefore the Central Government has a direct interest in keeping down provincial expenditure, though it does not consider it its business to scrutinise very closely the provincial budgets, 3057–64, 3202–8; it would be preferable to make the term of the contract longer, say 10 years, and to give the Provincial Governments a smaller share of receipts, rather than abolish the revision altogether, 3065. The increase in revenue is attributable not only to improved administration, but largely to increased power of consumption owing to favourable seasons, 3066–71.

Audit.

In India the Account Department is habitually looked upon as outside the Executive, and the Comptroller-General is, from that point of view, independent, 3072–94; the audit by subordinate officers works well, and the test audit has been found a sufficient check on them, 3095–9; an Appropriation Report—like the English one—calling attention to grave irregularities would have a political rather than a practical value, but would deserve further consideration, 3100–14.

(7TH DAY.)

COLLEN, MAJOR-GENERAL SIR EDWIN, K.C.I.E., Military Secretary to the Government of India, and Military Member Elect of the Governor-General's Council, ANALYSIS OF EVIDENCE OF, 3301–675.

Experience, 3301-2.

Though the check on the Military Expenditure in India has always been strict, more detailed regulations have been laid down in recent years, resulting in more consultation with the Financial Department, less latitude being given to subordinate officers, and more concentration of power in the hands of the Military Member, 2305–11.

Whereas the most important references from the Military to the Financial Department have always gone to the Military Member, now every question requiring the concurrence of the Financial Department must go before him; the Military Member has more complete financial information than formerly, 3312–28.

THE ADMINISTRATION OF THE MILITARY DEPARTMENT.

The Military Member and the Commander-in-Chief.

There are two members of the Governor-General's Council representing the Army, the Military Member and the Commander-in-Chief; the former is responsible for Military Finance, and is the Military adviser of the Governor-General; the latter commands the Army, and is the executive officer of the Government; their relations would only in a very general way correspond to those of the Secretary of State for War and the Commander-in-Chief in England, 3329–35.

COLLEN, Major-General Sir EDWIN—*cont.*

The Military Member would probably rather correspond with the "Secretary-at-War" in England (now non-existent), 3336–8.

The presence of two Military representatives in the Council does not create an unfair Military predominance; the strongest factor towards economy, or the reverse, is the Viceroy, and the two Military Members could not override the Viceroy and the Financial Member united in the cause of economy; the Military Member is often in alliance with the Finance Member on the side of economy, 3599–605.

The control of the Finance Department over the Military Department is very complete; should the Military Department urge expenditure in itself desirable, but likely to impose a heavy strain on the finances, it would be for the Viceroy to decide between the views of the Military and Financial authorities; and it is quite possible that the Military Member might agree with the Finance Member on the question of urgency; but, on the other hand, considerations of general policy would override financial objections, 3582–92.

The Military Member is invariably, 3560–1, and always should be, a military officer, 3647; it is his special duty to check expenditure, as it is the duty of the Commander-in-Chief to promote efficiency, 3623–32; though he is not usually a trained financier, and his instincts are probably rather military than financial, his opinion is usually a valuable one from the financial point of view, 3615.

The Commander-in-Chief has no power of sanctioning expenditure, but only a power of spending Rs. 2,500 in any one case up to a limit of Rs. 10,000 in any month, on certain conditions, 3581–2. Such expenditure would be specially reported to the Controller (of the command concerned), and by him monthly to the Accountant-General, 3648–51, 3662–4. Lieutenant-Generals have similar powers of sanctioning special expenditure up to a limit of Rs. 1,000 in each case, or Rs. 2,500 in any month, 3665. General officers in command of districts also have similar power within narrower limits, 3672.

The Military Secretary.

The Military Secretary is responsible for laying the business of the Department before the Military Member and the Governor-General, with such financial reports as he thinks necessary; such reports are generally furnished by one of the Controllers of Military Accounts, sometimes by the Accountant-General, 3339–41.

It is his duty to do everything in his power to promote economy, consistently with the maintenance of efficiency in the Army; the Military Department frequently negative proposals for fresh expenditure, though of late years a great deal has been done towards promoting economy even by the executive officers, 3596–9, 3634–5.

The function of the Department is to check expenditure, and to do the best for the Army with the money that can be found, 3554–9. Describes the form in which questions arise, and the procedure in the Military Department, 3557.

The Accountant-General.

The Accountant-General is the chief officer of the Military Accounts Department, 3342–6.

The Accountant-General has dual functions: he is Deputy Secretary of the Military Department in charge of Section F., which deals with questions of pay, pensions, allowances, &c.; and he is the head of the Military Accounts Branch, and the official adviser of the Government of India in this Department. Though he is the head of the Military Accounts Department, his subordinates, the Controllers in the several commands, communicate direct with the Military Department, and their reports do not necessarily pass through his hands, 3349–51.

He is not an Auditor in the ordinary sense of the word; he compiles the audit reports of the Controllers, 3360–3; and only the most important questions requiring the orders of Government would be referred to him, 3364–7.

He is overworked, and his office is under-manned; fewer references should be made to him, and his position as second officer under the Military Member should be established and enhanced, 3368–72. Under him (in the Central Military Financial Office) are a Deputy and an Assistant Accountant-General, who are Military Officers

COLLEN, Major-General Sir EDWIN—*cont.*
seconded, and a staff composed of members of the Subordinate Accounts Service, 3352–9.

The Military Accounts Department.
The Military Accounts Department in each command is divided into:—1. The Central Branch. 2. The Accounts Branch. 3. The Pay Branch. 4. The Commissariat Branch. 5. The Ordnance and Clothing Branch. 6. Special Branches. Besides these, there are a certain number of Military Accountants detailed for inspection and special services, 3373.
It is the duty of the Controllers to suggest economies, and this duty should receive even more attention than it does at present, 3431–3.
There are three grades of officers; the first consists mainly of commissioned Army officers; the second of the Subordinate Accounts Service, recruited either from the non-commissioned ranks of the Army, or from civil life; and the third of the clerical service, consisting chiefly of natives, 3606–11.
The commissioned officers are seconded, in the first instance, from their regiments for five years; they then either return to their regiments, or enter the Department permanently, 3374–80, 3384–9. They have a prospect of promotion to the rank of Controller, or, possibly, Accountant-General, 3612–23. There is no inconvenience in the system of employing military officers, 3381–3.

The System of Account and Audit.
The principles of control and audit in the Department, are, first, the administrative duties of control, viz., strict preliminary scrutiny and review of demands for money and stores prior to supply; then the audit duties of checking the due application of money to the service for which they may be sanctioned; a prompt audit of the accounts, and rendering an Appropriation Audit Explanation, 3390–3405.
A disbursing officer, *e.g.*, a commissariat officer, draws on the assignment made in his favour, by the Controller, at a convenient Treasury; his accounts are first examined by the special officer in the office of the Chief Commissariat Officer in the Command; they are then sent for audit to the Examiner of Commissariat Accounts, who is an officer of the Military Accounts Department, at the headquarters of the Command, 3406–17. The examiners are extremely independent in their judgment, and the above-mentioned principles are carried out satisfactorily, 3419–21. They are guided by the Account Code (which might be more simplified, 3394–7), and, in case of difference of opinion, have the power of appealing against the decision of the Controller to the Government, 3484–91.
The Controllers constantly conduct test audits, either personally or through specially deputed officers, in order to check the efficiency of their subordinates, 3422–30. The Accountant-General also can annually make tours of inspection, 3460–1. In matters of account the Controllers are directly subordinate to the Comptroller-General, 3467–8; and the Accountant-General is aware of what his subordinates report to the Comptroller-General from the accounts he receives from them, 3469. He would also generally receive copies of any criticisms made by the Comptroller-General on their work, 3463–6. The Comptroller-General also conducts test audits, 3500–1.
No actual examination of stores is made, 3478–9; but the check consists in examination of the factory books, 3472–7. Stores accounts cannot be kept with the same accuracy as cash accounts, 3480–3. The Inspectors-General of Ordnance have power to write off losses or wastage of stores up to 500 rupees; beyond this the matter is reported to the Government, 3505–10. Heads of other Departments have similar powers, 3672–5.
The Director-General of Ordnance may transfer savings under one head of the Grant to another similar head, 3494–5. The Military Department may transfer savings under any Grant from one Command to another, 3496–9.
In cases where the Secretary of State's sanction is necessary, the Auditor must satisfy himself that it has been obtained, 3595–4.

Appropriation Reports and Financial Reviews.
Each Controller prepares an Appropriation Report, which is consolidated by the Controller-General in his Appropriation Report on the whole Military Expenditure, 3454–6

COLLEN, Major-General Sir EDWIN—*cont.*
These Appropriation Reports are more of the nature of reviews of the expenditure, &c., than an audit account proper; they do not report irregularities, 3437–40. Sufficiently important irregularities would reach the Government of India through the Departmental financial reviews, but not through the Appropriation Reports; it would be advantageous to include irregularities in the Appropriation Reports, 3441–57, 3562–5. The report on the Accountant-General's inspections might also be incorporated in the Appropriation Report, 3458–9.
The Financial Reviews report on the year's work in each Department from the financial point of view, 3566–9. There are also Administration Reports on each Department's work, 3570–2. The two together amply review the work from every point of view, 3573.
These reviews are closely analysed and reported upon, and, together with specially appointed committees, are a means of giving the Government information with respect to the progress of expenditure, 3574–7. Mode of appointment and constitution of special Committees, 3658–46.

Estimates.
The Controllers receive estimates from the heads of the Departments in their command in September, and forwards them, after revision, to the Head of the Department with the Government of India, by whom they are submitted to the Accountant-General in December, 3571–3; he having revised them, submits them to the Military Department on the 12th February, which passes them on to the Financial Department as early as possible after that date, 3514–8. The estimates in their upward course are much altered, advantage being taken of the latest information, 3530–1, 3546*a*–51, they are occasionally reduced by the Governor-General in Council, 3552–3
A large part of the charges, such as pay, allowances, and establishments, are fixed, but there is great variation in the price of victualling stores, 3519–25; the rates for labour and materials for works also vary locally, 3526–9.
The sums that are reasonably available for the variable services are considered between the Military and Financial Authorities before placing them on the estimates, 3543–6.
The Military Department receives reports on the cash issues from the treasuries, by means of which they test their own reports on the progress of expenditure; these Cash Issue reports do not show liabilities, they could not be relied upon in estimating the cost of a Campaign, 3532–43.
Demands which arise too late for insertion in one year's estimates are carried forward at the head of the list for the next year, 3578–80.
Large immediate demands which arise after the passing of the estimates must be specially sanctioned by the Financial Department, as in the case of urgent expeditions, the treasuries being authorised to grant additional assignments, 3652–61.
Officers commanding stations can issue orders on the treasuries in emergencies, 3470–1.

[30TH DAY.)

CROMER, LORD, G.C.B., ANALYSIS OF EVIDENCE OF.
Qq. 13,641 to 13,674 relate to the general question of Appropriation of Charge.
Indian experience, 13,503–5.

Position of Financial Member of Council.
Theoretically the position of the Finance Member of Council is very similar to that of the Chancellor of the Exchequer, but the Finance Department in India does not occupy the predominant position that the Treasury does in England; probably, amongst other reasons, because the Treasury in England had for years the support of one of the most powerful ministers, Mr. Gladstone; and, though the personal element is more important in India than under a parliamentary system, it will always be a most important factor, whatever system may be adopted, 13,508–10. No doubt, also, the power of Parliament behind the Chancellor of the Exchequer is a source of strength to him, though it is not invariably exerted in the interests of economy, 13,511–7. In India every member of Council was not only a head of a department of State, but also a member of a Government which was collectively responsible for its acts, and

CROMER, Lord—*cont.*

the question of balancing revenue and expenditure was one of the most important considerations to be taken into account. But it is no doubt possible that at other times the circumstances in Council may have been different, and financial considerations may have gone to the wall, 13,518–9. No doubt, also, heads of spending departments are apt to wish to spend freely in times of surplus and not lay by for the lean years, which, more especially in India, usually follow; but the question whether that tendency constitutes a difficulty to the Finance Member, involves personal considerations, 13,520–4. The Viceroy in India is no doubt very powerful, and he fulfils the important function of securing unity of action in the different departments; in this respect his position is more nearly akin to that of the German Chancellor than to that of the English Prime Minister; but anything which would transfer the Government of India from the Viceroy to the Secretary of State, or tend to govern India rather from England than in India should be avoided, as it is impossible for an authority in England to have the necessary knowledge, or to be able to stop in time action which may lead to unforeseen expenditure; the most important safeguard is that the Financial Member should be kept fully informed at an early stage of all that is going on, and that is a matter which depends chiefly on the Viceroy. In England members of the Cabinet are kept more fully informed on foreign affairs than members of Council in India, but even in England steps leading to heavy expenditure are taken, as for instance in the Education Department, without the knowledge of the Treasury. It is, however, undoubtedly the case that the practical control of the Finance Minister depends much on the idiosyncrasy of the Viceroy; still, it would not be desirable to impair in any way the power of the Viceroy, 13,525–42. In the event of the financial, or any other member of Council disagreeing with a policy, there was a disinclination to record a formal dissent, which, being a public document, cannot therefore be written with freedom. A system of private letters from members of Council to the Secretary of State would not be desirable; but opinions might be recorded in Confidential Minutes which might be sent for the information of the Secretary of State, but not for publication without their consent, 13,548–62. With regard to the idea that military men are necessarily blind to financial considerations, that used not to be the case; and, though theoretically the military element may be too strongly represented, no better arrangement can be suggested, and the Military Member acts as a check on the Commander-in-Chief, 13,563–70. As to strengthening the financial element in the Secretary of State's Council, the danger of getting in experts, who might wish to govern from London, should be borne in mind, though it is, of course, desirable to have a certain number of members who attach weight to finance, 13,571–9. Sir D. Barbour's suggestion of a small committee to be associated with the Financial Member would not be advisable for India, 13,580–3. The only remedy for a state of things in which the other members of council are not interested in finance is to improve the selection, 15,584–5.

Composition of the Viceroy's Council.

With regard to the composition of the Council, while there is no difficulty about getting the best men in the Indian service, there is much difficulty in getting men from England of the requisite capacity, and it would be well worth while to make the appointment more attractive to the latter class; it would be inadvisable to have the Council wholly composed of men of Indian experience—the merit of the present composition of the council is that it contains men of both Indian and English

CROMER, Lord—*cont.*

experience; of course there would be a difficulty in making a distinction between the emoluments of the two classes, but a pension might be granted to men appointed from England. The essential thing is to get a capable man, where you can get him; but in any case the English element should not be excluded, 13,543–7.

The provincial system is a most admirable system, both from the financial and the political point of view; but it is necessary to retain the power of withdrawing portions of the provincial allotments in the case of imperial emergency, though the power should be very sparingly used, 13,586–93.

The facilities of the Finance Member for getting information on revenue subjects used to be sufficient; a system like the French one of having Inspectors of Finance would probably create friction. What might be done would be to make more systematic use of the Provincial Accountants General, 13,594–602.

Under the system of check introduced after the Afghan War, such an error as occurred in 1880 could not recur, 13,603–6.

There would be an inconvenience, and no great advantage, in making up the Budget after the close of the financial year. The Indian accounts, owing to the provincial system, are very difficult to understand, and the actual account would not be of great interest to the public, 13,607–20.

Audit.

The Audit system was a good one; but, if the Auditor General is hampered by any want of independence, he should be made independent. There could be no objection to submitting a report by the Comptroller and Auditor General of India, drawn up in the form of the English Appropriation Report, to a Committee of the Council of India in this country with one or two independent members, though it is doubtful whether it would do much good, 13,627–40.

Apportionment.

With regard to the apportionment of charges between England and India, there is in England a general desire that India should be justly and even generously dealt with; but a general impression exists in India that the English view is advocated more successfully than the Indian; it is, therefore, most desirable that there should be some tribunal of arbitration in the shape of a permanent board, containing, at all events, a judicial element; the board should be constituted by Act of Parliament with specific powers; and either party to a dispute about the apportionment of a permanent charge, such as that for the British troops, should have power of referring it to the board; points involving political considerations, such as the respective interests of England and India in a military expedition, are matters rather for the decision of Government or Parliament. If questions in dispute were referred to arbitration, the decision should be over-ruled, if at all, only by a resolution of Parliament, not by the Executive Government of the day; the machinery of the Judicial Committee of the Privy Council would be rather too elaborate for the purpose, 13,641–74.

An examination of the Indian Accounts by a select Committee of the House of Commons would do no harm, but it is very doubtful whether it would do any good, 13,682–90.

Development of popular institutions.

The first step towards seeing whether popular institutions in India should be developed, should be to examine how the natives of India have exercised the authority already given to them; if the result were satisfactory, a further voice in the affairs of the country might be given them, but in a gradual and tentative manner; it is by no means always the case that the taxpayers are most in favour of economy, 13,691–702.

SECTION II.—PROGRESS OF EXPENDITURE.

(8th to 11th, 15th and 16th, 18th, 20th to 25th; and part of 29th days.)

8TH DAY.

WACE, R. COLONEL R.A., INSPECTOR-GENERAL OF ORDNANCE, Bengal. ANALYSIS OF EVIDENCE OF, 3676–4198.

Experience, 3676–82.

THE ORDNANCE DEPARTMENT.

The Ordnance Department in India is charged with the duties of providing, storing, issuing, and accounting for equipments, accoutrements, and munitions of war for the use of the whole Army in India, including the Native Army and Volunteers; also, the supply of firms and ammunition to the military and civil police, and ammunition for the coast and frontier defence armaments for the Indian Marine, and for reserves for ships of the Royal Navy on the East India Station, and for fitting out armed merchant ships in time of war, 3683.

The Department is under the control of the Military Member of Council, 3684.

The direct control is vested in the Director-General, who acts as the adviser of the Commander-in-Chief, but would refer all questions involving expenditure to the Military Department, 3685–98.

Directly responsible to the Director-General are the four Inspectors-General who are in charge of the four circles (corresponding to the four Commands). Each of these is on the staff of the Lieutenant-General-Commanding and acts as his adviser, 3699–701.

They are in communication with the Controller of the Command, whose report on the financial effect of proposals they obtain before submitting them to the Director-General, 3702–4. The Inspectors-General have full power over all the Ordnance establishments in their Circle, and, subject to the Director-General, dispose of all questions regarding pay, promotion, leave, pension, &c. of subordinates. The sanction of Government must be obtained for promotion, through the Director General, of commissioned officers, 3705–8, 3712–14; or for permanent or recurring increases of establishment, &c. 3715.

The Inspectors-General have power to make up their stores by local purchase on emergencies up to a certain limit, 3709–11, 3928–9.

The Executive Ordnance Officers are officers of the Royal Artillery seconded for service in the Department; they are 36 in number, and are divided into 4 grades; of these 9 are Assistant-Superintendents of Factories; the remainder (27) are placed in charge of arsenals or depôts according to their grades, 3886–9.

They are appointed originally for a period of five years, renewable for a similar period; at the end of their second period they may be appointed to the continuous service list in the Department, 3890–2, 3869, 3909.

For the first year an officer has no executive duties, he is engaged in learning his work, 3909–14.

There is no school in India where they might go through a course of training before joining the Department, 3915. Consequently they have to come to England for the purpose after joining the Department, and to reduce the number of available officers, 3906.

The number of executive officers is small compared to the number of troops under supply, 3908; an increase is necessary as the arsenals are under-officered, 3915–6, 3924–7; and thus the service lacks the necessary controlling element, 3917–8; there should be an addition made to the staff to take the place of officers on furlough, 3914–21.

The Director-General and the Inspectors-General draw consolidated allowances; the other commissioned officers (being seconded for service in the Department) receive regimental pay, plus a staff allowance, 3716–8.

WACE, Colonel R.—*cont.*

The Director-General and the Inspector-General of Ordnance can only spend money within their Budget, except with the further sanction of the Government Department, 3719–20, 3726, 3721–25.

The Director-General can, in emergencies, transfer money from one Circle to another under the same head, 3727–9; but not from one head to another, without the sanction of Government, 3730–1.

The Inspectors-General and the Controllers have power to write off losses up to 100 and 500 Rs., respectively, beyond this the matter would be reported to Government; in the case of theft, a board of investigation would be appointed, 4160–6.

Each establishment within a Circle prepares its estimate for *personnel* by the 15th August, these are consolidated by the Inspector-General, who submits them as a whole to the Controller for revision, thence they go to the Director-General, 3732–44.

An estimate of work proposed to be carried out during the year is submitted before the estimates for material are prepared, 3745–55.

The preparation of the estimates of material and labour is based upon an average of past years, modified by the circumstances of the time, 3756–60.

The superintendent of each factory or Ordnance officer in charge of an arsenal is responsible for the correctness of the accounts, both of receipts and issues; they are compiled by his staff, and sent, for audit, to the Central Military Accounts Office of the Circle The pay-sheets are audited by the Pay Examiner; the stores accounts by the Examiners of Ordnance Stores, 3761–71; checked by the Commissariat Examiners, because the Commissariat Department pays on the demand of the Ordnance officer demands of the local contractors for stores supplied to the Ordnance Department, 3772–6, 3781.

The head of such establishment receives a permanent advance of cash, for the pay of the European staff, labourers, &c., and incidental expenses, 3777–80.

The Inspectors-General ascertain exactly how their budget is being spent month by month, by means of the returns they receive from their subordinate officers, and from the examiners of Ordnance Accounts, 3782–5.

The system of stocktaking is very complete, 3786–9, independent yearly tests of stock are made by the Inspectors-General and the Ordnance Examiner, 3790.

Monthly returns of the balance of stores are sent by each establishment to the Inspector-General, these are compiled and sent quarterly to the Director-General; this facilitates the transfer of stores from one arsenal to another, 3791–5. An Inspector-General would be able to inform the Director-General of the amount of stores in hand in his Circle within two or three weeks, 3796–800.

The distinction between an arsenal and a depôt, 3807; of enumeration and distribution of establishments in each Command, 3801–6, 3812–7, 3843–9. Financial considerations and the extended construction of railways have diminished the number of establishments, which might even admit of further reduction, 3808–11, 3818–20.

The reduced number of establishments has caused no inconvenience, and centralisation has made the control more complete, 3831–2.

A few large establishments are preferable to a number of small establishments, 3850 1.

The establishments are sufficiently near the troops to supply them efficiently and quickly, 3821–30.

A supply of stores required for mobilisation and sufficient for immediate wants, is kept, in regimental charge, 3833–6; and regiments are always in possession of their service ammunition; for these stores the Commissariat Officer accounts to the Regimental Examiner, 3837–42; regimental supplies can be supplemented with sufficient rapidity to prevent inconvenience, 3864.

WACE, Colonel R.— *cont.*

There cannot be fewer than two powder factories, as the possibility of explosions must be taken into account, 3867–9. All the necessary powder is made in India, but in emergencies and on the change of equipments, ammunition is imported, 3938–40, 4012–14. Cordite is, as yet, only experimentally manufactured in India, 3869, 4167–75. There must also be two factories for small-arm ammunition. There are also one for artillery projectiles, one harness factory, and three for gun-carriages. The stores imported from England include guns, rifles, and the steel component parts of gun-carriages, 3936–7; since the Department in India manufactures steel of artillery projectiles, with proper plant it would be capable of making gun-mountings and carriages, 3865–6, 3951–4, 3958–78.

The number of European engineers, foremen, &c., are kept as low as possible. Details of distribution of number of European staff in the factories, 3893–900. The cost of superintendence in 1893–4 amounted to 5½ per cent. of the value of the out-turn, 3901. Comparison of wages paid in India and England, and the comparative amount of work performed by individual native and English workmen, 4085–99, 4144–6.

The amount of skilled European supervision must be increased, if the policy of making India independent is to be followed, 4124; but the consequent increase would be more than balanced by the cheapness of labour, 4125–6. Possibility of employing native supervision, 4176–97.

So as to reduce the Homes Charges the Ordnance Department might economically extend its sphere of manufacture, 3947–54.

Illustrates the economy of manufacturing in India over importing from England, 3979–93, 4006–11.

Comparative quality and cost of English and India made saddlery, 4034–40; but the choice between the two methods of supply should be solely governed by financial considerations, 3955–7.

Probably rifles could not be economically made in India, 3758–78, 4130–43.

Comparison of the methods of making up cost accounts and of the ascertaining indirect expenditure in England and India, 3994–9.

The system of accounting in the Ordnance Department were approved of by a specially appointed Committee, 4000–2*a*; but, to relieve the superintendents from clerical work, it is contemplated to assimilate the system of accounting to the Home system, 4040–4.

The means of ascertaining the cost of labour in the manufacture of stores, 4045–71.

The capital value of the buildings, machinery, &c. of the Ordnance Department increased from 59½ to 71½ lakhs between 1884 to 1891, 4077; in the same period the out-turn nearly doubled, 4077–80; the capital account is made up on the English system, 4072–61.

Much attention is given to the possible reduction of expenditure, 4119–21; the demands of regiments and batteries, &c. are strictly checked, 4147–51.

Expenditure has been constantly kept down by the Government, the reserves being kept as low as possible, 4100–5; the greatest economy has been in Bengal, 4107–9.

The reduction consequent upon the report of the Ordnance Committee of 1879 has amounted to over 3 lakhs, 3870–8. The out-turn nearly doubled from 1884 to 1892, 4077–80.

Particulars of the expenditure in England on Ordnance stores from 1875 to 1894, 3941–6.

The cost of Ordnance stores in India will probably increase, but this increase should be more than counterbalanced by the decrease of the home charges consequent on the extension of the manufacture in India, 4116–8, 4127–9; but the total expenditure can never decrease owing to the immense increase in the cost of modern ammunition, 4127–9.

9TH DAY.

JACOB, MR. STEPHEN, C.S.I., ANALYSIS OF EVIDENCE OF—*continued.*

THE EXPENDITURE ON LAW AND JUSTICE:

The impossibility of making a fair comparison of the expenditure of years prior to 1875, owing to different method of keeping the accounts, 4199–208, 4673–80.

The figures for 1893–4 are quoted as being the latest available actuals, 4214–21.

The population for which the Legal Establishments were provided was, in 1875–6, 183,783,537, and the area of British India 862,878 square miles; the population now is 218,275,461, and the area 947,275 square miles; 2,974,213 of the increased population is due to the increased area, 4209–13.

THE ADMINISTRATION OF JUSTICE IN INDIA:

Criminal Courts.

The magisterial work is done by the District Magistrate, assisted by assistant and deputy collectors and magistrates, and by the sub-divisional officers, 4478; the District and Assistant Magistrates are chiefly Europeans, the others natives; they would deal with the same class of cases as the magistrates in England; their powers of punishment vary from one month's imprisonment and 50 Rs. fine to two years and 1,000 Rs. fine and whipping; the District Magistrate exercises appellate jurisdiction in respect of magistrates of the second and third class, all of whose sentences are appealable; the sentences of the first class magistrate *above* one month's imprisonment and 50 Rs. fine are subject to appeal to the Sessions Judge, who is also a civil judge, 4478–96.

The Sessions Judges (one for each district, or sometimes one for two districts), sit at the headquarters of the district; they have the power to sentence to death subject to the confirmation of the High Court; in regard to appeal, their powers of summary sentence are only the same as those of District Magistrates, 4497–514; the number of appeals to the High Court is very large, 4508.

There are also a certain number of honorary magistrates, 4542–4.

The High Courts may revise the order of any of the subordinate courts on their own initiative or otherwise, 4516–8.

Pay of the foregoing magistrates and judges, 4549–51.

Civil Courts.

The lowest grade of judge is the Munsif, who is a native judge; he can try suits up to 5,000 Rs. in value; next above the Munsifs come the Subordinate Judges, who have power to try all original suits of any value, and sometimes exercise appellate powers; the District and Sessions Judges can try all original suits, and exercise appellate jurisdiction over the decisions of subordinate judges, except as regards cases in which the value exceeds Rx. 5,000, when the appeal lies to the High Court, 4519–20.

The District Judges practically control the administration of justice and distribute the suits between the various courts, the subordinate judges are practically their assistants; over them all are the High and Chief Courts. A High Court is established by Royal Warrant, a Chief Court by an Act of the Government of India. In some Provinces there are no Chief Courts, 4521–9; in such cases there are Judicial Commissioners, 4530–6.

Pay of the judges on the civil side, 4545–7.

There is a tendency to increase the number of courts, 4537–41.

Comparison of Expenditure.

On Law and Justice the gross expenditure was Rx. 2,274,000 in 1875–76; the estimated gross expenditure for 1895–96 is Rx. 3,125,000; (this includes Rx. 37,000, under the head of refunds, 4234–8, which are more properly deductions from receipts, 4303–6) increase, Rx. 851,000, but of this increase, Rx. 100,000 is due to the extension of territories, leaving about Rx. 750,000 increase for the former area, 4222–33.

The percentage of increase of the gross expenditure compared with that of the population is as 33 to 17, 4239–43.

To these totals should be added a non-effective charge of about Rx. 400,000 for pensions, and also a proportion of the pay of officers whose duties are both executive and judicial, 4567–4602.

Distribution of the Increase.

Of the increase, Rx. 463,000 arises on civil courts, Rx. 291,000 on criminal courts, and Rx. 100,000 under miscellaneous heads, 4244–50.

JACOB, Mr. STEPHEN—*cont.*

The expenditure in 1875-76 and 1893-94 on Civil and Sessions courts (excluding Upper Burmah) is divided as follows:—

	Rx. 1875-76.	Rx. 1893-94.
Superior courts	253,451	326,331
Subordinate courts	224,493	331,599
Establishments	212,613	304,453
Contingent expenses	34,033	85,747
Witnesses	6,175	14,195
Process service	167,370	250,284
	898,135	1,312,609

4251-64, 4455-51.

Explanations of the increase under the head of superior courts, 4314; subordinate courts, 4315-6; establishments, 4317, 4332-38; process service, 4317-26; contingencies, 4327-31. Under the head of judges, the increase is mainly due to the separation of judicial and executive functions, 4339-58.

The expenditure in 1875-76 and 1893-94 on criminal courts is divided as follows:—

	Rx. 1875-76.	Rx. 1893-94.
Superior courts	354,232	342,955
Subordinate courts	108,988	213,037
Small cause courts	51,602	43,205
Establishments	221,494	224,708
Allowances	35,871	48,531
Witnesses	9,234	35,018
Process service	22,171	31,854
Other charges	70,691	65,578
	874,283	1,004,886
Upper Burmah		74,308
		1,079,194

4265-73, 4462-77.

Explanation of the decreased charge for superior courts, 4371-3; of the increased charge for magisterial courts, 4359-70; due to improvement in the pay, &c., of the lower classes of native Magistrates, 4438-40; establishments, 4443-5; allowances, 4446; witnesses, 4447-50; process service, 4451-2; the decrease under other heads, 4453-5.

The increase on the Supreme Courts has been comparatively small (Rx. 47,240, excluding Upper Burmah, 4274-80, 4306; and of this Rx. 24,000 is due to the salaries of Judges and Judicial Commissioners, 4281-4; the increase under the head of Law Officers has amounted to Rx. 53,000 (Rx. 1,000 due to Upper Burmah, 4307-9), of which Rx. 37,000 is due to the increased number of Government Pleaders necessary to render the service efficient, 4285-96.

The charges for Presidency Magistrates Courts, Coroner's Courts, and Small Causes Courts, have remained almost stationary, 4297-302.

The Separation of Judicial and Executive Functions as a factor of the Increase.

The separation, so far the higher courts are concerned, is practically complete in the Regulation Provinces, and has caused an increase of Rx. 58,000, 4339-41.

In 1875-6, both revenue and judicial functions were performed by the Commissioners and other officers in the Punjab, for instance, but no part of their pay would have been charged to Law and Justice as it is now, 4342-6, except in the case of certain additional Commissioners appointed for judicial work.

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All the magisterial work is performed by executive officers, 4406-11, 4371-7; any separation of magisterial from executive duties must cause very considerably increased expenditure, 4378-93.

The Net Cost of Law and Justice.

An inquiry was made into the expenditure of 1885 with a view to ascertain the net cost: the total receipts were then calculated to amount to Rx. 2,017,600, and the charges Rx. 2,142,700, 4604-15.

In 1875-6, the receipts did not cover the cost, but in 1893-4 the increase in the former had exceeded that in the latter, resulting in a balance that could be set against non-effective charges, 4616-36*a*. Similarly a surplus is estimated in 1895-6, 4637-8.

The expenditure must be expected to increase, but the increase will probably be balanced by the receipts, 4644-5.

Thus it may be said that the Courts of Justice in India are practically self-supporting, 4646-50.

The question of savings effected by the employment of natives, 4551-7; Europeans are employed only in the higher and supervising capacities, 4664-8.

Comparison of the cost of Europeans and natives, 4668-9.

The policy of recent years has been to employ natives more than formerly, 4670-1; practically all original jurisdiction is in their hands, 4672.

Jails.

Expenditure on jails has increased from Rx. 826,304 in 1875-6 to Rx. 924,000 in 1893-4; 4688; In the same period Jail receipts have increased by Rx. 36,000, 4688-94.

The average cost of each prisoner has increased, owing to the enhanced cost of rations and provisions, and better administration; the increase has been chiefly in the central jails, 4695-701.

The death-rate in jails, 4781-2.

10TH DAY.—PART I.

JACOB, MR. STEPHEN, C.S.I., ANALYSIS OF EVIDENCE OF—*continued.*

(N.B.—The figures given in this Digest are approximate only.)

MILITARY EXPENDITURE.

Comparison of the figures given in Sir Henry Waterfield's tables, the Statistical Abstract, and Sir Donald MacFarlane's Return, 4751-69.

Sir H. Waterfield's totals are exclusive of exchange, 4770-81.

Examination of the military expenditure in India (exclusive of expenditure in England) from 1881 to 1896, shows that a fixed grant of 30 per cent. of the revenue would cover the charges for military purposes, 4782-802.

Variations in the amount of the revenues in consequence of changes in the rates of taxation since 1881, 4803-26. The increase as between 1875 and 1895 may be reckoned at Rx. 3,000,000, 4825.

In 1893-4 the expenditure on new military charges, special operations, Upper Burmah, Military Works, etc., amounted to Rx. 2,455,000, of which Rx. 458,000 was for Upper Burmah (which, however, contributed a revenue of Rx. 838,000), 4829-35.

In order that a fair comparison of the ordinary military expenditure of 1893-4 with that of previous years may be made, the amount (Rx. 2,455,000) for new charges, should be deducted from the net Military Expenditure (Rx. 15,338,000), leaving a balance, Rx. 12,883,000, to represent the charges in existence in 1881, 4836-45.

In 1875-6, the military force (approximately) amounted to 60,000 British and 120,000 Native troops, and in 1893-4, 70,000 and 141,200 respectively, 4846-55.

The military charges in 1875-6 amounted to Rx. 12,108,000 on a revenue of Rx. 440,005,000 in 1893-4 the similar military charges amounted to Rx. 12,733,000, on a revenue calculated on the same basis as that of 1875-6 of Rx. 48,738,000, 4856-61.

First period 1875–6 to 1883–4. Second period 1884–5 to 1893–4.

10TH DAY.—PART. II.

COLLEN, SIR EDWIN, K.C.I.E., ANALYSIS OF EVIDENCE OF—*continued.*

THE INCREASE OR DECREASE OF EXPENDITURE ON EACH VOTE.

The Indian Army Estimates are divided into 20 grants, of which the two largest are Commissariat and Regimental Pay, etc., 4871–6.

(Under every head, the increase or decrease given hereafter is net, after allowance has been made for corresponding reduction and increase.)

Grant I.—Army and Garrison Staff.

In the first period, 1875–6 to 1883–4, the net increase was Rx. 12,600, due to the increased charges for the tours of inspection of the Commander in Chief, the creation of an Intelligence Department, and an increase in the number of musketry inspectors, 4877–84. In the second period, 1884–5 to 1893–4, the increase was Rx. 42,000, due to the additional requirements of Upper Burmah, and to improved sanitation, 4999–500.

Grant II.—Administrative Staff.

In the first period the net increase of Rx. 3,000 was due to the increase in the Military Accounts Department, 4885; in the second period the net increase of Rx. 14,000 was due to the creation of a fourth circle of accounts, and an establishment for Burmah, 5008–11.

Grant III.—Regimental Pay and Allowances.

During the first period there was a net decrease of Rx. 358,000, partly due to re-organisation, 4964–72; partly only apparent, owing to the transfer of the pay of medical officers to Grant IX., and partly due to a reduction in the number of batteries of artillery, 4973–83, and of officers, 4984–7. In the second period there was a net increase of Rx. 1,748,000, due to increases of the army, fall in exchange, causing an increased rupee charge for sterling payments, increase of rates of pay, and the establishment of native army reserves, 5091–9, 5108–11; which now number between 13,000 and 14,000, 5156–8. The pay of the native soldier was increased in order to attract a better class of recruit, 5172–84.

Grant IV.—Commissariat Establishments.

The net increase of Rx. 280,000 in the first period was due to the gradual substitution of locally brewed malt liquor for imported liquor, provisions for native soldiers at Quetta, compensation to native soldiers for dearness of food, and increase in pay and charges of the Commissariat and Transport Departments, 4988–94; the increase of Rx. 1,200,000 in the second period was due to the increase of the army, to augmented transport establishments, to free rations granted to native troops at certain stations, to increase in prices, and to compensation to native troops for dearness of food, 5112, 5149–55, 5161–4; also to the supply of forage by Government for mounted troops and transport animals, 5159.

The method of calculating the compensation to be awarded for the dearness of provisions, 5116–43. The compensation represents the excess of the cost to the native soldier of his ordinary ration over Rs. 3 a. 8 per mensem, and it is only granted at stations where such excess price actually exists, 5144–5; 5336–44.

Though the expenditure under this grant increased with the increase of the army, it has remained fairly constant since, owing to economical administration, 5187*a*–92.

Grant V.—Remount and Veterinary Establishments.

There was a net decrease in the first period of Rx. 33,000, partly due to the transfer of the charge for horse breeding to the Civil Accounts, and for the Hissar Cattle Farm to Grant IV., and partly to the abolition of the stud department, and the reduction of appointments, 4886–90; but during the second period the pay of veterinary officers was transferred to this grant, the number of reserve mounts was increased, and the price of forage rose, resulting in a net increase of Rx. 138,000, 5012–6.

COLLEN, Sir EDWIN—*cont.*

First period 1875–6 to 1883–4. Second period 1884–5 to 1893–4.

Grant VI.—Clothing Establishments.

The first period showed a net increase of Rx. 8,000, due to the increased purchase of local supplies, 4891–7; the second an increase of Rx. 103,000, due to augmentation of the army, the change in the clothing system, and increase of establishments, 5017–26.

Grant VII.—Barrack Establishments.

The net decrease of Rx. 31,000 in the first period was due to the transfer of establishments and furniture to the Public Works Department in Bombay, and the reduction of punkah pulling and similar establishments, 4898–900; the net increase of Rx. 40,000 in the second period was due to the increase in the army, the occupation of Upper Burmah, and increased number of barrack establishments, 5027–30.

Grant VIII.—Administration of Martial Law.

An abolition of appointments during the first period caused a net decrease of Rx. 3,600, 4900. The net increase of Rx. 12,000 in the second period was due to the raising of salaries, 5031–9.

Grant IX.—Medical Establishments.

There was a net increase (after allowing for certain transfers to other grants) in the first period of Rx. 93,000, due to the promotion of officers of the Army Medical Department to be Surgeon-Majors after 12 years' service, and to the transfer to this grant of the Native Hospital Corps, 4901–11; the net increase of Rx. 122,000 in the second period was due to re-organisations, the creation of the Indian Nursing Service, etc., 5040–6.

Grant X.—Ordnance Establishments.

Reduction and rigid economy in the first period brought a decrease of Rx. 51,000, 4912–26, 5069–70; but during the second period there was an increase of Rx. 333,000 due to the development of establishments, changes in material, increase of the army, increase of reserves, of stores, and of camp equipage, and enhanced prices, 2047–61; a part of the increase is due to the extended use of local supplies, 5066–8.

The expenditure under this grant has a natural tendency to increase, even were the numbers of the army to remain unchanged, since the cost of material is constantly increasing, 5047–64.

Grant XI.—Ecclesiastical.

The increased pay of Roman Catholic priests caused an increase of Rx. 6,000 during the first period, 4927; during the second there was no important variation, 5074.

Grant XII.—Education.

First period net decrease Rx. 3,500, due to economy in the management of Military Asylums, 4928; second period net increase Rx. 7,000, due to transfer of certain charges from Grant I., 5074.

Grant XIII.—Sea Transport.

First period net decrease Rx. 6,000, 4929–31; second period net increase Rx. 4,000, due to increased passage rates, 5075.

Grant XIV.—Miscellaneous Services.

Enumeration of the charges included in this grant, 4933–8; they vary every year, thus rendering comparison difficult, 5932.

There was an increase of Rx. 6,000 during the first period, 4932; but a decrease of Rx. 76,000 during the second, 5076–7.

Grant XV.—Volunteer Corps.

With the growth of the movement the expenditure increased Rx. 45,000 during the first period, 4939–40; and Rx. 109,000 during the second; the possibility of the extension of the volunteer system is limited by the number of the European and Eurasian population only, 5078–80.

NON-EFFECTIVE SERVICES.

Grant XVI.—Rewards for Military Services,

The grant includes Victoria Cross annuities, annuities for meritorious services, etc. The net decrease of

First period 1875-6 to 1883-4. Second period 1884-5 to 1893-4.

COLLEN, Sir EDWIN—*cont.*

Rx. 1,400 in the first period was due to a transfer of rewards to pensioned native soldiers to Grant XVIII., 4941-3; during the second period the net increase was Rx. 4,000, 5081-2.

Grant XVII.—Military Pensions to Europeans.

The increase in the first period amounted to Rx. 6,000, due to the increased number of retired officers living in India, and to the capitalisation of pensions, 4944-6; and the increase in the second period, Rx. 31,000, due to the same causes, 5083-5.

Grant XVIII.—Military Pensions to Natives.

These pensions include invalid and wound pensions of warrant and non-commissioned officers and men; after 15 years a man, if invalided, is pensioned, but ordinarily he is pensioned after 21 years; if men are passed into the reserve they receive a retaining fee only; the increase in the first period was Rx. 135,000, 4947-60; in the second Rx. 61,000 due to field service and retirements on re-organisation, 5086-8.

Grant XIX.—Widows' Pensions, Compassionate Allowances.

First period, increase Rx. 2,000, 4961; second period, increase Rx. 5,000, 5089.

Grant XX.—Departmental Pensions.

The increase of Rx. 17,000 in the first period, and of Rx. 16,000 in the second period, were due to the enlargement and re-constitution of the Army offices, 4962-3, 5090-2.

11TH DAY.

COLLEN, MAJOR-GENERAL SIR EDWIN, K.C.I.E., and MR. STEPHEN JACOB, C.S.I. ANALYSIS OF EVIDENCE—*continued.*

SYSTEM OF RECRUITING THE NATIVE ARMY.

The recruits are enlisted by officers stationed at centres of areas from which the best men are expected, they usually undergo a certain amount of training at the regimental centre, before they are passed into the ranks of the linked battalions, 5373-96.

The district from which a regiment draws its recruits depends upon the individual composition of the regiment, 5397-401.

Cavalry regiments usually make their own recruiting arrangements; recruits make a payment of Rs. 200 or more before joining, in order to pay for their equipment, but are recouped by their pay; they also receive forage allowance on a regular scale, 5402-6.

It is a common practice for candidates to come to the head-quarters of cavalry regiments and wait for vacancies, 5407-13.

Since the pay of the cavalry has been raised, there has been no difficulty in filling the ranks, 5414-7.

The cavalry pay is now Rs. 31 per mensem; the infantry Rs. 9, 5427-9.

The infantry need a year's training before they are fit to join the ranks, the cavalry somewhat longer, 5418-20.

Volunteers.

The volunteers in India are a useful force, valuable to the extent of the charge incurred; they now number from 28,000 to 30,000, the limit of the force is probably the number that can be obtained, but the cost is not likely to increase in the same ratio as heretofore, 5606-19.

MILITARY EXPENDITURE IN ENGLAND.

The whole expenditure of the Government of India in England, civil and military, has increased by 3,000,000*l.* since 1875. *Jacob*, 5431-42.

Army effective charges.

An increase of 430,000*l.* is on account of payments to the War Office, due partly to the augmentation of the army, but also to the increased capitation rate paid to the War Office. *Jacob*, 5442-3.

The capitation rate paid for each man furnished to India of all arms was formerly 4*l.* 12*s.* 6*d.*, and on this rate the payment in 1875 was based (5448);

COLLEN, Sir EDWIN, and JACOB, Mr. STEPHEN—*cont.*

on the report of Mr. Bouverie's Committee in 1875 it was raised to 5*l.* 16*s.* 7*d.*, *Jacob*, 5444-50; but later on Lord Northbrook's Commission, after settling the amounts to be paid for the years from 1886 to 1889, fixed a capitation rate of 7*l.* 10*s.* for 1890. *Jacob*, 5451-6.

The difference between 7*l.* 10*s.* and 4*l.* 12*s.* 6*d.* would probably account for about 200,000*l.* of the total increase, to this should be added 190,000*l.* for deferred pay (which was not given in 1875-6), and these sums account for 390,000*l.* of the increase, leaving only about 50,000*l.* to represent other causes, including the increase of the army. *Jacob*, 5457-65.

Probably the Government of India would consider that the increase in the capitation rate is greater than their needs require, *Collen*, 5593-8; and that the old system under which India did its own recruiting was more economical, *Collen*, 5598-605.

Transport.

Though the amounts for 1875-6 and 1895-6 are very close, there were considerable variations in the intermediate years owing to changes of system. The charge is not one likely to increase. *Collen and Jacob*, 5465-74.

Other charges.

There is no special remark to be made about charges under this head. *Jacob*, 5475-9.

Enumerates the charges for particular years under this head, amongst which are included advances of pay to troops on passage to India, which is outside the present capitation rate payable to the War Office. *Jacob*, 5480-6.

Furlough pay.

The increase is about 9,000*l.*; under rules introduced in 1886, the rates of furlough pay were reduced (though the leave granted was more liberal), thus balancing the increase which has resulted from the increase of the army. *Jacob*, 5487-90.

Non-Effective Charges.

This head is divided into the sub-heads British and Indian, the first being the share of pensions which belong to service of Imperial troops in India, and the second the pensions of Officers of the Indian Army. *Jacob*, 5491-5.

There was a complete change made in 1885-6 in the method of making the British payments. Up to 1885 India made a capital payment in respect of her share of each pension; but after 1885 India paid her share of the actual pension charge, calculated actuarially, falling due within the year. *Jacob*, 5496-512, 5672-82.

After the cessation of the former system the charge was very much reduced. *Jacob*, 5641.

It is not possible to compare the annual payments under this head, under the present system, with those under the former system. *Jacob*, 5639-84.

Under the Indian sub-head the increase of about Rx. 746,000 has been due to the increased number of successions to Colonels' allowances, and generally to increase numbers of pensioners, owing to enforced retirements, &c. *Collen*, 5512-9.

The amount for Colonels' allowances was calculated to decrease after 1895. *Collen*, 5526.

The maximum charge for pensions generally is calculated to be reached in 1901.

Stores.

This is divided into several sub-heads.

The policy of the Government has been to purchase locally more than formerly, *Jacob*, 5530-1; and this has prevented the charge for stores in England being so much increased as might have been expected from other causes. *Collen*, 5533, 5537, 5542.

The charge for clothing has risen from 225,470*l.* to 236,400*l.*, but the charges in intermediate years have been much heavier. *Jacob*, 5532-5.

The charge for Ordnance and Miscellaneous Stores has fallen from 470,000*l.* to 426,000*l.*; the increased price of material imported has prevented local manufacture causing a larger decrease. *Jacob*, 5536-7.

The charges in intermediate years have been heavier owing to changes in equipment. *Collen*, 5537-8.

COLLEN, Sir EDWIN, and JACOB, Mr. STEPHEN—*cont.*

The charge for "other" stores has also fallen from 381,000*l.* to 42,000*l.*, the result of local purchase. *Collen and Jacob*, 5539–41.

Special Operations and Defence Works; description of the method of ascertaining the charge for stores to be made against special operations. *Collen and Jacob*, 5542–51.

The account for special operations was opened in 1878–9 and closed in 1883–4, whilst that for Defence Works commenced in 1886–7. *Jacob*, 5552–6.

Exchange.

The British soldier's pay is reckoned in sterling, and he is now paid the equivalent in rupees, *Jacob*, 5557–61; from 1873 to 1884 he was paid at 1*s.* 10½*d.* a rupee. *Collen*, 5685–90.

The amount of exchange compensation to military officers was Rx. 269,620 in 1893–4, and was estimated in 1895–6 at Rx. 610,000, 5584.

The facilities given to military officers to send remittances home at the official rate have ceased since the grant of the compensation allowance. *Collen and Jacob*, 5693–702.

In Sir Henry Waterfield's tables 10 rupees are treated as the equivalent of each 1*l.* due to British soldiers, and the extra number of rupees paid to the soldier in order to convert his sterling pay at the current rate of exchange are shown in a separate column. *Jacob*, 5562–71.

The amount for exchange compensation is also shown separately. *Jacob*, 5580–4.

(15TH DAY.)

JACOB, MR. STEPHEN, C.S.I. ANALYSIS OF EVIDENCE OF—*continued.*

DEBT SERVICES.

In India there is no sinking fund as regards the rupee debt, but in England there is a small sinking fund for the general Indian debt merely to replace the discount (*i.e.*, the difference between par and the price of issue of the stock), 7186–91. There are also sinking funds in connexion with the purchases of some guaranteed railways, 7192.

Savings bank receipts are available for all purposes for which money is raised by loan, 7192–7.

The debt of India is divided (as a matter of account, 7237–8) into two divisions, ordinary and Public Works; the latter is defined as the total capital expenditure, incurred from revenue or loan, on railways and irrigation that is charged as capital on which interest is chargeable, 7202–7. (A work that is likely to produce 4 per cent. within a given time is classed as a productive work, 7496–500). This division has been carried back so as to include the whole of the capital expenditure on Public Works, 7490–5.

In 1895–6 the interest charged to the Public Works Department exceeded the total interest on rupee debt in India; this arises from the fact that the Public Works are charged with interest at 4 per cent. on their capital expenditure, and that that capital expenditure exceeds the total amount borrowed for other purposes, 7192–7. The debt of India does not necessarily increase in the same ratio as the debt of the Public Works Department, because the latter is partly due to investment by the Government of India of their balances, which avoids the necessity of borrowing, 7208–13.

Savings Bank receipts are available for all purposes for which money is raised by loan, and come in aid of the Government balances, 7198–200.

Until last year the Indian Government allowed interest at 3¾ per cent. on savings bank deposits, now it is 3½ per cent., and as they charge the Public Works Department 4 per cent. all round on their capital expenditure, there is an apparent profit from these deposits, but not a real one, as the cost to the Government is fully 4 per cent., 7214–7, 7221–7. The limit of deposits is Rx. 200 a year, and Rx. 2,000 in all; the total at the end of 1895 was Rx. 10,701,000, 7218–21. The lowest rate at which a loan has been raised in India (in rupees), is 3½ per cent. at 96 in 1893, and in England 3 per cent. above par, 7228–36. The 2½ per cent. loan about to be issued in London is being quoted at

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105¾, 7239–43. Quotations and prices of the new 2½ per cent. loan, 7239–43, 7372–80; the reason for the loan, 7434–5.

In 1875 the total debt was in India Rx. 69,850,000, and in England 48,600,000*l.*, total 118,450,000*l.*; and in 1895 it was Rx. 104,373,000 and 116,005,000*l.* respectively, total 220,378,000*l.*; increase Rx. 102,000,000. (taking the rupee at 2*s.*), 7244–8. The interest on debt in 1875 in India was Rx. 3,017,000, in England 2,161,000*l.*, total 5,178,000*l.*, and in 1895 Rx. 3,633,000 and 3,857,000*l.* respectively, total 7,490,000*l.*; increase 2,312,000*l.* (taking the rupee at the same rate), 7249–50. Since the average rate of interest was, in 1895, between 4¼ and 4½ per cent., and in 1895 between 3¼ and 3½ per cent., there has been an average annual saving of 1 per cent. or 2,200,000*l.*; and (so far as it concerns the taxpayer) this saving rather more than counterbalances the increased payment due to the fall in exchange; but in consequence of the fall in exchange India cannot enjoy the benefit of this saving, 7254–76.

In 1875 the ordinary debt was about 96,000,000*l.*, and the cost of it in interest about 4,000,000*l.*, 7277–85. In 1895 it was 70,000,000*l.*, the cost being about 2,275,000*l.*; the reduction, both in debt and cost, is considerable and very satisfactory, 7277–98. The exchange, however, on the interest must also be added as a charge which amounted, in 1893–4, to Rx. 1,621,000, 7420–31.

The productive (or public works debt) now stands at 150,000,000*l.*, and a charge of 4 per cent. is made against the Public Works Department on that portion of the debt which is not raised for any special work, such as the purchase of a railway, but in the case of debt raised for a special work the actual cost of the debt is charged to the Department; the former would account for about 120,000,000*l.*, and the latter for about 30,000,000*l.*, 7299–7306. Though the 120,000,000*l.* is raised at 3¼ per cent., and brings in 4 per cent., there is no profit to the Government, since the receipts are in rupees and the interest has to be paid in sterling, 7307–27; on the whole the productive debt does not pay its charges, 7828–35; and the difference, which falls on the taxpayer, is about 2½ millions, 7336–54.

Conversions.

In India in 1878–79 10 crores were converted from 5½ to 4½ per cent.; and in 1890–2–3 the whole of the 4½ per cent. to 4 per cent.; and in 1894–5 the whole of the 4 per cent. general debt was converted to 3½ per cent. (95 crores), 7355–9; most of which is guaranteed for 10 years, 7360–1.

In England, 17,000,000*l.* at 5 per cent., and 60,000,000*l.* at 4 per cent., have been converted into 3½ per cent., to run until about 1940, and new debt has been raised at 3 per cent, 7360–73.

Besides the debt there are certain obligations on which interest is paid; they amount to Rx. 13,000,000, and the charge is about Rx. 550,000, 7381–3. On the other hand, there are receipts with which the debt should be credited, the largest being the investment of the paper currency reserve, bringing in about 300,000*l.* a year, 7388–90; there are also receipts from loans to corporations and municipalities; the loans are made through the agency of the Provincial Governments for purposes of public convenience and utility; the Central Government charges the Provincial Governments 4 per cent., and the rate of interest charged is only limited by the minimum of 4 per cent.; 7391–401; a small amount is also lent to native States, 7402.

The discharge of debt by the Government has generally been in the shape of the conversion of the character of the debt, but in 1876–77 the Government purchased a certain amount of debt in view of the high rate of interest, 7403–7. In some years portions of the famine insurance allotments were appropriated to the purchase and cancelment of debt, and whenever their obligations have come into the hands of the Government in some casual way, they have been cancelled, 7408–15.

The debt discharged in England represents the balances of large debt transactions; sometimes it is the discharge of temporary debt, 7416–19.

The policy of the Government of India is to borrow as far as possible in India; they never borrow in

JACOB, Mr. STEPHEN—*cont.*

England for general public works expenditure; the only amount borrowed in England, other than for the purchase of specific railways, was in 1893-94, owing to the failure of the Secretary of States' bills; some have been borrowed in England for the purchase of railways, the redemption of railway securities, and for advances to railways, &c, the Indian Government reaping the benefit of the low rate of interest without the exchange complications, 7432–42. Other loans advanced in England, 7443–4.

A loan of 6,000,000*l.* was raised in England on the occasion of famine in Madras and Bombay, 1876–8, 7459.

The debt in England has, on the whole, increased since 1875–6 by 65,000,000*l.*, 7447.

Borrowing in India is really an expensive method of bringing money from England, as much of the rupee debt is taken up in London; the native can procure a higher rate of interest for his loan than Government pay him; the fluctuation of the rupee prevents money being borrowed in India at so good a rate as it might otherwise be borrowed; the Government estimate that not more than five crores of rupees could be borrowed in India with any degree of certainty, 7465, 7484. The people of British India hold very little of the debt, 7507–16.

If it were not for the difference in currency, money could be raised in England much more cheaply, 7485–9.

For many years the credit of the Indian Government has gradually been approximating to that of the Imperial Government, 7502–6.

Details cannot be given of how much is lent by the natives of British India, 7507–32; probably there is an accumulation of capital growing up in India, 7526–38.

In 1893–4 railways show a deficit of about Rx. 1,500,000, which arises partly from the fact that some of the works are still under construction, but mainly from the large charge for exchange, which was 2,250,000*l.* in excess of the whole loss, so, that, but for it, there would have been a profit, 7540–63.

16TH DAY. PART I.

JACOB, MR. STEPHEN, C.S.I. ANALYSIS OF EVIDENCE—*continued.*

POLICE.

The increase of expenditure on police from 1875–6 to 1893–4 has been Rx. 1,446,000, and of receipts Rx. 182,795, 4692–4.

Nearly 50 per cent. of the increase in the charge for police since 1875 is due to the acquisition of Upper Burma, viz., Rx. 631,675 out of Rx. 1,262,558, 7601–2. There have also been reorganisations in Bengal, Bombay, and Lower Burma, in which last the increased charge has been Rx. 136,000, partly owing to the organisation of a military police force, 4702–7, 7603–4, 7650–1. The military police are employed mostly in the frontier provinces, and the scale of pay is higher. There was practically no military police force in 1875–6, 7667–73. The military police are under the Provincial Governments, 7681–2.

The annexation of Baluchistan also caused a considerable part of the increase, 7674–6.

A diminution of the police expenditure in Burma may be expected as the provinces become better organised, 7605–7.

The Bengal charge has increased by Rx. 103,000; of this Rx. 41,000 has been due to the Calcutta Police (to which there is an indirect municipal contribution in aid), and Rx. 38,000 to special charges in South Lushai, 7608–10.

Under present arrangements the Municipality of Calcutta would not pay for the increased police charges, due to extension of the city; eventually, probably in will pay its due share, 7614–5. The municipality is exempted from a direct contribution on condition that it spends annually three lakhs on necessary sanitation; this arrangement is not a permanent one, and is subject to alteration, 7616.

In Bombay the increase has been Rx. 103,000; viz., in Kathiawar, Rx. 60,000; village police, Rx. 43,000; the Kathiawar police are paid for by Native States, but managed by Bombay, 7610–13.

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Municipalities have not in the past contributed the whole cost of their police, but it is intended that in future (with some small exceptions) that they shall so do, or that, if the Government pays for the police, the municipalities shall contribute more liberally to other charges, 7617–23.

In Baluchistan there has been an increase of Rx. 41,000, 7626–8. In the North-Western Provinces and Oudh there has been an increase of Rx. 66,000; in the Punjab of Rx. 31,000, for special police, partly due to the extension of the frontier, besides some increase on reorganisation; in Madras, too, the force has been strengthened, 7628–9.

The increase has been more largely due to increased force than to increased pay; in 1876–7 the district police force numbered 110,000 men, in 1895–6 117,000, increase 6,747, besides an increase of 6,542 men in Upper Burma, 7630–3. This does not include village or municipal police, 7634–5.

The increase in cost is almost in due proportion to the increase in force, 7636–42. In making a comparison between the early and late periods, Upper Burma must be excluded. The police charge for all India in 1875–6 was Rx. 2,238,000; in 1895–6, Rx. 3,500,000, or deducting Rx. 600,000 for Upper Burma, Rx. 2,900,000—increase Rx. 700,000; this increase is made up of Rx. 233,000, for district police force; Rx. 279,000 for special police (chiefly military, 6677); Rx. 74,000, for village police; and Rx. 69,000 for cattle pounds (the last two items being covered by a corresponding increase in receipts), 7642–9.

The increase in strength has been in the lower grades; the increase in pay (confined almost entirely to the lower grades) and charges other than increase of force, has been about five per cent., 7650–8.

The charge for and the administration of the police is provincial, except in Upper Burma, and the smaller provinces, 7654–61.

The foregoing figures, being net, allow for the receipts; but there are receipts coming under other heads, *e.g.*, provincial rates, which defray the charge for village police in the North-West Provinces; and in Bombay there are receipts under Land Revenue, devoted to the same purpose, 7662–3.

The receipts in 1875–76 were Rx. 234,736, and in the 1896–7 budget Rx. 412,000, 7664–6.

The cost of police must gradually increase, and some increase will probably be necessary to secure efficiency, 7683–9, 7693–4. There is a feeling in favour of a better class of men, 7684–6. Pay of individual constables as compared with current wages, 4708–15.

Each Provincial Government has power to charge a district with the cost of special police. There is no special rate for meeting the cost of military police, 7690–2.

The rates of pay are controlled by the Central Government, 7695–6, 7698–9. They are not the same in all provinces, 7697.

There are other charges brought on the Police Account since 1875–6, which would swell the increase, such as clothing, cattle-pounds, railway police service, 4716–21. The advisability of opening up the higher grades to natives, 4727–30. The higher grades are open to natives and Europeans alike by means of competitive examination, 4731–40.

16TH DAY. PART II.

JACOB, MR. STEPHEN, C.S.I. ANALYSIS OF EVIDENCE OF—*continued.*

COMMERCIAL SERVICES.

The reproductive public works undertaken by the State in India are mainly railways and irrigation works, but they include some collieries, and also some petroleum operations in Beluchistan. These last two items are, however, comparatively small, 7700–7.

RAILWAYS.

The Government of India began (1) by assisting private companies, by guaranteeing interest on their capital, to construct railways; the first com-

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pany on this basis was formed in 1849–50, 7709. (2) In 1868–9, the Government of India began to construct railways for itself on a large scale, 7710. (3) Since 1880–1 many lines have been constructed by companies, but they are the property of the Government, and are practically leased to the companies for a term, on the expiration of which the Government is generally bound to repay to to them their capital at par, interest being in the meantime guaranteed on their capital in some form, 7709–35, 7712–21. There is also (4) a class of railways, called "subsidised," the subsidy being paid by Government to either capital or revenue, or both, or taking the form of free grant of land, &c., 7789–99.

Guaranteed Lines.

Enplanation of the guarantee system, 7962–74. Of the old guaranteed railways, only the Madras Railway now earns insufficient to pay the guaranteed interest, but in the case of neither the Great Indian Peninsula nor the Bombay-Baroda has the Government share of the recent earnings been sufficient to wipe out the excess interest paid in the past. Even where a surplus is shown in the accounts, the whole of the Government interest may not have been provided, because the interest is under the contracts converted at the fixed rate of 1*s.* 10*d.* the rupee, 7736–75.

In 1875 the capital of the guaranteed railways amounted to 92,000,000*l.*; in 1895 it was 45,000,000*l.*, 7800. The guarantee usually ran for 99 years, but the State had the option of purchase at certain periods, by the exercise of which the number of guaranteed lines has been reduced from eight to three. 46,000,000*l.* now represents the total capital liability of the Government of India in respect of these guaranteed lines, 7808–10.

Details of the sums paid for the purchase of the guaranteed lines, 8082–101. Out of the total price of 71,000,000*l.* there was paid in the form of an annuity about 37,000,000*l.*, the remaining 33,000,000*l.* being met by loan, 8097–8.

The remaining three guaranteed railways may be purchased in 1899, 1905, and 1907 respectively, and the question of purchase will have to be considered, 8108–17.

The annual burthen has been slightly increased by the purchase of the old guaranteed lines, but that includes a sinking fund for the redemption of the purchase money, 8032–42.

State Lines.

In 1875 the total expenditure on lines constructed by the State was a little over Rx. 12,000,000; in 1893–4 it amounted to nearly Rx. 115,000,000. These sums include direct expenditure by the State, either on construction of new lines (Rx. 80,000,000), or on the purchase and redemption of the liabilities of companies whose lines have been taken over by the State (Rx. 34,000,000), 7821–4; but not the liability of Government on account of annuities created for the purchase of any of the guaranteed lines, 7825–7. Of the direct outlay by the State, the whole may be said to have been met by borrowing, 7848–51; though a sum amounting in 1893–4 to Rx. 22,000,000 on account of railways and irrigation works, is charged against revenue, 7902–15.

State lines include lines built both for military purposes and for protection against famine, which were never expected to be commercially remunerative. No distinction is made in the accounts between productive and unproductive lines. Up to the end of 1893–4, the expenditure on military lines was a little over Rx. 14,000,000, the result of the working being a net loss of Rx. 76,424, though possibly, in course of time they may be worked at a profit. In the meantime, however, the deficit is large, 7854–97. The military lines are treated in India as commercial lines, and constructed out of borrowed money, because they are mainly maintained by the revenue they bring in, and might possibly even be worked at a profit, 7916–26.

Leased Lines.

The total capital liability of the Government with respect to the leased lines at the end of 1893–4 was 25,143,000*l.*, 7833.

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Liability of Government.

On this total liability of Government, amounting to 139,000,000*l.*, *plus* the capital value of the annuities, payable under the terms of purchase of the old guaranteed lines, which may be taken at about 41,000,000*l.*, 7933, the Government pay interest to the amount of 7,000,000*l.* a year, 7839–44.

Total Railway Expenditure.

The total expenditure of all kinds, however, on Indian railways is about 246,000,000*l.*, 7845–7, but this sum is exclusive of the difference between the actual expenditure on certain lines and the cost to Government of purchasing them, viz., 8,000,000*l.*, 7934–43.

Subsidised Lines.

The capital of the subsidised companies amounts to about 6¼ millions, 7947.

Explanation of the method of paying subsidies to companies, 7975–8.

Comparison between 1875–6 *and* 1895–6.

The total charge against Government on account of the guaranteed railways in 1875–6 was Rx. 5,456,672, and the receipts were Rx. 4,281,672, leaving a deficit of Rx. 1,175,000.

The total charge on the same account in the Budget of 1895–6 was Rx. 4,403,800, the receipts Rx. 3,233,000, leaving a deficit of Rx. 1,170,000.

If, however, exchange had been maintained at the rate current in 1875–6, the deficit in 1895–6 would have been a substantial surplus, 7979–97.

In 1875–6 nothing was paid on account of subsidised railways; in 1895–6 the charge was estimated at Rx. 25,500, the receipts at Rx. 29,200, giving a net receipt of Rx. 3,700, 7998–8000.

Explanation of certain miscellaneous charges connected with railways, 8001–6.

The charges on account of State railways (including leased lines) in 1875–6 were Rx. 433,534, and the net receipts Rx. 96,601, leaving a net charge of Rx. 337,000.

In 1895–6 the charges were estimated at Rx. 10,225,000, and the receipts at Rx. 9,304,900, showing a deficit of Rx. 970,000, which, had exchange remained as in 1875–6, would have been a surplus of Rx. 1,700,000, 8007–28.

Speaking generally, the capital for the construction of railways is raised in India; that for the purchase of railways in England, 8029–31.

Policy of the Indian Government in regard to the construction of railways, 8043–68. In 1881 the amount to be borrowed for railway construction in any one year was limited to 2,500,000*l.*, independent of any sums provided out of revenue or by companies, 8048–9; but no considerable sum has been expended out of revenue, 8050–9. The result of the 1884 committee was to raise the limit to about 2,950,000*l.*, and in some subsequent years the frontier railway policy caused this limit to be exceeded; in particular years also there were some exceptional charges, 8069–72.

In the six years following 1887–8 the amount of charge shown in the accounts is less than the allotment, but in the first two of these years the deficiency was due to adjustment of account; in the latter years it was a genuine reduction, 8073–9.

In 1876 the open mileage of railways in India was 6862; the capital outlay Rx. 112,000,000; the gross earnings Rx. 8,794,000; the working expenses Rx. 4,229,000; the net earnings Rx. 4,565,000.

In 1894 the open mileage was 18,841; the capital outlay Rx. 246,880,000; the gross earnings Rx. 25,510,000; the working expenses Rx. 13,530,000; and the net earnings Rx. 11,980,000. Thus, in 1894 the return on the capital outlay in India is about 4·85 per cent., and the working expenses are about 53 per cent. of the gross earnings. On the other hand, the cost of remittance of the sterling interest modifies the result, 8123–35. Military and other unproductive railways make the total result lower than it would otherwise have been, but, though administratively desirable, a division of the railways into productive and non-productive would be attended with disadvantages so far as the general accounts are concerned, 8136–41. Notwithstanding the excellent general result of the railway system, the railways have financially been a loss to the Government of India, and this

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loss occurs not on lines constructed by the Government itself, but on lines under the old and new guarantee systems, 8142–9.
At present the railway revenue is burdened by 11,000,000*l.* of capital expenditure on lines in course of construction and as yet paying little or no revenue, 8150–1. The Government of India are proceeding with the construction of railways in the belief that they are likely to be productive, 8153–6, and, apart from a further fall in exchange, there is little cause for apprehension as to the future, even looking only to the direct financial results, and leaving indirect benefits out of the question, 8157.
That least productive class of railways, viz., those for protection against famine, are now practically completed, and future lines may be expected to be of a more productive character, 8208–17.
Employment of Europeans and Natives on railways, 8161–202.
Contribution of native capital, 8179–89, 8203–7.

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18TH DAY. PART I.

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There are certain railways charged to the Famine Relief Fund, which are taken directly against the revenue; the total charge up to the end of 1894–95 was 5,934,000*l.*, 8718–23.

IRRIGATION WORKS.

Construction.
Irrigation works are, for financial purposes, divided into two heads, major and minor; the first includes works undertaken from loan funds and likely to be sufficiently productive to cover the interest charge, and famine protective works (constructed from the famine insurance grant); the second includes all works whose cost is defrayed from the ordinary revenues, for the greater part of which no distinct capital and revenue accounts are kept, 8724, 9055–6.
These works are administered by officers of the Public Works Department, under the general control of the Provincial Governments, 8725–7.
Generally speaking, productive works are only undertaken if they arelikely to produce 4 per cent. in 10 years; protective works are undertaken where they are necessary for protection against famine, 8728–9; the initiative rests with the Chief of the Provincial Irrigation Department, and he advises his Government, 8730–7, 9053–4.
The sum set apart for major works (out of the Public Works Vote) is not absolutely fixed, but is now about Rx. 700,000, besides what can be spared from the Famine Insurance Grant; the whole would amount to about Rx. 800,000, 8738–41, 9,026–7. Of this about Rx. 50,000 is appropriated out of revenue, 9058–61. The cost of constructing major works is now charged either to loan funds, or to "Famine Relief and Insurance"; four per cent. on the total capital expenditure is added to the charge side of the Revenue Account, 8751–6.
The total capital expenditure, which was in 1875–6 Rx. 12,897,901, had risen to Rx. 30,343,404 in 1894–5, and up to the end of 1896–7 (including estimates) Rx. 31,921,000, 8757–60. The first sum includes all expenditure incurred by Government anterior to 1875–6, 8761–5. About 22 millions of the sum total for 1894–5 have been incurred from loan funds, the amount advanced of late years out of revenue having been only about three millions, 8766–71.
No sinking fund is created for the repayment of borrowed money, 8772–3.
Repairs are charged to revenue unless they exceed the cost of the original work, 8774–8. No charge for depreciation is made to the Famine Fund, 8779–82. Minor works are carried out by the Provincial Governments, out of their revenues; there is a limit to the size of the works they may undertake without the sanction of the central Government, 8742–4.
As a rule there are no local contributions; the local contributions in aid of irrigation works do not make up one-tenth of the total amount spent, 8745–50.
Out of the total outlay on construction, which was 29,000,000*l.* in 1892–3, 3,045,000*l.* was outlay in England, for the purchase of the works of the East India and Madras Irrigation and Canal Companies, and a certain sum was spent on stores, 8783–90. This liability having been raised in England and afterwards converted into rupees a charge for exchange has arisen, 8791–809.

Revenue—Major Works.
Taking major and minor works together the result works out to a net charge; but, taken separately, the former produce a small net revenue, 8810. The receipts fluctuate according to the rainfall; in 1895–6 the heavy fall reduced the need of irrigation, and *vice versâ* in 1896–7, 8810–4. (In 1896–7 the purchase of water increased by about 60 per cent., 8821–2.) (The land revenue is also affected by the rainfall, 8812–3.)
The irrigation revenue is mainly made up by the voluntary purchase of water, but in some parts an irrigation cess is levied, which is included in the land revenue demand, 8815–7.
In one or two cases water is supplied to municipalities, but the amount of revenue from this source is only Rx. 10,655, 9119–21.
Another class of irrigation receipts is land revenue due to irrigation; where the value of the land has been enhanced by the irrigation, the portion due to irrigation is credited to it, 8818–20, 8823–5.
Landowners cannot be assessed at a higher rate on the ground of enhanced value due to irrigation until their land comes under resettlement, 8825–7, 8830. Permanently settled land in the North-West Provinces may be assessed for irrigation as though it were temporarily settled, 9138–42.
On the resettlement, the land is reassessed on the actual rentals, and the portion to be attributed to irrigation is arbitrarily fixed by the revenue authorities, 8835–8.
In some cases the direct purchase of water is credited to land revenue due to irrigation, 8833–4.
Amount of land revenue credited to irrigation from 1892–3 to 1896–7, 8840–1.
There may be a fall in the land revenue proper, owing to a dry season, but a coincident rise in land revenue due to irrigation; the former would, however, in a bad season largely exceed the latter, 8842–7.
The working expenses (including maintenance, 9074) represent about one-third of the direct receipts, but they do not increase in quite the same ratio, 8848–55.
The interest charge has risen from about Rx. 600,000 in 1875–6 to Rx. 1,254,000 in 1896–7, 8856–62.
The net receipts in 1884–5 were Rx. 37,000, and in 1895–6, Rx. 244,000, and the estimated receipts for 1896–7 are Rx. 600,000, 8863–70.
Taking the receipts from 1884–5, whilst they fluctuate from year to year, yet there is a considerable gradual improvement; the normal surplus would be between Rx. 200,000 and Rx. 300,000, after payment of the 4 per cent. interest and all other charges, 8871–6; *i.e.*, after paying the 4 per cent. interest, &c., there is a surplus of clear profit of about 1 per cent., 8877–8, 8888–90.
It may be considered that the return is really 6 per cent. on the 22 millions of borrowed capital, so far as the present revenues of India are concerned, 8910–5.
The net revenue increases with the gross receipts as the working expenses are stationary, 8879–82.
The use of irrigation works is becoming more popular; the opening up of the railways has had a decided effect in that direction, 8885–7.
The protective works and those taken over from the companies will never be productive; some do not even pay their working expenses, 8891–5.
The value of irrigation varies with the kind of soil and of the crops which can be produced from it, 8898–8903.
The technical term "protective works" means works protective against famine, but there are also some minor works to protect against inundation, 8906. A rate is chargeable upon the latter class of works, 8907–9.
In Bengal there are major works, but the Revenue only comes in from direct receipts, the permanent settlement prevailing in that Province, 8916–20. It would be within the power of the Government to make permanently settled land liable to an irrigation cess, but that has not been done in Bengal, 8921–3. There is no "owners' rate" in Bengal, as there is in the Punjab in North-West

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Provinces, 9125–6, 8933–4. The two large works in that Province were started by companies, and taken over by the Government, 8929–30, 8995–9016. There is not much demand for irrigation in many parts of Bengal, 8931–2. In 1893–4 the direct receipts in Bengal were Rx. 167,000, working expenses (including maintenance, 9074,) Rx. 145,000, interest on capital outlay Rx. 246,000, 8935–41. The loss may be accounted for by the absence of the owners' rate, and the lowness of the direct receipts; the works have never been fully developed, 8942–5, 8954.

The capital outlay in Bengal on major works is Rx. 6,180,586, and in the North-West Provinces, Rx. 7,485,000, but the direct receipts were Rx. 167,000 and Rx. 585,000, *plus* Rx. 118,000 land revenue due to irrigation, respectively, 8946–50. The working expenses (including maintenance, 9074,) in the North-West Provinces were Rx. 255,000, and the interest Rx. 298,000.

In Madras the capital charge is Rx. 6,091,000, the direct receipts are Rx. 30,000; the Land Revenue due to irrigation Rx. 531,400, the working expenses (including maintenance, 9074,) Rx. 117,000, and the interest Rx. 239,000. The net revenue, therefore, is Rx. 205,000, 8958–9.

Some of the irrigation works were old works, and the capital accounted for is only that which has been expended by the Government of India on them; but most have been reconstructed at a cost which brings a fair charge against the capital, 8960–9; there were some irrigation works before the advent of the British Government, 8970–6; of these the most important is the Western Jumna Canal, 8972–3.

The details of the direct receipts are (for 1894–95) occupiers' rate, Rx. 1,147,514, owners' rate in the Punjab and North-West Provinces, Rx. 73,550, and navigation receipts, Rx. 59,985, together with various petty items, 8977–8.

The occupiers' rates are assessed under rules framed by the Provincial Governments; the revenue officers may assess land to the full extent of what they consider to be the benefit conferred upon that land, 8982–6, 9128. The total receipt from owners' rate is small, because, when the land comes under assessment, the rate becomes amalgamated with the land revenue credited to irrigation, 8987–8.

The occupiers' rate in the Punjab amounts to Rx. 489,000 and in the North-West Provinces to Rx. 506,000, as against Rx. 1,147,000 for the whole of India, 8984–94.

Considering the importance of irrigation to India, the financial result of the works is very satisfactory, 9017.

In, at all events, one part of the country irrigation has had a harmful effect, and the land has become sterile; but that is being remedied by drainage. 9018–22. Though the older works are the more productive, some of the new works are doing remarkably well, 9023–5.

Minor Works.

Minor works are those which are undertaken for the general improvement of the country, and are paid for out of ordinary revenues, 9122–3. They include embankments, tanks, and some canals, 9057); they are charged against revenue, (9085-6); but in future separate capital and revenue accounts are to be kept for any work (major or minor) as a condition of their being undertaken. There is no financial distinction between major and minor works, but the former are generally the more costly, 9038–47.

The revenue and expenditure on minor works of recent years, as shown in the Finance Accounts, have been as follows:—

——	Revenue.	Expenditure.	Net charge.
	Rx.	Rx.	Rx.
1892–93 - -	186,000	1,008,000	822,000
1893–94 - -	200,000	908,000	708,000
1894–95 - -	192,000	959,000	767,000
1895–96 (revised estimate).	204,000	1,000,000	796,000
1896–97 (Budget)	210,000	1,129,000	919,000

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The capital and revenue accounts kept for some of these minor works in the Public Works Administrators accounts show a net revenue; the deficit shown in the Finance Accounts is due to the fact that all capital expenditure is charged against revenue, and that the works are not credited with land revenue due to irrigation, 9076–84. Instance of a work (the Tuleli Canal) shown in the Finance Accounts to work at a loss, but which, with the addition of the land revenue due to irrigation, would show a net revenue of over Rx. 17,000, 9090–97.

It is possible to get at the financial result of those minor works for which capital and revenue accounts are kept, but not of those for which they are not kept, 9098–114.

It would be desirable to separate entirely from the ordinary irrigation accounts those works for which a capital and revenue account is not kept, in order that the financial results of irrigation may be seen in a clearer light, 9124–5.

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JACOB, Mr. STEPHEN, C.S.I. ANALYSIS OF EVIDENCE OF.—*continued.*

GENERAL ADMINISTRATION.

This head includes the salaries of the Governor-General, the Governors and Lieutenant-Governors, and Chief Commissioners, their staff and household charges, charges for Executive and Legislative Councils, all the secretariat charges, charges for the Boards of Revenue, Financial Commissioners, Commissioners of Divisions (9153 and 9179); Inspectors-General of Stamps, Registration and Excise, the Accounts Department; allowance to Presidency banks, and the general establishments of Local Funds, 9146–53.

The total cost was in 1875–6 Rx. 1,464,000, and 1895–6 Rx. 2,032,000, 9154.

The charges for the Governor-General, Governors, Chief Commissioners, their staff, &c. were in 1875–6 about Rx. 193,000; in 1895–6 Rx. 209,000, 9154–60.

Executive and Legislative Councils, 1875–6, Rx. 93,000; 1895–6, Rx. 97,000, 9161–7. The former have decreased owing to a decrease in the rate of pay, 9210–1. Secretariats (and tour charges), 1875–6, Rx. 392,000; 1895–6, Rx. 482,000, 9168–71. The Civil Secretariat comprises the Foreign, Finance, Revenue, Agriculture and Home branches of the Government of India, and those of the Provincial Governments, 9169. The increase is due to increase of staff, a large portion of which is due to the annexation of Burma and extension of the frontiers accounts for a large portion, 9172–7, 9253.

Description of the Boards of Revenue and Financial Commissioners, who cost Rx. 79,000 in 1875–6, and Rx. 107,000 in 1895–6, and the Inspectors-General of Stamps, Registration and Excise were not brought under this head in 1875–6; in 1895–6 they cost Rx. 25,000; and Commissioners in 1875–6 Rx. 209,000, in 1895–6 Rx. 245,000, 9178–84.

The Civil Account and Audit Department, 1875–6, Rx. 163,000; 1895–6, Rx. 217,000; the Public Works Account and Audit, Rx. 15,000; 1895–6, Rx. 27,000; the Paper Currency Department, 1875–6, Rx. 23,000, 1895–6, Rx. 28,000; Reserve Treasury, 1875–6, nil, 1895–6, Rx. 1,000; Presidency Banks, 1875–6, Rx. 33,000, 1895–6, Rx. 30,000, 9184.

Local Funds, General Establishments, were not accounted for under this head in 1875–6, in 1895–6 the cost was Rx. 101,000, 9185, 9201–2.

Miscellaneous charges, 1875–6, Rx. 5,000, 1895–6 Rx. 2,000, 9186.

The totals were, 1875–6, Rx. 1,210,000, and 1895–6, Rx. 1,571,000, 9187–9.

The charges in England include the expenses of the India Office, the Auditor, &c., the management of debt, law charges, passage and outfit allowance, and the cost of currency forms; the totals in 1875–6 were Rx. 233,000, and in 1895–6 Rx. 252,000 (exchange included) 9191–3.

The payments to Presidency Banks are for the Treasury work done for the Government at Calcutta, Madras, and Bombay, and for the managment of Public Debt and branches of the Savings Bank;

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though their charge has increased, the rates of remuneration have been lowered, 9196–8. The Reserve Treasuries are to provide funds, independently of the banks, in emergencies, 9199–9200.

Increase or Decrease as between 1875–6 and 1893–4:—

Civil Secretariats, increase Rx. 109,000, 9206–7; Local Funds, General Establishments, increase Rx. 95,000; Civil Account and Audit, increase Rx. 45,000; Commissioners, &c., increase Rx. 28,000; Inspectors-General of Stamps, Registration and Excise, increase Rx. 23,000, 9227–9. Revenue Boards and Financial Commissioners, increase Rx. 24,000. On the other hand, there has been a small net reduction of about Rx. 11,000, 9205. Details of local increase under heads of Secretariat: the increase is mainly due to increased force, and partly to exchange, 9215–9222.

The expenses of the Legislative Council consist of the charges of the Legislative Secretariats, and allowances to additional members, official and non-official, for personal expenses, 9212–3.

There are now five Legislative Councils, 9214.

The increase under Boards of Revenue and Financial Commissioners is largely due to the creation of a Financial Commissioner for Burma, 9223–6.

Of the increase under Commissioners of Revenue Rx. 29,000 is due to Burma, 9228–9.

The increase under Accounts Department is partly due to Burma, and partly to the creation of the Auditor-General's Department, and to the increase of work in that Department, 9230–8.

Explanation of increase under Commissioners, 9254–5.

The reduction under Tour charges is rather due to reclassification than to decreased expenditure, 9256–7.

The transference of certain charges from Imperial to Provincial has caused a reduction under the Imperial head, but a corresponding increase under Provincial, 9258–64.

Taken as a whole, the increase under General Administration is one of the largest under any head in the Indian accounts; it is chiefly due to increase of work, for salaries have rather been reduced than increased, 9239–43.

The whole cost of general administration in Burma in 1875–6 was Rx. 37,000; now it is over Rx. 120,000, the increase being entirely due to Upper Burma, 9244–9252.

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The arrangements were that the Company should sell the water to the Government, who would retail it to the customers, 9710–11.

In the case of the Madras Irrigation Company, there was a guarantee of five per cent.; the Company made over its property on the following terms: for each 100*l.* stock the Government of India should pay 106 *plus* five per cent. interest for a given period; for each 100*l.* mortgage debenture (amounting to 430,000*l.*, 9741–4), 75*l.* plus four per cent. of interest for a given period, and 12,000*l.* as compensation to offices, &c.; the total amounting to Rx. 1,404,000. The balance of advances made by the Government to the Company, amounting to 358,428*l.*, was written off, 9714–39, 9747–50. It was considered by the Government that it was more profitable to take the work over when they did than to wait until 1888, when they could have purchased under the contract, 9740–6, 9756–83.

Though there is practically no return from this canal, it is valuable as a relief work, 9751–4.

There has only been one case of deterioration of land due to the action of the irrigation works, 9785–6.

No protective irrigation rate is levied in any part of India; in Madras all the irrigation revenue is collected as land revenue, 9787–8.

In 1893–4 the works, of which capital accounts are not kept, brought in Rx. 847,000 net, including land revenue due to irrigation, 9789–92. There is no accurate information as to the cost of these works, 9793–5.

Railways:

The results of the gross earnings and working expenses of the military sections of the North-Western Railway for the six years from 1889–94, (*see* App.), 9614–21.

The interest on capital expended in building the lines would have to be added to get the true financial circumstances, 9623–4.

It was decided, on the recommendation of a Parliamentary Committee of 1879, not to separate the results of productive and unproductive lines in the Financial and Revenue Accounts, 9625.

The military traffic furnishes a very small proportion of the gross earnings, more than 90 per cent. of the gross revenue accrues from public traffic, 9631.

(*Tables put in giving* the net charge for railways on the revenue account), 9631*a*. The total net loss on revenue account has been, for 38 years, Rx. 49,834,393, including the interest on capital expenditure, and loss by exchange, 9631*a*–9.

20TH DAY.—PART I.

JACOB, MR. STEPHEN, C.S.I., ANALYSIS OF EVIDENCE OF—*continued.*

IRRIGATION—*continued.*

Enumerates several old irrigation works constructed by native governments; the revenue brought to account is only that due to the improvements on the old works; the revenue due to the old works themselves comes in as land revenue, 9645–50.

The East India Irrigation Company was not guaranteed by the Government, but Government provided the Company with land (which was to be paid for on certain conditions) and other assistance, 9651, 9654–61.

After negotiation between the Company, the Secretary of State, and the Government of India, the works were taken over (under the authority of an Act of Parliament, 9714) on the payment of the paid-up capital (plus five per cent.) and an extra bonus of 50,000*l.*; the amount fixed for the Orissa works was 1,040,050*l.* 8*s.* 7*d.*, and for the Behar project 14,000*l.*, and about 50,000*l.* for the Sone project, 9689–99, 9652–3. The Company were paying no dividend at the time of these negotiations, but it was essential that the Government should take over the works, because of the complications caused by adjustments of the land revenue due to irrigation, 9662–3, 9700–9; the Government is making nothing out of these works, but they are in course of development, 9664–6.

The Government has incurred a considerable amount of capital expenditure on these works, 9670, amounting to Rx. 2,533,000 on the Orissa project, and Rx. 2,596,000 on the Sone project (including the cost of taking them over), 9671–83.

20TH DAY.—PART II.

JACOB, MR. STEPHEN, C.S.I. ANALYSIS OF EVIDENCE OF—*cont.*

MARINE.

(*Statement put in showing Receipts and Expenditure,* 9797–811).

There are certain provincial Marine charges, chiefly for vessels kept for local purposes (for the conveyance of the district officers over their districts, 9829–30), establishments, lighthouses and ships, subsidies to steamers, and pilotage dues, 9804–12. The net charge for 1893–94 was Rx. 76,293, 9814. Salaries, pay, &c., Rx. 26,000; victualling, Rx. 2,000; stores, repairs, &c., Rx. 28,000; purchase and hire of ships, Rx. 25,000, incurred mainly in inland waterways in Burma, Bengal, and Assam, 9814–5.

The gross provincial charge is Rx. 203,360, including the Upper Burma charge, which, though Imperial, is included in the provincial accounts, 9822–3.

Charges in England, including stores, Rx. 245,443, making a gross total of Rx. 754,000, 9823–7.

The charge for the purchase and hire of provincial steamers, &c. was unusually high in 1893–94, Rx. 25,000; the charge for establishments and shipping offices would be about Rx. 5,000 net, 9828, 9831–3.

The subsidies to steamers amounted to Rx. 15,816, 9834–6.

The light dues more than cover the lighthouse and lightship charges; it is only in Burma and at ports that lights are required, 9837–41.

The pilotage receipts more than cover the charges, 9842–4.

JACOB, Mr. STEPHEN—*cont.*

The accounts of the Indian Marine are audited by a Deputy Auditor-General and forwarded to the Auditor-General, who passes them on with his criticism to the Military Accountant-General; detailed reports of action taken on the Auditor-General's criticism is furnished him; a difference of opinion between the Auditor-General and Military Accountant-General would be decided by the Government of India, subject to a reference to the Secretary of State, if the accounting officer's decision is reversed, 9845–68.

THE EDUCATION DEPARTMENT.

The Home Department of the Government of India generally controls the educational system in India, 9869–81.

There is a Director of Public Instruction in each province, 9874; and each Province has its own code or system, basee on fixed general principles, 9884.

Education is not compulsory in India, 9969.

The administration is entirely provincial, subject to the general control of the Home Department, 9882–4.

The following is the charge for education from Provincial revenues and local rates:—

	1875–6.	1893–4.	1894–5.
Gross Charge for Education -	Rx. 1,021,000	Rx. 1,472,000	Rx. 1,511,000
Receipts - -	147,000	216,000	214,000
Net charge - -	874,000	1,256,000	1,297,000

9885.

The contribution from local rates was, in 1875–6, Rx. 227,000; 1893–4, Rx. 646,000; and in 1894–5, Rx. 665,000, 9887–8.

The expenditure, except what is purely local, is a provincial charge, the only Imperial charge being for small States directly administered by the Government of India, amounting to Rx. 28,000, 9889–95, 9928–31.

Of the net charge to Government of 1894–5 of about Rx. 1,300,000, about Rx. 600,000 was provided from local rates, 9896–9.

Details of the expenditure, amounting to Rx. 1,020,000 in 1875–6, and to Rx. 1,469,000, in 1893–4, 9900. The main charge is payments to Government schools, Rx. 540,000 in 1893–4, or more than one-third, 9901–2. The next largest item is grants in aid, Rx. 374,000, 9903–4.

Besides the Government expenditure there is expenditure from municipal funds amounting to Rx. 235,000 in 1893–4, 9907–8. Local rates differ from municipal, in that they are levied by Government, 9911–3.

The cost of municipal schools should be added to the provincial and local charge, in order to ascertain the total charge to the taxpayers for education, 9920–5.

Roughly speaking, Rx. 800,000 is the gross charge on the general revenues, 9936–9.

The receipts from fees of all kinds being 216,000, and the local rates 550,000, making in all Rx. 778,000; if this sum be deducted from the Rx 1,469,000, Rx. 691,000 is the net charge left to come out of the general revenues, 9940–1.

The main charge for Universities is at present for the Punjab University, which is a new institution not yet self-supporting; the Calcutta and Madras Universities receive nothing, and the Bombay University only Rx. 500 from Government; the charge is gradually disappearing, 9945–9.

The charge to the Imperial and provincial taxpayer, apart from that levied by local rates, is not expected to increase very much, 9950–2, though the total expenditure must increase, 9995.

The policy of the Government is to encourage private enterprise (especially technical schools) by grants in aid, and the educational system is being gradually developed slightly faster than population is increasing, 9953–61.

The grants in aid amounted in 1875–76 to Rx. 174,000 and in 1893–94 to Rx. 374,000, 9956, 9962. The provincial Governments receive more applications for grants in aid than they can afford to comply with, 9970–4. In some provinces the grants amount to half of the expenditure, 9986–9. Grants are made to any school, under European or native management, complying with certain conditions as to secular education, and they are awarded according to the report made by the inspector, 9976–82.

In exceptional cases grants are made to establishments outside British territory, 9992–4.

The whole expenditure is very small compared with the population, 9983–5.

Question of a special subvention supposed to have been paid to the Church Missionary Society for educational purposes, 10,110–26.

ECCLESIASTICAL CHARGES:

The increase since 1875–76 has only been Rx. 14,000, 9997; the budget is not a growing one, 9998. The charges amounted to Rx. 177,000 in 1893–94, and 185,000 in 1894–95, the difference being due to exchange compensation allowance, 9999. Details of the charge for 1893–94, 10,001–3.

The chaplains are distributed with reference to the requirements of the European population at the different centres, 10,004, 1003–5. Their numbers have not been increased in late years, 10,055.

The number of Government chaplains is about 150, 10,007, 10,011–2.

The junior class receive about Rx. 600 per annum and the seniors about Rx. 960, 10,005–10.

The chaplains would be re-distributed in the case of a re-distribution of population, 10,016–8.

Church of Scotland chaplains are only supplied for the troops, presidency towns, and the head-quarters of provincial governments, 10,019–20, 10,029. There are no Roman Catholic chaplains charged to this budget, but an allowance is made to certain archbishops and bishops, 10,023–4.

The pay of Roman Catholic and Scotch chaplains attached to regiments is treated as military expenditure, 10,023–4.

Variations in the charge for pay are caused by absence on leave, and by exchange compensation, 10,025–7. Allowances are also made to Wesleyan ministers, 10,028.

In certain cases, regiments carry their Scotch or Roman Catholic chaplains with them, 10,030–2; All the Church of England chaplains are under the control of the bishops, 10,036. They are appointed to stations to minister both to the civil and military population, 10,039–41.

Church of England chaplains are not divided into military and civil, 10,050–1.

The proportion of chaplains to the European population seems large, but it is necessitated by the scattered condition of the population, 10,042.

The civil population is too nomadic to support its own clergy, 10,043–9. In such places as Calcutta this might be possible; there there are seven or eight chaplains, one doing entirely military duties, 10,052–4.

The State provides for three bishops, but there are others who, over and above their pay as chaplains, receive an additional stipend from voluntary contributions, 10,056–7.

Allowances made for Hindoo and Mahommedan religious purposes, 10,058–61.

MEDICAL CHARGES:

The Government must keep up a certain number of medical officers to attend on its civil servants, 10,062–3.

In 1893–4 the gross charge was Rx. 979,000, receipts Rx. 75,000, net charge Rx. 904,000, 10,064. Heads of the charge, 10,075. The charge for establishments has increased by Rx. 90,000 since 1875–76; the head includes salaries, &c., of medical officers in charge of the principal stations, supervision, and a reserve staff of subordinate medical officers, 10,065–7, 10,079–80, 10,084.

The department is controlled by the Home Department, the chief officer being the surgeon-general with the Government of India, the actual administration is under the Provincial Governments, 10,068–71.

The charge for medical schools, &c., is for the education of medical subordinates, 10,076–8.

No part of the charge for medical instruction comes under the educational vote, 10,102–5.

JACOB, Mr. STEPHEN—*cont.*
The pay of commissioned medical officers in charge of districts varies from Rs. 550 to 1,250 a month, according to their standing; the minimum pay of the subordinates is Rs. 85 a month, 10,083.
The members of the Commissioned Medical Service belong to the Indian Medical Department, but they have no military functions, though they are looked upon as a reserve for the army, 10,085–90.
In military stations the army doctors sometimes receive an allowance for attending civilians, 10,091–6.
Under hospitals and dispensaries the increase has been general, the greater part, however, has been met from local funds, 10,072–4, 10,097; this head forms a large part of the whole increase, 10,098.
The increase in the charge for sanitation and vaccination is due to the increased activity of the department, 10,099–101.
Charges in England; the responsibility of the Secretary of State for the maintenance of certain classes of lunatics, 10,106–9.

THE POLITICAL DEPARTMENT:
The Political Department comprises the Political Residents, &c. at the Native Courts: it is under the Foreign Department of the Government of India, 10,127–30.
The charges have increased from Rx. 432,000 in 1875–6 to 966,000 in 1893–4, 10,131. Details of the increase, 10,132–3.
The increase of the political agents' charges is greatly due to the creation of the Baluchistan agency; there was also a new appointment in the Central Provinces, 10,134–7; the total charge in Upper Burma was Rx. 25,000; in Assam there was an increase of Rx. 14,000, 10,137.
The Punjab charges include the Kashmir and Gilgit agency charges, and the charges for certain newly appointed agencies, 10,138–9.
The political subsidies amounted to nearly Rx. 230,000 in 1893–4, and to Rx. 110,800 in 1894–5; the former sum included some arrears; the normal amount would be about Rx. 130,000, 10,141–5.
The charge for refugees and State prisoners, 10,146.
The charges under special political expenditure vary from year to year; they chiefly consist of charges to special missions, 10,147–8.
The charge for Imperial Service troops is for a staff of officers engaged upon organisation and superintendence, 10,149–50.
The charge for the administration of certain lands in the Somali country near Aden ceded to the Government of India are covered by the receipts, 10,151–3, 10,156–61.
Details, of miscellaneous political charges, 10,154–5.
Details of political charges in England, 10,162–3.

SCIENTIFIC AND MINOR DEPARTMENTS:
This head is made of charges appertaining to several independent departments (enumeration of the departments), 10,168–70.
The principal is the Survey of India, which is under the Revenue Department; the decrease is due to reorganization, 10,171–7.
The next largest is the Meteorological Department; the charge has increased owing to reorganization, 10,178.
The Geological Survey Department shows a decrease, due to the reduction in the number of officers, 10,179–80.

21ST DAY.

JACOB, MR. STEPHEN, C.S.I.—ANALYSIS OF EVIDENCE OF—*continued.*

TERRITORIAL AND POLITICAL PENSIONS:
These consist mainly of pensions and allowances to native chiefs and their followers consequent upon treaty obligations, pensions granted by the Governments to which we have succeeded, and political charitable allowances; for the most part they are merely personal and not hereditary, 10,191–2. Almost all of them are gradually expiring, 10,193–4, 10,196. The decrease since 1875–6 has amounted to Rx. 303,880, 10,195. Amongst others a few large pensions, *e.g.*, Oudh and Nizam, &c., have fallen through, amounting to Rx. 252,000, 10,197. Allowances that are granted on account of land revenue are charged to "Assignments and Compensations," but not to this head, 10,198–204.
The pensions involved by the conquest of Upper Burma were Rx. 13,000 in 1893–4. They will be reduced on the death of the present holders, 10,205–7.
The pensions (in 1893–4) payable in England amounted to 21,950*l.*, but since the death of His Highness the Maharaja Dhuleep Sing there has been a large decrease, 10,208–13.

FURLOUGH ALLOWANCES:
As a general rule half-pay is given to officers on furlough out of India, subject to certain maxima and minima, converted formerly at the current rate, but now at the rate of 1*s.* 6*d.* the rupee; if any officer takes leave in India the maximum and minimum are reduced, 10,214–7, 10,225–6. The Government is not legally bound to grant any compensation for loss by exchange, 10,276–80.
The civil furlough charges amounted to Rx. 254,921 in 1875–6, and 327,431 in 1893–4, 10,218–9. Apart from exchange the charge has been almost stationary, 10,267. Under the present Civil Leave Code it is possible for an officer to take leave, including sick leave, amounting to almost one-fourth of his service, 10,230. Comparison between the leave granted in the Indian Civil Service, the Diplomatic, Consular, and Colonial services, 10,220–53. It is considered advantageous to the Service that a man should take leave to England, but it is not compulsory, 10,254–5. Native officers of the same class, as a rule, take less leave than English officers, 10,268–74. Fewer officers can now afford to take leave on half-pay on 1*s.* 6*d.* the rupee, 10,256–9. Speaking generally, the leave rules are satisfactory, 10,260–2.
The furlough pay of an officer taking leave in India is charged to the same head as his pay, 10,265–6. The furlough rules for Native Uncovenanted Civil Servants are more restricted, 10,275.

SUPERANNUATIONS:
The whole grant for Non-effective Civil Services amounts to 3,853,000*l.*, of which 900,000*l.* is paid in India, 10,390–1.
A deduction of 4 per cent. is made from the salary of an Indian civil servant for the whole time he is in India, and a pension of 1,000*l.* a year is granted him after 25 years' service. 10,281–4, 10,372. The deductions from the pay of the Indian Civil Service are not brought to account, 10,378–9. Natives who pass by examination into the Indian Civil Service are treated in every respect as Europeans, 10,488–9.
Military and Uncovenanted Officers do not contribute to their pensions, 10,490–5.
The actual cost of an officer's non-effective service is calculated to be 25 per cent. of the cost of his active service, and the share of pension borne by the Government is that part of the 25 per cent. which is not covered by the officer's own contributions, 10,285–94.
Contributions for pensions and gratuities of officers in foreign service have amounted to 113,000*l.*, 10,378–9, 10,386.
Few men retire on a salary of less than Rs. 2,250 a month, 10,295–7.
As compared with the English Civil Service, the period of service for pension is short, but the pension is not proportionately so large, and the charge is not so great on the tax-payer, 10,298–324.
If a civil servant stays in the Service beyond the 25 years his pension is not increased; many holding good appointments do stay on, 10,325–32. The fixed pension of 1,000*l.* a year is an inducement to early retirement, 10,482–4; but the greater amount of pension owing to its being payable in sterling in proportion to pay has not in recent years had a tendency that way, 10,496–7.
Judges of the High Court and certain judicial officers, military men in civil employ, and chaplains receive pensions in sterling, 10,346. Judges' pensions have been increased while their pay has decreased, 10,347–9. In 1881–2 the relation of their pensions to their salaries was 23 per cent., in 1887–8 37 per cent.; in the former year the pension list had not reached its maximum in 1881–2, 10,352–3.

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The pensions of certain other judicial officers vary from 300*l.* per annum after 6¾ years' service, to a maximum of 750*l.*, 10,354–60.

Uncovenanted Officers cannot get more than half-pay after 30 years. They may retire at 55, or after 30 years' service, and they may serve until they are inefficient from age, 10,361–71. The employment of natives might reduce the pension charge, 10,485–8.

Chaplains get a pension of 365*l.* after 23 years' service, 10,375.

Engineers earn pensions after 10 years of 20/60ths of pay up to 29/60ths for 19 years, but their maxima are limited, 10,376.

Allowances amount to 851,000*l.*, the greater part of which is for natives, 10,392–4.

The *net* charge for pensions was in 1875–6 Rx. 1,357,000, in 1893–4 it was Rx. 3,476.000, 10,395–6. The increase on account of pensions payable in India is large; it is due to the increase in staff; the service is still increasing in numbers, 10,397–401.

The increase is not unreasonable, considering the increase of the Civil Service, 10,410–7.

The English net charge has risen from 1,096,000*l.* in 1875–6 to 1,686,000*l.* in 1893–4, 10,418. The chief increase is due to the Uncovenanted Service Pensions; there is also an increase in the fund payments, 10,419–20.

Explanation of the increase of the net charge, 10,421. The gross charges have not increased to anything like the extent of the increase in the net charge; a large part is due to payments on account of funds which were taken over since 1875–6 by the Government, the receipts on account of which are not credited to the account, 10,422–30, 10,441–7.

In 1875–6 nearly half the pension of an officer was not charged to Government, but to the Annuity Funds; similarly pensions from the various family funds are now charged to Government, 10,441–6.

The increase in pensions other than family pensions since 1878–9 has been only 66,000*l.*, 10,440–64.

The policy of the Government in taking over the service funds, 10,440–80.

Paper put in, giving details of Military Pension charges, 10,481.

STATIONERY AND PRINTING:

There are three central stationery offices at Calcutta, Madras, and Bombay; that at Calcutta is under the Superintendent of Stationery and Stamps, 10,498–9. The cost of the Calcutta Office was Rx. 16,600 in 1893–4, 10,450–2.

The Superintendent at Calcutta is under the general control of the Financial Department, but immediately under the Government of Bengal, and similarly the offices at Bombay and Madras are under those Governments, 10,503–4.

The total charge for 1893–4 is Rx. 683,181; this comprises the whole cost of printing by Government presses, and the principal stationery charges, 10,505–6.

In some cases small departments can order their own stationery to a limited extent; the Government does practically all its own printing, except form printing which is done by contract, 10,506–7.

The powers of the Superintendent in making contracts are limited, 10,508–11.

The heads of the three offices are quite independent of each other, 10,512–3.

Area of supply, 10,514. Purchase of stationery is an imperial charge, and the Government of India gets credit for stationery supplied to Provincial Governments, 10,515–6.

The Stationery Offices are large stores upon which the Provincial Governments draw, 10,520–1, 10,524.

The total amount spent on purchase of stationery in India was Rx. 294,000, or, adding the amount spent in England, the total amount Rx. 345,000, 10,522–3, 10,543–4.

The value of stationery supplied from central stores was Rx. 209,000, 10,525–40. The stationery supplied to the Provincial Governments amounted to Rx. 193,238, and the balance would represent that supplied to the Imperial Government Departments, 10,540–56, but in the accounts the amount is not distributed over the departments, 10,554–8. Full details are, however, given in the estimate, 10,561–63.

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The difference between the amount purchased and the total issues represents the value of the stock in hand, 10,549–50.

The total increase since 1875–6 have been Rx. 172,347, 10,564–5. The policy has been to substitute, as much as possible, stores purchased in India for those purchased in England, 10,566–8. The increase for stationery, &c., has been Rx. 107,000, for printing, Rx. 64,000 (including an increase for printing in the India Office, Rx. 1,000 (due entirely to exchange), 10,569. The increased charge is due to the increased supply and not to the enhanced prices of articles; it will still increase, 10,570–2.

The permanent printing staff is kept as small as is possible, but the bulk of the printing can only be done by the Government itself, 10,573–6. Postage amounted to Rx. 400; departments in India purchase special stamps for official purposes from the Treasury, 10,577–80.

MISCELLANEOUS:

Heads of charge, 10,581–4. It is impossible to compare 1875–6 with 1893–4 owing to a recast in the accounts. Principal charges and receipts for 1893–4 and 1884–5, 10,585–8. The net profit in 1884–5 was Rx. 80,000, and in 1893–4, Rx. 190,000, but the charges and receipts do not necessarily relate to each other, 10,589–90.

MINTS:

There are two mints, one at Calcutta and one at Bombay, with a mint master at each; he is immediately subordinate to the Comptroller General and to the Financial Department, 10,592–8. Copper now is the only metal bought, it is issued at Calcutta; gold and silver were coined, but not bought, formerly, 10,599–603.

In 1875–6 the net receipt was Rx. 83, and, in 1893–4, Rx. 136,275; the increase in the latter year was chiefly due to seignorage on the coinage of silver, 10,610; the only receipts now are from the coinage of copper, 10,604–7. Coins are sent to England to be assayed, 10,608–9. The closing of the Mints for coining silver has caused a reduction of establishments to the smallest limits, the gross total charge for the Mints in 1896–7 being estimated at Rx. 53,000, as compared with Rx. 91,000 in 1893–4, 10,611–3, 10,618–22. The actual charge for establishments in 1893–4 (the year of the closing), was Rx. 54,000, 10,614–7. The reduction will probably bring the two ends of the accounts together, 10,623–7. The coinage of the Native States is not legal tender outside the States, 10,628–35.

FAMINE RELIEF AND INSURANCE GRANT:

The amount to be set aside was at first Rx. 1,500,000; in the last budget statement this amount has been reduced to 1,000,000, 10,636–9. The full amount has not always been available because of the varying financial pressure, and in some years there has been no surplus available, 10,640. Table giving the actual charges against Famine Relief, &c., 1881–97, 10,641–4. This grant is really a surplus of revenue applied to a particular purpose, 10,645–50. Any surplus that there might be from the grant after providing for famine relief or protective works was applied to the redemption of debt, 10,651–9.

Considering the number of protective works constructed in past years, one million will be quite sufficient for the future, 10,660–9. From 1881–2 to 1893–4, the total expenditure on Famine Relief Works was Rx. 7,196,000. The net loss on the Indian Midland and Bengal Nagpur Railways (protective lines) is charged against the Famine Insurance Grant, 10,670–83.

CIVIL BUILDINGS AND ROADS:

Generally the administration of this Department is made over to the Provincial Governments, though some of the charges are Imperial, 10,684–5. The net expenditure in 1875–6 was Rx. 2,753,511, and Rx. 3,898,531 in 1893–4, there were also net charges in England of 76,884*l.* in 1875–6, and 62,583*l.* in 1893–4. A great part of the increase is due to expenditure on Imperial account in Upper Burmah, the balance is made up of expenditure by the Provincial Governments out of their surpluses

JACOB, Mr. STEPHEN—*cont.*

10,687, 10,704–6. The bulk of the expenditure is on communications in 1893–4 which would amount to about Rx. 2,000,000, 10,688–96. This is only for the main channels of communication; local roads are supported locally, 10,698–703. There is also a small heading for miscellaneous public improvements, 10,696*a*. A great proportion of the charges are local, 10,696*b*. The charges in England have remained nearly stationary, 10,697. The works are carried out by the Public Works Department, 10,707–11.

COLONELS' ALLOWANCES, RETIRED PAY, &c. (*See* Appendix, "Details of the Charge for Military Pensions"):

Under the head of Colonels' Allowances, the increase is due to the increased number of officers entitled to the allowance; the present regulations do not apply to officers now joining, so the charge will decrease. It is expected to reach its maximum in about five years, 10,712–5. The increased rate of staff corps pensions has brought the military pension charge from 403,000*l.* to 611,000*l.*, the increased pension rate for Artillery and Engineer officers has also contributed to the incaease, 10,716. The scale of medical pensions has also increased, 10,717.

The employment of natives in the Education Department has been and is being much extended, and, as in other departments, the employment of natives is a saving of expenditure, 10,718–33.

22ND DAY.

JACOB, MR. STEPHEN.—ANALYSIS OF EVIDENCE of.—*cont.*

LAND REVENUE.

Charges for collection.—The land revenue forms about 28 per cent. of the whole revenue of India, and about 40 per cent. of the principal heads of revenue, 10,734–9. The land revenue charges are important, not only because of the importance of the land revenue itself, but also because they comprise charges for settlement and for general district administration, 10,740–1. Sub-heads of land revenue charges, 10,742–3. The charges have increased from Rx. 2,907,000 in 1875–6 to Rx. 4,022,000 in 1893–4, or by over 38 per cent. In the same years the net land revenue amounted to Rx. 18,634,000 and Rx. 22,315,000 respectively, the percentage of increase being 22¼ on the gross, and 19¾ on the net revenue, 10,744–51.

The charges continue to increase, 10,752.

In Madras the charges have risen by 50 per cent., of which all but 10 per cent. is new expenditure, covered by local receipts (coming under provincial rates); explanation of reasons for showing the charge under Land Revenue and the receipts under provincial rates, 10,755–7. The services which have caused about one-half of the total increase in the charge have been taken over by the Government since 1875–6, it would not be in accordance with the Indian system to bring the local rates from which the charge for these services is met to credit under Land Revenue; but, in order to make a fair comparison between the two years, the amount of the expenditure on the new services might be deducted from the later year; and this would reduce the increase in the charge to Rx. 600,000, which would be a percentage not bigger than the percentage of increase in receipts, 10,758–835. Increases of charge in 1893–4 in the Central Provinces, Lower Burma and Bengal were mainly for settlement operations, and were of a temporary character; there were similar heavy charges in some provinces in 1875–6; but a large part of the survey charges have only been brought to account under Land Revenue since 1878–9; formerly they were charged under "Survey," 10,836–44. Explanation of the new charge "Land Records and Agriculture," amounting to Rx. 945,000, 10,845–61. The increase of Rx. 300,000 under General Administration is accounted for by improvement in the pay and numbers of the subordinate executive service; the salaries paid to Indian civil servants have decreased by Rx. 19,000, notwithstanding the compensation allowance for loss by exchange; while those of the native subordinate services have increased by Rx. 148,000, 10,862–6. Burma and other annexations account for a considerable increase in this charge. Explanations of increases in various provinces, 10,867–72. In Bombay the land revenue charges have remained very stationary, but the charge is not a very moderate one, as collection under the Ryotwari system is expensive, 10,873–9. The percentage of charge to revenue was, in 1875–6, for the whole of India, about 13½, and, for Bombay, about 18, 10,880–9. The practice of paying in some cases the hereditary collectors of revenue by commission is a continuance of an ancient practice, but is being gradually superseded in Assam, 10,890–1. Government estates are estates which have come into the hands of Government, chiefly under the Zemindari system, owing to the failure of the proprietor to pay his land revenue promptly, in which case he is dispossessed and merely given an allowance called "*Malikana*," 10,892–900.

Deductions from Land Revenue.—Explanation of terms "assignments" and "compensations," 10,901–3. They have risen by 27 per cent. since 1875–6, which increase is more than accounted for by the increase under rent-free grants in Bombay, which is in fact merely a book adjustment, 10,904–8. "Refunds" are merely repayments of sums exacted in error, 10,909–11. There is no system of buying up perpetual grants, except when they are very small in amount, 10,912–14. Explanation of various items appearing under the head of Land Revenue, 10,917–24. The percentage of cost of collection is, in Madras 17½, in the North-West Provinces and Oudh 13, in Bombay 15, in Bengal 12, in the Punjab 15, in Upper Burma 30, in Lower Burma 13¾, in the Central Provinces 24½, in Assam 18, and in the small provinces, under "India General," 30, 10,925–37. Explanation of these percentages, 10,938–44. The whole charge for India works out to about 15 per cent., but it must be remembered that this includes the charge for the general administration, 10,945–8. The system is more or less expensive in the different provinces according to the revenue system in force in each province; the general principles of the system are much the same, 10,949–51. Description of the system, 10,952–65.

Employment of natives, 10,966–11,003.

FOREST DEPARTMENT.—The forests are worked by the Indian Government with a view to the improvement of the country, but they do as a fact produce revenue, 11,004–5. The net revenue was in 1875–6 Rx. 277,000; and in 1893–4 Rx. 817,000. The The charges were in 1875–6 Rx. 420,000; and in 1893–4 Rx. 906,000. The net revenue of 1893–4 includes Rx. 52,000, on account of Upper Burma, 11,008–14. Even excluding Burma the revenue has increased rather faster than the charges, 11,015–19. The establishment charges have increased nearly 200 per cent. in the period, with the advance of forest conservancy; the increase is almost entirely due to increased numbers, though there has been an improvement in the position of the lower grades, 11,020–3. The improvement has been general in all provinces except the Central Provinces, 11,038. The revenue is lower than it might be owing to benefits allowed to the people, such as fuel, &c., 11,040–1.

OPIUM DEPARTMENT.—The gross revenue was in 1875–6, Rx. 8,471,425, and the charge Rx. 2,219,000; and in 1893–4, Rx. 6,628,000 and 1,877,000, respectively 11,043. The revenue and expenditure in any given year are not very closely connected, the charges depending on the extent or the nature of the crop, and the price paid to the cultivator; the revenue on the number of chests sold and prices ruling in the Chinese market. In Bengal, Government sells opium itself; in Bombay it levies a transit duty on opium grown in Native States, 11,044–50. The price paid to the cultivator is settled at the beginning of the year, and is not affected by the quality of the crop. The system is to make to the cultivator an advance at the beginning of the season, and to pay the balance when the crop is brought in, 11,051–7. Explanations of certain items of expenditure, 11,058–61. It is not likely that improved administration would be obtained by transferring the management of the

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Opium Department from Bengal to the Central Government, 11,062–7.

SALT DEPARTMENT.—The revenue is a rising one; the charge in 1875–6 was Rx. 509,000; and in 1893–4, Rx. 474,000; but the charges in the former year included certain treaty payments which have since come under another head of account; deducting these, the charges show a small increase of Rx. 36,000, due to the abolition of the Customs line, which relieved Northern India, having caused the employment of additional preventive establishments in Bombay, 11,068–72. The charge is mainly imperial, 11,073–4. The assignments have increased from Rx. 45,000 in 1875–6 to Rx. 367,000 in 1893–4, owing to the arrangements with the Native States, in connection with the abolition of the customs line between 1870 and 1878, under which fixed payments are made to those States, 11,075–8. Organisation of the Salt Department, 11,079–81. In Bengal the revenue is mainly from customs duty on salt imported from England, which is about 20 per cent. of the whole consumption, 11,082–4. The revenue is derived chiefly from excise and customs duties, and only to a small extent from sales, 11,085–94. Rates of duty 11,095–11,101.

STAMP DEPARTMENT.—The revenue has increased steadily with practically no increase of duty; in 1875–6 it was Rx. 2,799,000, in 1893–4, Rx. 4,457,000; the charges were Rx. 110,000 and Rx. 156,000 respectively, 11,102–6. The chief cause of the increase in charge is discount on sale of stamps, 11,107. The percentage of cost of collection is only 3½, including the supply of stamps from England 11,108. Explanation of a *minus* entry in the charge for collection 11,109–11. Three-fourths of both revenue and charges are provincial, the remainder imperial, 11,112. Details of the revenue 11,114–28. Probate duties and stamps 11,130–9.

EXCISE DEPARTMENT.—Excise revenue has increased from Rx. 2,494,000 in 1875–6. to Rx. 5,388,000 in 1893–4; the charges from Rx. 87,000 to Rx. 193,000, 11,141–2. The percentage of cost of collection is about 3½, showing a very slight increase over 1875–6, 11,143–6. Explanations of increased charge, 11,147–8. Assignments and refunds have increased considerably, chiefly in Bombay, owing to arrangements with Native States, 11,149. The revenue and charge are both three-fourths provincial, and one-fourth imperial, 11,150. The revenue is confined to duties on intoxicating articles of consumption, and they have been increased, 11,151–60.

PROVINCIAL RATES.—Provincial rates are levied on the land for special local purposes, such as schools, hospitals, roads, district post, &c., 11,161–5. The cost of collection is generally charged to Land Revenue, except in Bengal, where there is a special establishment, 11,166, 11,175–7. The revenue in 1875–6 was Rx. 1,942,000; in 1893–4, Rx. 3,315,000, 11,173. Nature of the charges in each province, 11,178. The charges are provincial and local, 11,179.

CUSTOMS.—Variations in the customs duties of recent years, 11,180–2. Between 1883–4 and 1893–4, the principal import duties were on liquors; there is also an export duty on rice, 11,183–4. Land customs on goods passing between the foreign European settlements and India are a small item, 11,185. The total customs revenues in 1875–6 was Rx. 2,724,000; in 1893–4 it was Rx. 1,682,000, but it has risen since that time to about Rx. 4,482,000 (estimated) of which about Rx. 1,000,000 is due to cotton duties. The charges in 1875–6 were Rx. 188,000, in 1893–4, Rx. 144,000, in 1895–6 (revised estimate) 201,000, which last figure gives a percentage of a little over four on the revenue (Rx. 4,900,000) of that year, 11,186–95. The charges include practically the whole cost of collection, none of it being included in Land Revenue, 11,196–201. There are some refunds and assignments, chiefly due to arrangements with Travancore and Cochin, 11,202. The charges are provincial except in Bombay; the revenue is imperial everywhere, 11,203–4.

ASSESSED TAXES.—The income tax, and an analogous tax in the Central Provinces are the only taxes

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under this head. The latter was the only assessed tax in 1875–6, 11,205–10. Description of the income tax, 11,211. The revenue from assessed taxes amounted to Rx. 15,000 in 1875–6; and to Rx. 1,739,000 (gross) in 1893–4. The cost of collection was Rx. 10 in 1875–6; Rx. 31,000 in 1893–4, the lowness of the charge being accounted for by the fact that it is collected by the Land Revenue Establishment, 11,212–6. The tax is general in India, except Burma, where it only applies to officers' salaries, and private incomes in some of the large towns of Lower Burma. The portions collected in Bengal and Bombay are the highest, 11,217–8. The receipts are half credited to provincial, half to imperial; but that portion of the tax charged on railway profits is wholly imperial, 11,220–2. Exemptions: the income tax does not apply to land, 11,224–31.

REGISTRATION DEPARTMENT.—Receipts (consisting of fees for registration, either obligatory or voluntary, of documents amounted in 1875–6 to Rx. 187,000, and the net revenue to Rx. 51,000; in 1893–4 to Rx. 416,000 and 192,000 respectively, 11,237–41. Though not primarily intended to be a revenue producing department, it more than pays its way, 11,242–5.

TRIBUTES, &c. FROM NATIVE STATES.—The political officers are primarily responsible for the levy of these sums, which are treaty payments almost entirely, and amount to Rx. 775,000, 11,246–54.

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POST OFFICE.

The Imperial Post Office is under the central control of the Director-General, who has Postmasters-General or Deputy Postmasters General in each province subordinate to him, 11,256–8.

In 1875–6 the net deficit on the working of the Imperial Post Office was Rx. 66,000; on the District post the net deficit was Rx. 79,000,—making a total net deficit of Rx. 145,000. In 1893–4 there was a net revenue from the Imperial Post Office of Rx. 118,000, and a net deficit on the District post of Rx. 114,000, making a total net revenue of Rx. 4,000. In 1895–6 the net revenue will probably exceed Rx. 72,000, 11,259–62. Details of the charges, 11,263. The net revenue would be considerably higher in the later years but for exchange, 11,264.

Constitution of the staff, 11,272–3. There has been some increase of superintending staff owing to increase of business, and Money Order and Savings Bank business has been taken over since 1875–6. This business has increased enormously since it was taken over by the Post Office, 11,265–9; and is conducted mainly at headquarters, 11,275–8, but an attempt is being made to decentralize which will relieve the central account office of some of the examination work, 11,277–88. The extension of the business is not due, either in the case of Money Orders or Savings Banks, to reduction of rates; it is due to increased facilities and to general confidence in the Post Office, 11,289–93, 11,445. The Money Order business certainly pays, 11,454–8. The interest on Savings Banks' deposits has been reduced from 3¾ to 3½ per cent.; except on the express wish of the depositor and in his name, no part of the deposits is invested, but they are used by the Government for any general purpose to which loan money would be applicable, 11,294–6. The Post Office has no capital account, but it is charged with the rent of buildings; and if this rent is added to the charges, the total charges would not work out to a net surplus, though the Imperial post would still show a surplus; on the other hand, if the Post Office account were credited with the local rates applicable to the District post, the total net revenue would be considerably larger than it is, 11,297–313. Question of propriety of including the rates in the account, 11,314–28. It might be well to draw attention in the accounts to the fact that the deficit in the District post is met by local rates, 11,329–34. Analysis of charges for Presidency and District offices, 11,335–6. The increase under

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"Salaries" arises from increase in the numbers of the lowest class of appointments. The amount paid for "Establishments" in the Post Office is extremely low, both in regard to the salaries paid, and to the manner in which the Post Office utilises the services of minor officials in other departments, 11,337–43.

The number of postal articles dealt with has risen from 119½ millions in 1875–6 to 370¼ millions in 1893–4, 11,344–5. The parcel post is supposed to pay, and it has steadily extended, 11,346–50. Method of ascertaining and checking the number of letters, 11,351–3. The Post Office is used for the payment of land revenue and other Government dues, but not to a very great extent; and pensions are paid through it, 11,354–60. The employment of minor officials to conduct Money Order business has not resulted in increased fraud, as the checks are very complete; and there is an insurance fund against losses by fraud, subscribed to by Post Office officials, 11,361–4.

Sale of quinine through the Post Office, 11,365–7. Analysis of charges for conveyance of mails, 11,368. Explanations of these charges, 11,369–90. Discount is allowed to postmasters on the stamps they sell, 11,391–2. It is only of recent years that the Post Office has had to pay for its stationery and printing, on the ground that it, like the Public Works Department, is a commercial department, 11,393–400. Analysis of charges in England, 11,401–2. Eastern Mail Service contract; description of successive apportionments of the charge, 11,404–14. The increase in stores supplied from England is due chiefly to the expansion of postal business in India; arrangements for the supply, 11,415–28.

DISTRICT POST OFFICE.

Description, 11,429, 11,446–53. Mode of treating in the accounts, 11,430–6.

Rates of postage in India, 11,437–44.

The Post Office pension charge was Rx. 43,721 in 1894–5.

Government Departments are charged a lower rate than the general public, but not by weight *en masse*, 11,513–8.

TELEGRAPH SERVICE.

The Telegraph Department is divided into two branches, the Indian Telegraphs and the Indo-European Telegraph, 11,465–6.

In 1875–6 the Indian Telegraph Department accounts showed a net deficit of Rx. 177,000; in 1893–4 a net surplus of Rx. 45,000.

In 1875–6 the Indo-European Telegraph Department produced a net revenue of Rx. 11,000; in 1893–4, of Rx. 46,000.

These figures include both revenue and capital charges, 11,463–70.

Comparison of charges in the two years, 11,474.

In 1875–6 the result of the whole system was a net deficit of Rx. 192,000; in 1893–4 a net revenue of Rx. 57,000, 11,475–6. Buildings are charged to capital account, stationery to revenue account, and everything is included in the above figures, except pensions, 11,477–8. The whole of the capital expenditure is included in the annual expenditure, but separate accounts are kept of capital and revenue, 11,479–80.

Indian Telegraph Department.

The capital charges are chiefly incurred for line construction, buildings, &c.

In 1875–6 479 miles were constructed during the year, bringing up the total to 16,633 miles; in 1893–4 1,677 miles were constructed, the total at the end of the year being 42,707.

In 1875–6 the net capital charge was Rx. 115,000; in 1893–4 Rx. 225,000; the whole capital charge, amounting in the gross in 1875–6 to Rx. 2,132,000, and in 1893–4 to Rx. 5,665,000, has been met entirely from revenue, and not from loan money, 11,481–3. If interest on the capital be charged to the department, then, after deducting the capital expenditure from the annual expenditure, in 1875–6 there was a net deficit of three per cent., and in 1893–4 a net profit of three-fourths per cent., 11,484–507.

All telegrams sent by Government departments, except those sent on Telegraph or Post Office business, are charged; but, even excluding State messages, the revenue in 1893–4 gave a percentage of 2⅓ on capital, though, if the interest on capital also were charged the result would in that case be a deficit, 11,508–13.

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Analysis of expenditure on revenue account, amounting in 1875–6 to Rx. 269,000, and in 1893–4 to Rx. 524,000, *i.e.*, about double, while the mileage has increased 2½ times, 11,520–6. The Government has been in working the direction of reducing the numbers of the superior (European) establishment, 11,527–8. Details of expenditure on line establishment and signalling staff, 11,529–32. The total number of messages has increased from 866,000 to 4,189,000, and service messages from 89,000 to 605,000. Service messages are checked, but undoubtedly the use of the telegraph by officials has increased, 11,533–9. Explanations of other charges on revenue, 11,540–50.

Indo-European Telegraph Department.

Description of the service and financial arrangements under which it is worked, 11,551–2.

The total net capital outlay to the end of 1875–6 was Rx. 1,154,000; and to the end of 1893–4 Rx. 1,145,000; on which sums the net revenue shows a percentage in 1875–6 of about one-half per cent., and in 1893–4 of nearly four per cent., 11,553–5. Analysis of charges against revenue, 11,556–7.

Description of Ceylon telegraphs, 11,558. Zanzibar and Mauritius cable, 11,559.

24TH DAY.

WATERFIELD, SIR HENRY, K.C.S.I., C.B.

ANALYSIS OF EVIDENCE.

HOME ADMINISTRATION:

Details of payments in England in 1875–6 and 1893–4, resulting in a total increase of administrative charges paid in England from 233,045*l.* to 265,812*l.*, or 32,767*l.*, 11,563–4. The latest accounts show very slight alterations, tending rather towards decrease, except in regard to management of the debt, which is increased by 16,000*l.*, 11,565–9. In salaries there is a reduction in the latest figures of 3,051*l.*, accompanied by an increase in numbers of 12 persons, 11,570–3.

COUNCIL:

Within the last 17 years the number of Members of Council (salary, 1,200*l.*) has been reduced from 15 to 11, or 10 if an existing vacancy is not filled up, power having been taken by Act of Parliament to reduce the number to the latter extent, 11,574–5. Members of Council do not now earn pensions, with certain specified exceptions, 11,576–89. The Secretary of State has power to appoint three members with professional qualifications, who would serve for pension, but this power has only been exercised on four occasions since the Act of 1876, 11,590–3. No practical inconvenience has resulted from the reduction in the number, 11,595–605. Standing Committees, 11,606–7.

CORRESPONDENCE DEPARTMENT:

There is a reduction in numbers from 63 to 51, and the normal establishment will be 48. This reduction has been gradually effected on the occurrence of vacancies. The 60 and 65 years' retirement rules have been adopted, but the former is infrequently enforced; in two cases officers have been kept on till 70 years of age, 11,608–20. Value of services after 60 years of age, 11,632–5. The fall in the charge for salaries has been between 4,000*l.* and 5,000*l.*, or about 11½ per cent., 11,621–4. The proportions of higher and lower division clerks in this branch are 31 and 17; but the small proportion of the latter class is due to most of the lower class of work being done by the Registry Department, 11,625–6. If the Registry Department were taken with the Correspondence Department, there were 108 men, costing 46,626*l.*, employed in 1875–6, and 110 men, costing 43,793*l.*, in 1893–4. Arrangement of rooms, 11,627–31, 11,649–52. There are six divisions of the Correspondence Department, varying considerably in strength.

FUNDS DEPARTMENT:

This Department is more analogous to the Accounts Department than to the Correspondence Depart-

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ment. It deals with the Indian family pension funds. Since 1895–6 it has had the Civil Funds added to its responsibilities. Since that time the staff has been reduced from 14 persons to 7, chiefly owing to the abolition of the Consulting Committee. The normal staff will be five clerks besides the Director, 11,653–62. There are 11 funds administered by this Department. The receipts from these funds in England amount to between 80,000*l.* and 90,000*l.* a year; but a large part of the total receipts is actually received in India, and the accounts have to be dealt with in England, 11,663–9. Questions relating to the Funds are referred to the Finance Committee of the Council, 11,670–1. Explanation of the system of the Indian family pension funds and of the circumstances in which they were taken over by the Government, 11,950–76. The capital taken over was added to the surplus of receipts over liabilities for the year, and was not treated as capital, the interest on which would go to defraying the pension charge, 11,977–93.

ACCOUNTS DEPARTMENT:

In 1875–6 this Department was conducted by an accountant subordinate to the Financial Secretary. In that year the strength was 46; In 1893–4 it consisted of an Accountant-General (independent of the Financial Secretary) and 45 clerks, &c. The normal establishment is 44, 11,672–3. Important questions are referred to the Financial Secretary and to the Finance Committee, 11,674–82.

STORES DEPARTMENT:

The Director-General with his staff is established in the India Office; and the Superintendent and his staff for examining and shipping the stores is located at the depôt in Lambeth, 11,683.

In 1875–6, the Director-General's clerical staff consisted of 31 persons; in 1893–4 of 24 persons. The normal establishment is 22 persons, 11,684–90.

In 1875–6 the Superintendent's staff consisted of 51 persons; in 1893–4 of 61 persons, which has since been reduced by one, and is, at present, normal, 11,691–2. The policy is to obtain stores, as far as possible, of local manufacture in India, but not to purchase European stores except through the Stores Department, 11,695–6. The total amount of general stores purchased through the Stores Department in the decade ending 1887–8 was nearly stationary at about a million sterling, and the items which have increased have done so for special reasons and are those which are only obtainable from England, 11,697–706. Railway stores brought up the total from 1,704,000*l.* to 2,077,000*l.*, which figure represents the total value of stores provided through the Department, 11,707–8. The rate per cent. of the cost of the Stores Department on the total value and freight of stores shipped to India, including special rates paid on inspection of stores supplied by other Government Departments and interest on capital, &c., were in 1875–6 and 1887–8 3·56 and 3·15 respectively, 11,709–26. The fall in prices has to some extent neutralised the effect of the fall of the rupee, 11,727–44. The charges for inspection at the India Office can hardly be compared with those in other departments, and it is most difficult to be certain that any calculation of cost of inspection is exhaustive, 11,745–52. The India Office does not propose to raise the question of the charge made by other departments for inspection, 11,753–5. The arrangements with the Inland Revenue for the supply of stamps is satisfactory. Explanation thereof, 11,757–73. On the recommendations of the Home Charges Committee, malt liquor is now locally supplied in India, 11,774. Generally, the amount of stores bought in England for India has not decreased, and the value of the stores examined by the Stores Department remains much as it was, though there have been fluctuations in the supply of military stores; the Secretary of State is fully alive to the importance of keeping down the cost of the Stores Department to the minimum, 11,774–83. Wages, rent of buildings, &c., rose from 25,177*l.* in 1875–6 to 26,855*l.* in 1893–4, but a large part of the increase is merely nominal, and the charge is practically stationary, 11,811–4.

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REGISTRY DEPARTMENT:

In 1875–6 the Registry Department consisted of a Registrar and a staff of 44, of whom 35 were second-class clerks; in 1893–4 the staff consisted of 58 persons, of whom 43 were second-class clerks, and there are now 37 second-class clerks, and seven boy-copyists, besides the Registrar and his three assistants, the keeper of records, the keeper of geographical records, women typists, &c. The normal establishment of second-class clerks will be 33, 11,794–7.

MISCELLANEOUS OFFICES:

The number rose from 15 in 1875–6 to 29 in 1893–4, owing to various changes in the organisation of the office, including the addition of the Indo-European Telegraph staff, 11,798–9. The number of messengers, &c. has been reduced, and the use of boy messengers has been introduced, 11,800–2.

AUDIT DEPARTMENT:

The Audit Department has been reorganised since 1875–6. The normal strength is now, besides the Auditor and his Assistant, 2 senior, 3 junior, and 13 second-class clerks. The cost has increased from 4,410*l.* in 1875–6 to 6,742*l.* in 1893–4. Its normal cost will be about 6,208*l.* The cost is now better distributed than formerly, and saving will accrue as vacancies occur, 11,803–4. Question raised by the Auditor, 11,805–9.

MISCELLANEOUS.—Explanations of other minor heads of expenditure, viz., Telegrams to India, Postage, Contingencies, &c., 11,815–20. The Library Grant is a subvention to literature: it amounts to 3,000*l.* a year, 11,821–33. Rent and Taxes on India Office and other buildings, 18,834–46.

Allowances to Civil Service probationers have now been reduced to 100*l.* for one year, 12,019–21. Outfit allowances to high officials on appointment have been considerably reduced, 12,022.

MANAGEMENT OF DEBT:

The sums paid to the Banks of England and Ireland for the management of debt were, in 1875–6, 18,385*l.*, and, in 1893–4, 44,938*l.*, and in 1894–5, 61,096*l.*, 11,747–8. Details of these sums, with explanations, 11,880–902. In 1860 the rate was fixed at 340*l.* per 1,000,000*l.*; in 1885, on stock with quarterly dividends at 400*l.*; after the conversion of 1887–8, when quarterly dividends became more general, at 300*l.* on half yearly, and 360*l.* on quarterly dividend stocks; recently it has been arranged to pay 360*l.* per 1,000,000*l.* on the first hundred millions of India stock, and 100*l.* on further stock, the payment for debt with half-yearly dividends remaining at 300*l.* per million, 11,847–50. The total amount of stock held by the Bank of England was, in 1875–6, 52,700,000*l.*; and in 1893–4, 124,000,000*l.* At the Bank of Ireland, in 1875–6, 1,196,000*l.*, and, in 1893–4, 3,700,000*l.*, 11,851–2. Explanation of payment to the banks, 11,853–9. Explanation of other charges connected with the debt, 11,860–79. The nominal amount of stock is not increased by a conversion, 11,908–10. Where there is a difference between the amount of money received for a loan and the amount of stock inscribed, that difference is made good by a sinking fund, if the amount is large; otherwise it is made good from the revenue of the year. The sinking fund is applied in purchase of stock to cancel the discount in 50 or 60 years, 11,911–5. Apart from this the Indian Government do not apply a sinking fund to their loans, 11,916–7. Policy of a sinking fund, 11,918–38.

ROYAL INDIAN ENGINEERING COLLEGE:

It has not been possible to hand over the Cooper's Hill College to a private body, but it has now been put on as economical a footing as possible, consistently with the training in this country of engineers, and telegraph and forest officers for India. The college is now nearly self-supporting, 11,940–7. No probability of past losses being reimbursed, 13,035–8.

SUPERANNUATION:

The proportion which an Indian officer's pension bears to his salary is probably much less than in England, and a large part of it is met by his own payments. It might be well to explain this latter fact in the accounts, 11,994–12,018.

Employment of natives of India, 12,023–34.

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WATERFIELD, SIR HENRY, K.C.S.I., C.B. ANALYSIS OF EVIDENCE OF—*continued.*

According to the principle which he has adopted, the figures in Sir W. Wedderburn's memorandum may be accepted as correct (*passim.*)

The tables of increase of expenditure were prepared in the old form, not with any view to minimise their amount, but because at the time they were drawn up the new form had not been decided upon, 12,055. The statement of the distinction between Imperial and provincial expenditure in Sir W. Wedderburn's paper is correct, 12,058. It would be impossible to debit provincial governments with exchange, *e.g.*, that resulting from an increased superannuation charge owing to an increase of their establishment; all their direct expenditure is in India, 12,059–62. It is true that the provincial system in a certain sense invites provincial governments to increase expenditure, that is, to administer their province in the most efficient manner, 12,063–8. When the words "improvement" and "deterioration" are used in the tables, they refer strictly to the financial position, and not to a possible exhaustion of sources of revenue, 12,069–70. Additional taxation imposed since 1884–5, 12,071–3; the proceeds thereof amount to about one-half of the increase of revenue in the period, 12,074–7. Increase of land revenue does not imply increased strain upon the people, as it implies also an increased portion left in the hands of the owner 12,078–81. No distinction could fairly be drawn between loss by exchange "automatically" and that "voluntarily" incurred by government at any particular time, though there may be a distinction drawn between charges over which the Secretary of State has or has not control, 12,083–9, 12,227–31. Sir W. Wedderburn's apportionment of "automatic" and "voluntary" increases due to loss by exchange cannot be accepted. The former class should be Rs. 11,000,000 instead of 5,500,000, as he puts it, 12,232–7. The reason the totals of expenditure have been divided in the tables into the four groups, Expenditure by the Government of India, by Provincial Governments, by the Secretary of State, and Exchange, is to enable the Commission to take the expenditure to pieces and see how it arises (but you cannot form any idea of the total growth without putting the figures together, 12,145–51). Of course, if to the Imperial expenditure in India is added the expenditure by the Secretary of State, exchange, and exchange compensation allowance, the result is an addition of nearly four million Rx. to the Imperial expenditure, 12,094–7. It is only in the sense of a reduction in expenditure that the absorption of the Famine Insurance Grant is an "improvement"—the Famine Insurance Grant is practically an appropriation of surplus revenue to provision against, or relief of, famine, and a large part of it is really a sinking fund; if there is no surplus revenue, it becomes a question whether additional taxation should be imposed to provide the Famine Grant, and it has usually been decided not to do so; but the spending departments are never allowed to encroach upon the grant, which is jealously guarded by the Financial Department. If the Famine Insurance is treated as surplus revenue, an average of a little over a million a year has been applied from it since 1884–5 to reduction of debt or discharge of debt. The total actual expenditure on famine relief in that period was only Rx. 306,000, and, since 1881–2, on protective irrigation works, Rx. 1,800,000, on protective railways, Rx. 5,469,000 in direct construction, and Rx. 3,587,000 paid to companies as interest on capital expended by them, 12,098–139. Explanations with regard to military expenditure, including the Chitral Expedition and special military operations. A chief cause of the large increase in the last 10 years of nearly five millions is the cost of the special defences on the North-West frontier of India, which are now nearly completed, 12,153–85. The charge for the guaranteed interest of the Bengal-Nagpur, and Indian-Midland Railways was sanctioned as a very special case; and subsequently the net loss, including that interest, was charged against the Famine Grant, 12,188. In order to judge of the financial success of the Indian State railways, the charges both in England and India must be added together, and that is done in the Government accounts, 12,187–8. The object of offering special terms to private companies to construct feeder lines is to induce individuals to invest their money in the undertakings, so as to accelerate railway construction, as Government can only raise limited sums on its own account without raising the rate of interest on its loans. To avoid unnecessary reduplication of machinery, the construction of new feeder lines is, as far as possible, entrusted to existing companies, 12,189–95. It is impossible to state what loss may have fallen upon the Government through waiving its right to purchase some of the old guaranteed companies, 12,202. History of the Bengal Central Railway Company, 12,203–4. The advantages given to the shareholders of the guaranteed companies are obligatory under the contracts under which the lines were originally constructed, 12,205–15. Cost of the Gilgit Agency and of Burma, 12,216. In the tables, "effective charges" are exclusive of furlough and military stores (which are ordinarily included). The sub-tables are prepared in a different manner to the Indian accounts in order to give greater detail, but the totals are arrived at in the Indian method, 12,221–2. The reduction in the charge for military pensions is due to a change in system, 12,223–6. Mode of treating the debt so as to show the effect of exchange, 12,238, 12,244–58. The object of the transfer of debt to productive works is to treat those works as having been entirely constructed either from borrowed money or from revenue applied to cancel debt, 12,239–40. No doubt the provincial balances are smaller, but they may have been spent on useful works, and, therefore, the reduction cannot be called a deterioration, 12,241–3. There is no depreciation written off each year against a work, because the works are maintained out of revenue, 12,259–62.

WATERFIELD, SIR HENRY—*cont.*

29TH DAY.—PART II.

BAHADURJI, DR. K. W.

The amalgamation of the medical services would, in the opinion of many high authorities, conduce to efficiency as well as to economy. The saving has been variously estimated at 17½ and 20 lakhs. The latter being Lord Wolseley's estimate of the results likely to follow the establishment of station medical officers instead of regimental, and the combination of the charge of British and native troops, 13,409–24. Since Lord Wolseley wrote, an amalgamation of the administrative branch has been carried out, but not of the executive branch, and it is from the latter that a saving of at least 17½ lahks may be expected, 13,425–33. There is, of course, much difference of opinion about the station hospital system (the saving from which was estimated at 4½ lakhs, 13,429); but Lord Wolseley thought that it would be more successful with native troops even than with British troops, because the hospitals might be given over to the charge of native hospital assistants, in consultation only with the European medical officer, very much as happens at present; under the existing system there is not enough for the medical officers to do, 13,434–54. Natives are particularly prone to go to a medical man in whom they have faith, but they would, of course, be just as likely to do so under the one system as under the other, 13,455–61. The saving would arise from the abolition of superfluous establishments. It has also been proposed to abolish the Netley course of instruction, and substitute training in India, where experience in tropical diseases would be gained. It is true that this proposal has been deliberately rejected, 13,462–3. The station hospital system has also been rejected, but on the ground that the natives require to have an intimate knowledge of their medical officer, which ground is not in consonance with experience of native troops, 13,464–6. With regard to the Civil Medical Department, it at present consists of officers, of the Military Medical Department, the theory being that they form a war reserve, 13,474; but the conditions required from a civil medical officer are wholly different from those of a military officer; and, moreover, the mixed character of the Indian Medical Department stands in the way of an amalgamation

BAHADURJI, Dr. K. W.—*cont.*

with the British Medical Department, because civil employment interferes with military training; further, in practice officers who have been long in civil stations do not like reverting to military duty, nor can the Civil Department spare them at short notice. The theory of the present constitution has, in fact, broken down, 13,475–82. Instead of it, the Civil Department should be a separate service, recruited from the open profession in England or in India; the Indian universities will furnish ample material for ordinary medical charges, but for educational and scientific appointments recourse will for a long time have to be had

BAHADURJI, Dr. K. W.—*cont.*

to the English universities. The present system of confining these appointments to the Indian Medical Department is not satisfactory, 13,482–97. These reforms would lead to large economies, as there would be no difficulty in procuring qualified men from outside on lower salaries than are paid to officers of the Indian Medical Department. It is irrational to foster medical instruction simply for the purpose of providing a military reserve, but the Government of India has been misled by their medical advisers, who belong to the Indian Medical Department themselves, 13,498–502.

SECTION III.—APPORTIONMENT.

(12th–14th, 17th, 18th, and 26th to 29th days.)

12TH DAY.

COLLEN, MAJOR GENERAL SIR EDWIN. ANALYSIS OF EVIDENCE OF—*continued.*

The APPORTIONMENT of CHARGES between the Home Government and the Government of India, in which the two Governments have an interest.

The Government of India consider the 7*l.* 10*s.* capitation rate excessive. They accept the principle that India should pay the whole cost of the Military Establishment, but they consider that for defence against an European enemy, the Home Government should contribute, 5710–9.

The capitation rate of 7*l.* 10*s.* includes :—

1. Capitation of troops embarked for India.
2. Charges for depôts.
3. Agency charges.
4. Charges for men deserted, died, or discharged, with less than one year's service.
5. Maintenance of young officers on first appointment to regiments serving in India, previous to embarkation.
6. Cost of young officers of Royal Engineers while under instruction.
7. Difference of pay of Royal Engineers, colonels and lieut.-colonels, &c.
8. Cost of veterinary surgeons for India.
9. Cost of examination of candidates for the India Medical Service.
10. Educational establishments.
11. Advance of pay to men embarked for India, expenses of men awaiting discharge, travelling expenses of invalids.
12. Share of cost, of pay and allowances of staff of hospitals and discharge depôts, and expenses of invalids, except pay and travelling.
13. Rebate on men returning from India, and deferred pay, 5720–2.

Charges paid by India.

The East India Company bore actual charges. After the assumption by the Crown, the capitation rate was fixed at 10*l.* In 1869 the capitation rate was terminated, and actual payments were made in following years, amounting to about 9*l.* 11*s.* per man. From 1879–80 to 1889–90 the average payments amounted to from 7*l.* to 8*l.* per man; in one particular year, owing to a writing off of 400,000*l.*, it came down to about 6*l.* 10*s.* Lord Northbrook's Commission finally settled the rate on the arithmetical basis at 7*l.* 10s., but Lord Northbrook in a speech said that he considered 5*l.* a sufficient rate for India to pay, 5731–5.

Various Committees considered the question from Sir A. Tulloch's Committee in 1860 to Lord Northbrook's, 1879–80, 5748–5766.

The Government of India objects not only to the calculations on which the results are founded, but to the bases of those calculations. They would wish the advantages to England of its possession of India to be taken into consideration, 5767–80.

The Government of India objects to the present arrangements because :—1. The system of recruiting is unduly expensive. 2. Though they do not desire to receive a purely local army, an alternative would be to have a special organization of regiments localised in India; in this way India might get a supply of more mature men for longer service, thereby also saving transport charges, 5781–99.

The Government of India consider that they are put to great expense by changes of organization made by the Horse Guards, and the remedy they claim is liberal treatment, and that they should not be called upon to pay for many of these changes, from which they do not consider that they derive any benefit, for instance, the abolition of purchase; in which case though India bore none of the initial expense, she has incurred a heavy liability for pensions, 5808–37. There was a system of purchase

COLLEN, Major General Sir EDWIN—*cont.*

in the old Indian Army, but it was neither universal nor officially recognised, 5841–4.

CAPITATION CHARGE.

From 1834 to 1857 the average force was 24,000 men and the average payment 195,000*l.*, or about 8*l.* per man. This apparently compares with the present rate of 7*l.* 10*s.* which is paid for a more highly equipped force; and must have been an overcharge, unless it may be accounted for by greater expense owing to greater mortality. The objection, however, of the Government of India to the capitation charge is that no allowance is made for the services of the men in England before they embark, 5846–81.

Depôt Charge.

The Government of India contend that the present English depôt system is less economical than one which would be sufficient for purely Indian wants. The Warley depôt supplied men at an average charge of 3*l.* 3*s.* 9¾*d.* per man on the Indian Establishment. Though these men were untrained, it would be a great saving to Indian revenues, if their training took place in India; longer service would then be necessary; the system could not now be changed, but India should not be asked to pay so much for it. For instance, in two consecutive years India had to pay 89*l.* and 140*l.* respectively, for every trained horse artilleryman sent out. So far as particular charges, calculated on an arithmetical basis, are concerned, a properly constituted Committee might decide the question; but what the Government of India contend for is a charge based on general principles of reciprocity; they do not question the arithmetical correctness of the figures. The only way in which the actual expenses could be reduced would be to have one or two large centres, instead of a number of scattered depôts, with consequently reduced numbers and rank of officers. It is such a point as this that an expert Committee might decide, 5882–922.

Agency charges have been abolished, 5923–4.

Charges for men who desert or die before embarking.

The Government of India object to this charge altogether, because they have no means of knowing whether the loss was preventable; they think that they should only be charged for the men who actually embark; at all events this charge should be covered by the capitation rate, 5925–35.

Maintenance of young officers previous to embarkation.

The Government of India think that they should be relieved of a portion of this charge, as these young officers are available for service in England till they embark, 5936–53.

Young officers of Royal Engineers under instruction for India.

The same remarks apply, 5954–64.

Veterinary Surgeons in training for India.

The same remarks apply, 5968–70.

Examination for the Indian Medical Service.

The charge is merely an estimate, which the Indian Governments considers too high and would cut down by one half, 5971–2.

Educational Establishments.

The Government of India objected to the basis of this charge against India, namely, a moiety of the net cost of the establishments, plus interest on the value of buildings and land. When Sandhurst was built, India was maintaining its own military college, and a great number of Indian officers never passed through Sandhurst at all. Moreover, India

COLLEN, Major General Sir EDWIN—*cont.*

does not charge England for the military instruction given in India. The Government of India also objected to pay one-fourth of the expense of the Staff college, which quota was based on the fact that that was the proportion of Staff College officers holding appointments in India. They consider that many of these officers do not remain in India for the rest of their service, and that for officers of the Indian service they paid separately for officers, 5973–94.

The Government of India were not satisfied as to the charge made against them on account of the Netley Medical School; and, with regard to the School of Gunnery, they object to pay for the experimental as well as the instructional side; they think they should only pay on the number of officers sent home for instruction, 5995–6002; the same general objections apply to the charges for the School of Military Engineering and the Artillery College. The Government of India have never considered what precise form of inquiry into the points would satisfy them, 6003–14.

Expenses of Men awaiting Discharge, &c.

The Government of India thought the charge excessive, as being based on a longer period of detention than is necessary, 6016–22.

Similarly, they could not follow the calculations on which the charge for hospital staff, &c., is based, 6023.

With regard to all these details, the mere fact of the India Office representative on Lord Northbrook's Commission having accepted the calculation as being arithmetically correct, would not be sufficient, unless sufficient reasons were adduced, 6024–40.

Rebate on Men returning from India.

The Government of India protest against the inadequacy of the rates allowed by the War Office, which are even less favourable than those fixed by Mr. Bouverie's Committee. It assumes that a man gives six out of his 12 years' service in India, whereas the actual average is five years four months, 6041–4; 6093–6116.

To sum up, the Government of India consider that a capitation rate of 5*l.* would represent what they might be fairly called upon to pay, 6045–6.

DEFERRED PAY AND THE SHORT SERVICE SYSTEM.

Deferred pay was introduced in 1876 at 2*d.* a day. It is now 3*l.* a year for service up to 12 years, with the colours or in the reserve; or in the case of non-commissioned officers up to 21 years. It has been variously calculated that the maximum would be reached in 1890 or in 1895, and that the maximum burden on India would be 165,000 or 220,000*l.* As a matter of fact, the charge in 1895 was 230,000*l.* There must also be a considerable increase on the transport charges owing to the short service system. On the other hand, assuming that the old system of long service (which is not that which the Government of India would favour, they would prefer a service of 10 years) had been retained, there might have been a large payment for pensions, 6049–74.

The Government of India object to the system of deferred pay having been adopted without consulting them, and it is doubtful how far it is of any advantage to them, as it may tend to prevent men re-engaging, which they might have done even without prospect of pension; and, on the other hand, the reserve is of no use to India, unless in time of need she is only charged for the cost of their transport to India, 6075–92.

Cost of Expeditions:

The principle should be that India should be repaid the whole cost of troops lent to England, though she would not claim for the training of those troops, as England did in the case of the Mutiny. This principle was followed in the case of the expedition to Malta. In the case of Egypt, India only received a grant in aid of 500,000*l.* towards a total expenditure, of nearly Rx. 2,000,000.

In the case of Abyssinia, England found all the extraordinary expenditure. India ought not to have had to pay anything in the case of Egypt, her interest being only indirect. India should, of course, pay her share in the case of a European

COLLEN, Major General Sir EDWIN—*cont.*

nation threatening her territory, or in the case of war in the Asiatic continent. The principle of joint interest in the latter case was admitted with regard to the Afghan war, 6117–50.

In the case of the Mutiny, India had not only to pay the whole cost of the troops, but also the cost of training them. In the case of the third China war and Malta expedition, England paid the whole cost of the troops, but nothing for their training. The words of the Act of 1858 seem to show that it was not contemplated that India should pay for expeditions beyond her frontier without the express leave of Parliament. The Government of India certainly were of opinion that they should not have to pay for the Perak expedition, and the Abyssinian and Egyptian wars. For the Afghan wars, it was just that the Home Government should contribute, 6151–94.

13TH DAY.

COLLEN, MAJOR-GENERAL SIR EDWIN, ANALYSIS OF EVIDENCE OF—*continued.*

SHORT AND LONG SERVICE.

The view of the Government of India in 1890 on the short service system, 6229–32.

Expressions of opinion given in evidence before Lord Curry's and Lord Wantage's committees, against the short-service system. The Government of India are not prepared with any practical proposal, but desire that the disadvantage of the system may be considered in giving the charges, 6233–4.

The average service in India is five years and four months, probably the Indian Government would be satisfied with a service of seven years, 6235–7. The youth of the men coming out under the present system is also an objection, 6238.

In later years invaliding has been very greatly reduced, but this is the result of greater attention being paid to sanitation, 6240–7. (Possibly the temperance movement has contributed towards this result, 6673–6); the mortality has also considerably decreased, 6288–92.

Two-thirds of the soldiers in India are under 25, but more than half of the invalids come from the remaining one-third who have reached 25, 6248–61. Notwithstanding this, the bulk of Indian opinion is that the best service is given over 25 years, 6224–82. These older men are chiefly men who have re-engaged, 6705–8.

It cannot be precisely stated that the short-service system has increased the invaliding, 6262–5.

(Statistics of the ages of the British soldiers at the present time, 6266–73.)

It is between the ages of 18 and 20 that most recruits enlist, 6350–8.

Before the mutiny the British forces in India consisted of local Indian forces, 12,000 men, recruited by the Company and collected at Warley depôt, and the British force, 24,000, recruited by the Home Government and collected at Chatham, 6293–8.

Whilst the Warley recruits were not trained for any length of time, those from Chatham were more or less trained men when they proceeded to India, 6299–305, 6313–4.

The expenses of Warley were low, (the average cost per man was about 20*l.* or 30*l.*, 6310–2), because the men sent out thence received the greater part of their training in India, 6306–9; whereas of late years the Government of India have constantly insisted upon the men receiving a minimum of six months' training before proceeding to India, 6315–6.

After the mutiny the army was considerably increased, the numbers of European troops being doubled, (72,000 as against 36,000), 6317–27. At the present time the total numbers of European troops in British India would be 74 or 75,000, or about 67,000 exclusive of commissioned officers, 6700–4; the strength of the forces in India is regulated by the Indian Government, subject to the approval of the Home Government, 6677–85.

During the mutiny 26 battalions were added by the Home Government to the army at home, especially for Indian service, 6328–35.

The difficulty of getting together and maintaining this, additional force, amongst other reasons, necessitated the appointment of two Royal

COLLEN, Major General Sir EDWIN—*cont.*
Commissions on recruiting, the second of which recommended an increase of pay by 2*d.* a day and a further 1*d.* a day more on re-engagement, 6336-49. Even so it was found impracticable to get a sufficient number of recruits on the old system, and the short service system was introduced in 1870, 6359.
Whilst the change gave rise to increased expenditure on raising, training, and drilling the men, it may have lessened the pension charge, 6360-6. India has benefitted financially by the change, if the decrease on pensions counterbalances the increased depôt and transport charges plus the charge for deferred pay, 6367-82.
Changes were subsequently made in the organisation of the army and in the system of relief, which tended to reduce the transport charge, 6383-8, and the extra penny on re-engagement was abolished, 6492.
It may be the case that the linked battalion system is a great advantage, in that men invalided home or unfit for Indian service, are drafted into the home battalions and are not kept merely as a dead weight in the depôt, 6416-22, 6457-72; and that by this means it is possible to charge India only for the men actually supplied to her, 6433-5.
It is true that India has insisted on the men supplied to her being 20 years old, and, since the majority of the recruits were between 18 and 19 on joining, they must have had one or two years' training previous to embarkation, 6389-94; the charge made against India is only for six months' training, 6396-403.
If it be admitted that the cost of a depot under the old system was 1,922*l.* and that now, including certain new charges, it is 1,929*l.*, the charge has not largely increased the charge on India, 6404-15, but the figures are hardly compatible with the increased cost per man, 6416-26.
There is no connection between the Canterbury cavalry depôt and any regiment at home, it is kept exclusively for the needs of regiments abroad; the normal annual draft to India is from 800 to 900 men, and to supply these between 1,300 and 1,400 are kept constantly at Canterbury, 6429-35. The question arises whether the depôt is not too extensively organised, India being charged for an establishment of 23 officers and 180 horses, 6435-45.
The normal cost of each cavalryman supplied to India would be about 80*l.*, though in exceptional years it has reached the sum of 227*l.*, 6688-92. The special depôt for training the Horse Artillery for India has been found insufficient, but a cheaper organisation than the present cadre of two batteries should be possible, 6451-5.

Specific Complaints of the Government of India.
The two Medical Services in India should be amalgamated with a view to economy, 6473-84.
The Government of India objected to the increase of pay to the soldier being granted without reference to them, also to other similar charges on the same grounds, irrespective of the merits of the cases, 6485-95, and they would like their military opinion and financial interests to be consulted, as far as possible, on new departures, 6563-8.
The charge, however, for good-conduct pay, for instance, to which they object, is probably less now than heretofore, 6492-5.
The Indian Government were not aware that the charge for adding a second lieut.-colonel and two majors to each regiment of British infantry and cavalry was incurred with a view to decrease the non-effective charge, 6496-7. In the opinion of the Indian Government, a reduction should be made by the Home Government, in the charge for recruits, partly on general grounds and partly on the grounds that the depôts in England form a reserve for England, 6504-12.
Although on the theory of an identical army, the apportionment of charge between the Home and Indian Governments should be reckoned arithmetically, yet there are general grounds on which India looks for a reduction, 6569-76A.
No large reduction can be expected in the Indian military expenditure; reduction in the number of troops, stores, or pay is impossible; 6550-3, possibly the native army might be reduced as the native reserve grows, 6554. The British forces must be kept up in a certain proportion with the number of native troops, 6555-6, 6627-30, 6686-7. It would

COLLEN, Major General Sir EDWIN—*cont.*
be bad policy to replace British by native troops, 6631-50.
India must also follow England in charges of equipment, &c., 6557-62.
The relative merits of British and Native cavalry, 6641-7.
It would not be expedient to reduce the proportion of the latter.
Part of the increase of the forces has been absorbed by Burma, 6651-4.
Though a great many Eurasians become effective volunteers, 6655-8, it is not thought desirable to extend the right of volunteering to natives, 6668-72.
The possibility of establishing regiments of Eurasians, 6663-7.
Question of the share in the Government taken by natives of India, 6577-6617, 6714. The question of the apportionment of charge between India or England for military and other purposes, 6618-23.

Aden.
(First occupied in 1839). The whole expenditure, Military and Civil, is defrayed out of the Indian Revenues, England only paid a moiety of the cost of defence work and armaments; India provided the ammunition and stores for armaments, 6523-9, 6530-5, 6543-5, 6695-700.
The importance of Aden from an Imperial point of view is greater than its importance to India, 6536-40, *see also* 6693-4; for this reason India should not be charged with the total cost, 6541-2; though for many reasons it should pay part of the cost, 6692.
Gibraltar is in no way a set-off to it, 6546-9.

Troop Service.
Though the drafts sent out have been more numerous, the cost of transport has decreased, 6714-7. The Government of India have always been anxious to employ their own transports on the home trooping service; at present transports are hired, 6719-23, 6727-8.

The Indian Marine.
The Admiralty took over the duties of the old Indian Navy in 1862; in 1869 a subsidy of 76,000*l.* was paid by India, reduced in 1888 to 41,600*l.* Since then, under recent arrangements, India pays in all 160,000*l.*, including the sum for the manning of her harbour defence ships. India has provided ports, repairs, docking, &c. for Royal Navy ships at a very moderate charge, 6743. She also provides a Marine survey, 6744. The Government of India consider that it pays too much for, and has insufficient control over, the East Indian Squadron, 6744. The Indian Marine is capable of doing the police duty and transport of troops, and saving the Royal Navy Squadron to protect the highways of trade, 6744-53. It has been estimated that India saved about 400,000*l.* a year by the transfer of her Navy; but she had still to bear considerable expenditure on account of the Bombay Marine, 6754-6.
The Government of India consider that they do enough in protecting their own ports and discharging other duties by their Royal Indian Marine vessels, and that the Home Government should bear the charge for the defence of the high seas.

14TH DAY.

HEXT, CAPTAIN JOHN, R.N., DIRECTOR OF THE ROYAL INDIAN MARINE, Analysis of Evidence of.

Has been for 13 years Director of the Royal Indian Marine; was originally nominated by the Secretary of State for five years; is subordinate to the Military Member of Council, 6759-67.
Former heads of the Department, 6768-74, 6777-8.
The conduct of the Royal Indian Marine is regulated by the Act of 1884, 6775-6, which was necessitated by the fact that the Royal Indian Marine had no defined status or discipline, 6999-7004; the Act enumerates the duties of the Royal Indian Marine, 7006-10.
The old Indian Navy, before its abolition, was probably subordinate rather to the Government of Bombay than the Government of India, 6772-4. The duties of the old Indian Navy were the police duties of the whole of the Indian seas, 6922, 6951-4, 6959-64.

HEXT, Captain JOHN—*cont.*

6968; it assisted in the New Zealand and China wars, 6923–6; it also performed duties to a very small extent in connexion with the slave trade, 6965–7. The two small services, the Bengal and Bombay Marines, which came into existence after the abolition of the Indian Navy, being found expensive and inefficient, were amalgamated, and formed the present Royal Indian Marine, 6775–6.

The duties of the Royal Indian Marine, 6776, 6789, 7,106. The head-quarters are at Bombay, 6780–1.

Distribution of the 10 seagoing ships and five river steamers forming the Indian Marine, 6782–8.

The Cost of the Royal Indian Marine:

In later years there have been apparent reductions of actual expenditure as compared with the estimate, but these are mainly nominal, being due to recoveries on account of work done for and stores supplied to other Departments, 6816–26.

Under the head of Dockyards, though the gross expenditure exceeded the estimate, the increase was more than counterbalanced by recoveries from other Departments, 6,827–31; there was a small decrease under salaries, 6832, and a decrease under stores, owing to less purchase of coal in India, as well as a greater amount of recoveries than was estimated, 6833–5, 6847–9. Besides the foregoing decreases, the re-organisation of the Survey Department and other minor variations account for a decrease of one lakh; there was also an increase in the trooping receipts of Rs. 66,000, 6836–7.

The Indian Marine Budget deals solely with receipts and expenditure in India, and leaves out of account stores received from England. Hence the apparent discrepancy between receipts from other Departments and expenditure, 6850–7.

The estimate appears under nine sub-heads; the gross expenditure of 1892–3 was nearly Rs. 20,00,000; of this salaries and victualling accounted for Rs. 8,00,000. Dockyards, 5½ lakhs; purchase and hire of vessels, 4 lakhs; and there was a net receipt of Rs. 1,71,000 on account of stores, 6858–74. On the other hand, the expenditure on stores from England amounted to 132,000*l.* in 1893–4, 6873.

Royal Navy Ships in the Indian Seas:

The Admiralty keeps four of the eight ships of the East Indian Squadron in Indian waters, in respect of which India pays a subsidy at present of 100,000*l.* a year; in addition to them India has provided and handed over to the Admiralty a defence squadron of two turret ships and nine torpedo gunboats and torpedo boats on account of the crews of which she pays the Admiralty about 60,000*l.* a year, 6878–86. One turret-ship and one torpedo gunboat are actually in commission, under the orders of the Admiralty, the remainder are in reserve, 6887–90. The total cost to India of her marine and naval subsidies may be taken roughly at about Rx. 490,000. exclusive of non-effective charges (and exchange), 6908. There are no figures to show the cost of the old Indian Navy, but an approximate statement might possibly be made out, 6910–8.

In the days of the East India Company the merchant ships were equipped for defending themselves, and, though there was an India and China squadron of Royal Navy vessels, they did not practically do much towards protecting commerce east of the Cape of Good Hope, 6936–50, 6955–64. The Indian Navy was constituted in 1830, and its duties were solely those of the maritime police of the Indian waters; it had nothing to do with the protection of trade routes, 6951–8. It appears to have had some connexion with the suppression of the slave trade on the Eastern Coast of Africa, but it can only have been very limited; and it is also the police of the Persian Gulf, 6968, 6965–7.

When the old Indian Navy was abolished in 1862, the Admiralty undertook its duties, except in the Persian Gulf, without charge to India, 6976–80. When, however, in 1869 the Bombay Government complained of the manner in which those duties were discharged, the result was that India agreed to pay a subsidy for the service of six ships to to perform all duties, excluding the Persian Gulf, 6976–95. In 1888, in consequence of the Indian Marine steamer "Lawrence" being built for service in the Persian Gulf, the squadron for service in Indian waters was reduced to four, and the subsidy to 48,700*l.*, 6996–7013; two or three years subsequently a discussion arose between the Admiralty and the Indian Government which led to what is called the Foreign Office Conference, 7014–5, which resulted in a failure, owing to the inability of the Admiralty and the Indian Government to find a common basis, 7015–26, 7045–8. Attempts were then made at arbitration, which culminated in the Rosebery award of 1894, under which India pays a sum of 100,000*l.* for the service of four Royal Navy ships, 7025–30, 6891, 7037, the term "Indian purposes," used in the Foreign Office Conference award, being determined to have a wider signification than that which, in the opinion of the Government of India, ought to be assigned to it, 7031. The Government of India contend that they are more hardly dealt with under this award than the Australian Colonies, which for their defence squadron pay at the rate of 11*l.* 4*s.* per ton, for which they get an addition to the squadron on the station of 14,345 tons; India, on the other hand, pays 15*l.* per ton without the addition of a single ship to the local squadron, 7032–37. In addition to the subsidy to the Royal Navy, India has paid over 150,000*l.* for dockyard improvements, chiefly for the use of vessels of the Royal Navy, whether belonging to the Indian squadron or not, where repairs are executed at a very low cost; over 500,000*l.* for harbour defence ships, and an annual sum of about 60,000*l.* for manning them; besides large sums on making the four principal Indian harbours as strongly fortified as any in the United Kingdom; and India also provides its own Marine Survey Department, and renders other services to the Royal Navy, which ought to be taken into consideration in determining the amount of the subsidy, 7048–84. The Government of India contend that for their own purposes three Royal Navy gunboats of the "Pigeon" class are all that is necessary, 7122–9. The Admiralty decline to accept this view, and wish to substitute larger vessels on the ground that "Indian purposes" include duties on the high seas, 7158–82.

With regard to the Persian Gulf, the Government have not objected to pay for the work done by the Royal Navy, 7142–3; but the "Lawrence," if armed, would be quite capable of doing the work of one vessel, and so relieving Indian revenues to that extent. At the instance, however, of the Admiralty, orders were given by the Secretary of State forbidding the arming of the "Lawrence," 6796–813. Though the Government of India have never expressed any such opinion, the Royal Indian Marine would be quite capable of performing all the purely Indian duties in Indian waters which were contemplated in the Marine Service Act if they were allowed to be armed, 7088–109.

The duties in the Persian Gulf should be undertaken by the Admiralty without charge to India, or at least with only the assistance of the "Lawrence," 7142–3, 7150–7.

The employment of Natives and Eurasians in the Royal Indian Marine and the Royal Navy, 7130–41, 7144–92.

17TH DAY.

KENNEDY, VICE-ADMIRAL W. R., R.N., and CUMING, MR. WILLIAMS (OF THE ADMIRALTY), ANALYSIS OF EVIDENCE OF.

Experience, *Kennedy*, 8218–19; *Cuming*, 8225.

The boundaries of the East India station, 8220–24.

The duties, performed by the armed vessels of Her Majesty's Navy before the abolition of the Indian Navy were small, now they include general defence, suppression of piracy and slave trade, and police duties, 8230–46. Letter of Sir Charles Wood defining the duties of the old Indian Navy, 8236.

For an annual payment of 100,000*l.* the Admiralty keeps four vessels in Indian waters out of a squadron of eight, and a further payment of 59,600*l.* is made for the manning of vessels of the Indian Defence Squadron, 8247–53.

The cost of these four ships is estimated at 117,000*l.* a year, plus 4,000*l.* a year supposed to be spent by India on repairs of the "Sphinx," 8254–5; the Admiralty maintains that this does not cover the whole cost of the ships, no allowance being made for the pilotage contingent expenses, and indirect expenses, 8255–9. Method of computing the charge,

KENNEDY, Vice-Adml. W. R., and CUMING, Mr. W.—*cont.*

8260. The distinct charge for the repairs of the "Sphinx" is made because she was specially built for the Persian Gulf service, 8261–6.

India nowadays needs a larger fleet than she did between 1832 and 1867, 8267.

The duties of the Indian Marine were taken over by the Imperial Government because the Royal Navy could more advantageously perform the duties, and the presence of Royal Navy ships was for reasons of policy desirable; no charge was at first made, because of the unsettled state of affairs caused by the mutiny, 8285–6; financially the Government of India has benefitted, 8286–74.

The abolition of the Indian Navy has benefitted both the Indian Government and the Indian taxpayer, because in the present day a separate Indian Navy would cost much more than the subsidy, 8430.

The defence of India by the Royal Navy is on exactly the same footing as that of England, 8275–9; some of the ports are defended by batteries and the defensive flotilla, which is officered and manned by the Royal Navy, in consideration of a contribution of 59,000*l.* from India, 8280–3.

The Indian Defence Flotilla consists of two turret ships (one in reserve), two torpedo catchers (one in reserve), seven torpedo boats (four in reserve), they are all kept in Bombay Harbour, because the dockyards are there; the small vessels are being constantly exercised up and down the coast. In time of war they would be distributed along the coast. They were transferred by the Indian Government to the Admiralty, which maintains them for an annual payment of 59,600*l.*; this arrangement is satisfactory to both sides, 8589*a*–95.

The Government of India first made a payment to England in respect of the Royal Navy ships in 1869 (six years after the abolition of the Indian Navy) of 70*l.* per man on 1,000 men, representing the cost of the crews of six ships; this 70*l.* rate did not cover the actual cost, it was merely the average cost of wages and victuals; but the Imperial Government benefited by the fact that the full establishment of 1,000 men was not insisted upon, though paid for, 8284–305. (At the present time there are 623 men in the four subsidised ships, 8306–7.)

The Secretary of State for India applied, in 1887, for modern ships with more powerful armaments, 8314–5; and the four ships now in Indian waters are far superior to those which they replaced, 8361–2.

The 1869 arrangement lasted until 1888, when the force to be kept in Indian waters was reduced to four ships, for which India was charged 38,500*l.* and 5 per cent. on the cost of the "Sphinx," making 41,600*l.*; this subsidy was also based on the 70*l.* rate, 8308–13. No four particular ships were ear marked for Indian Service, but the Commander-in-Chief deputed any four out of his squadron at his discretion, 8358–9.

This arrangement was allowed by the Treasury under protest, 8313–8; neither the Admiralty or Treasury considered the subsidy sufficient, 8319–20.

The Foreign Office conference considered the question, and it was decided that India was to pay the whole cost, effective and non-effective, of the ships employed; the number and class of ships required for Indian purposes were to be settled by both Governments jointly, 8321–3.

The ships were not to be employed beyond the limits of Indian waters without the consent of the Indian Government; this rule still holds good, 8334–40.

At the present time one ship is stationed in the Persian Gulf, one at Aden, one at Bombay to relieve the Gulf ship, and the fourth in the Bay of Bengal, 8341–2.

The Persian Gulf must be considered as Indian waters, 8343–52.

No mutual agreement, however, could be arrived at as to the definition of "Indian purposes," 8324–7. Whilst the Admiralty proposed that four ships, of a total tonnage of 6,605 tons, was necessary, the Indian Government considered that the "Sphinx" and two gunboats, total tonnage 2,640 tons, were sufficient, 8328–33, 8353–8. The objection of the Indian Government to the Admiralty proposal was due to their restricted view of "Indian purposes." The Admiralty considers that, being charged with the defence of the Empire, it must be the deciding authority as to the manner of carrying out that defence; the opinion of the Admiralty on this point should have more weight than that of the Government of India, 8363–75. Lord Rosebery, in his award, concurred with the Admiralty of taking the broader view and considering Imperial purposes, 8375. 100,000*l.* a year seems a small sum for India to pay for the protection of her trade, 8662. The whole matter turns on the definition of "India purposes," 8717.

KENNEDY, Vice-Adml. W. R., and CUMING, Mr. W.—*cont.*

Australia pays less for her ships than India does, though the circumstances of the two cases are not analogous, 8377–90. On the Australian principle India would pay 106,000*l.* for her ships, she does, in fact, now pay 100,000*l.*

Australia pays no subsidy that can be likened to the 60,000*l.* that India pays for the ships in reserve; she manages her coast defences for herself. 8396–403.

Australia contributes towards the cost of the Marine Survey, whilst India carries out the whole of the surveys in Indian waters at her own expense, 8404–9.

There is a difference in the two cases, in that India has always had a navy of her own, whereas the Colonies only began in 1888 or 1889, to contribute to the Navy in the same way as they took over the cost of their troops in 1870, 8410–2.

The three vessels required by the Indian Government would be incapable of carrying out the duties of the old Indian Navy, 8413. The Government of India do not contemplate paying for the general protection of trade which devolved on the old Indian Navy, 8414–7.

The cost of the old Indian Navy is supposed to have been about 300,000*l.*, 8418–21. This cost would probably have doubled, or trebled, if the Indian Navy still existed, as it would have had to be equipped according to the most modern ideas, 8421–5.

During the great war the East India Company's ships sailed armed, and thus the Company defended its own trade and coasts, 8426–9.

With regard to Captain Hext's opinion that the Indian Government could with its existing Indian Marine perform all the duties enumerated in the Indian Marine Act, if the ships were allowed to be armed efficiently without additional cost to India; if India bought the three ships, and added them to its navy fully equipped and armed, it would probably perform those duties at a cheaper rate than 100,000*l.* a year, 8431–55.

The "Lawrence," "Warren Hastings," and three other ships all have their armaments in Bombay, which could be placed on board in time of war, 8473, 8481–3, 8494–6.

But the ships would have no status if armed, unless they were under the orders of the Admiral, 8510–5.

If the Royal Indian Marine ships are to be armed, they must be placed under the command of the Commander-in-Chief of the Royal Navy Squadron, 8457–60, 8472. The Royal Indian Marine ship, "Lawrence," serving in the Gulf, is really a yacht to move the Political Resident about; Her Majesty's ship "Sphinx" also does this service, and is, in fact, fitted up for it, 8480, 8514–5. The "Lawrence" is not sufficiently armed to suppress piracy (except by moral force), but she is armed enough for her own defence (as all ships serving there should be), 8460–71. The Admiralty does not admit the question of arming the Royal Indian Marine ships as capable of argument, 8478–9.

The "Lawrence" was actually built as a despatch boat for the Resident at Bushire, the subsidised Royal Navy vessels being reduced from six to four, 8531–3.

The "Sphinx" is entirely at the service of the Resident at Bushire, and carries out his orders, 8570–9.

It cannot be considered a waste of material to keep the Indian Marine vessels unarmed, as they are constantly employed on their own principal business of trooping, 8484–93. Besides trooping, they are employed on lighthouse duties, surveying, and, according to the Act, the guarding of convict settlements and suppression of piracy, but, from a naval point of view, the recital in the Act cannot be regarded, 8497–8509A.

The Admiralty would probably not fall in with the suggestion that it should take over the whole Indian Marine, as a means of utilising the ships as armed vessels, 8516–23.

KENNEDY, Vice-Admi. W. R., and CUMING, Mr. W.—*cont.*

It is quite true that the "Marathon" is not at all suited to the Persian Gulf, but she would be useful at Muscat, for instance, 8524–6.

No allowance should be made on account of the presence of the "Lawrence" in the Persian Gulf, in computing the subsidy, as she serves no fighting purposes, 8527–9. The "Lawrence," armed and under Admiralty orders, together with the "Sphinx," would serve the purpose of the Gulf excellently, 8530–1. At the same time there would still have to be a gunboat at Bombay as a relief, 8534–9. These ships are necessary, 8456.

With regard to the opinion of the Government of India that the subsidy should be reduced, because the ships are not to the same extent at the disposal of the Indian Government as the Army, the Admiralty would not consent to their Admiral being under the orders of any other authority; there must be one, and only one, authority in naval matters; at the same time, the Viceroy's wishes are invariably carried out, 8541–54. The commanding officers on all stations have orders to, and actually do, assist and carry out the wishes of the civil and political authorities, but they do not take orders from them, 8555–60.

Another ground put forward for reducing the subsidy is that the ships are employed on services other than Indian; but it is expressly laid down that they may not be employed beyond limits mutually agreed upon; four ships of the squadron are always in Indian waters, 8561–9.

The third reason for reducing the subsidy, is that the number and class of vessels employed is not that which the Government of India thinks necessary; in the first place the Admiralty, being an expert department, would be the best judge of the requirements, and they hold that Lord Rosebery's definition of "Indian purposes" justified their selection, 8576–85. Lord Rosebery decided that "Indian purposes" included more duties than those put forward in the India Office case, 8589–90.

A reciprocal arrangement was made between the Imperial and Indian Governments as to docking ships; but this is one-sided, inasmuch as no ships of the Indian Government are now sent to England practically, the use of the Indian troopers having been discontinued, 8596–607, 8620.

The charge was fixed at 10 per cent. in addition to actual cost of labour and material; a heavier charge would be made to the owners of private or alien vessels, 8618–26.

The dock accommodation provided by India is very little used by ships of the Royal Navy other than those engaged in the defence of India; this, therefore, reduces their value to England, as estimated by Captain Hext, 8607–8617.

The difference in the cost of docking at Portsmouth and Bombay is due to the low rate of exchange, 8630–1. The ships of the Royal Navy are not kept in dock in India longer than is necessary, 8634–8. Payment is made to the Peninsular and Oriental Company for three vessels and armed cruisers, but they hold ten others at the disposal of the Admiralty without further subsidy, 8632–3.

The transport of troops was formerly carried out by the Indian Government, but now the trooping is done in hired ships; this last method is more expensive, 8639–43. The only use made of the Indian Marine ships is that of coast trooping, 8644–54.

The protection afforded to trade by the Royal Navy squadron, the comparative importance of the essentially Indian and English shipping trade, 8683–710.

In Captain Hext's opinion, when the Imperial Government took over the Government of India, the duties of the Indian Navy became an Imperial charge; the Admiralty consider that to take over the responsibiliy did not preclude them from being assisted as to the cost, 8711–6.

19TH DAY.

HEXT, CAPT., R.N. ANALYSIS OF EVIDENCE OF—*continued.*

CRITICISM OF THE EVIDENCE GIVEN BY THE ADMIRALTY REPRESENTATIVES.

With reference to *Q.* 8230–6.) The duties of the Indian Navy on the high seas were comparatively,

HEXT, Capt.—*cont.*

if not entirely, nil, 9267–78. It is contended by the Admiralty, that India should bear part of the cost of duties on the high seas, though the Indian Government contend that they are of Imperial concern (*see Qs.* 8322-7), 9346. The British Government in 1863 took over the duties of general protection of trade without payment, but a payment for six ships, for the specific purpose of supporting British authority on the seaboard, began in 1869, though the Indian Government did not like the arrangement, 9599–605. The "Marathon" for Indian purposes is comparatively useless; she is devoted to Imperial purposes on the high seas, 9347–54. The protection of the coasting trade would be considered as one of the Indian purposes, 9274–83. As regards the suppression of piracy (*Q.* 8243), the Indian Marine, not being armed, is unable to act, 9284–5.

Witness agrees with Admiral Kennedy's description of the force in Indian waters (*see Q.* 8253), 9286–9. One of the ships is stationed at Aden, which is a station of Imperial interest, and the subsidy should be proportionately decreased. Though Aden is manned by Indian troops, and a Royal Indian Marine ship is stationed there, 9290–6, 9572–9; yet it is a place of Imperial interest, 9297–9307.

In estimating the subsidy (*Q.* 8250–60) the charge for repairs is too high, 9308–21.

More ships are not required at the station than formerly, but rather fewer (*Q.* 8267), 9328–32.

Lord Cross' object in pressing the Admiralty for more modern and speedy ships (*Q.* 8314) was to call attention to the worn-out condition of the ships on the station, 9339–44.

The Indian Marine surveying ship is not permitted to enter the Persian Gulf, though Admiral Kennedy holds that the gulf is included in Indian waters (*Q.* 8343). The expenses of the gulf should be shared by the Imperial Exchequer, 9354–9.

Comparative experience of the Admiralty and the Director of the Royal Indian Marine in dealing with Indian requirements (*see Q.* 8368–70), 9374–6.

As regards the Australian and Indian agreements (*Q.* 8556, 8379, 8386), the Admiralty gives the latter worse terms than the former; all dependencies should be treated upon the same footing, 9377–97. India provides a floating defence for her ports to a much greater extent than Australia (*Q.* 8400–3), (9398–401).

Surveying—a service of Imperial importance—is undertaken by India but not by Australia (*see Q.* 8404–5), 9401–6.

The comparative size of the ships of the Indian and Australian squadrons, 9561–3.

By taking over the duties of the Indian Navy gratuitously (at first) the Imperial Government morally debarred itself from making a charge afterwards, 9322–7.

Although the principle of India's permanent exemption from subsidy may not have been accepted in England (*see Q.* 8417), the Admiralty accepted the arrangement voluntarily at the time, 9409–10.

Witness does not agree with Admiral Kennedy (*Q.* 8425) that an enormous outlay would be required to keep the ships thoroughly up to date 9411–17.

The old East India Company's ships defended themselves; but the monopoly of the Company has disappeared, the trade having become an Imperial trade, its protection should now be an Imperial duty, 9418–24, 9533–43.

(*Q.* 8433.) The armaments should be placed in the Indian Marine ships, 9426. (*Q.* 8421.) The Royal Indian Marine should do the coast duties of India, 9427.

(*Q.* 8444–7.) The naval duties of India could be done more cheaply by India, 9428–32.

(*Q.* 8466.) The statement of the danger run by the "Lawrence" through being unarmed, is not exaggerated; the Australian ships are permitted to be armed, though there is dual authority there, 9434–6

(*Q.* 8492–3.) Only three of the Royal Indian Marine ships are really troopships, 9438. The value of the Royal Indian Marine ships as auxiliaries in time of war, 9439–40. (*Q.* 8495) Comparison of the Royal Indian Marine ships and subsidised liners, 9441. (*Q.* 8497.) Only three of the Royal Indian Marine ships should be armed, 9443–4. (*Q.* 8515.) The ships, if armed, should be under the command of the

HEXT, Capt.—*cont.*
senior naval officer of the squadron, in all offensive operations, 9446–57.
The arming of these ships would obviate the necessity of one or two Royal Navy ships, 9452–4. Were the "Lawrence" armed, one of the gunboats on the station could be dispensed with (*Q.* 8537), 9465–8. The Royal Indian Marine ship at Aden would similarly take the place of a Royal Navy ship, 9569–71.
With reference to *Q.* 8608–14, the alterations to the docks were made with a view of meeting Admiralty requirements, 9474–9.
(*Q.* 8613.) The present docks would have sufficed for the old Indian navy, 9481–2.
(*Q.* 8620.) There is now no reciprocity between the two governments as regards docking, 9484–5.
The comparative cost of docking at Bombay and Plymouth (*see Q.* 8630), 9487–93.
India Office letter referring to payments for repairs of "Sphinx," 9496–7.
The repairs of the "Sphinx" should be on the same footing as those of other ships, 9498–503.
(*Q.* 8531.) The "Lawrence" was originally intended for a non-combatant ship, but the Government of India construed the Royal Indian Marine Act as warranting her being armed, 9515.
In cases where both England and India have an interest, both should contribute to the cost, 9518–9606.
The Rosebery award is not strictly fair to India, 9519.
The definition of "Indian purposes" is the stumbling-block of the whole question, 9527.
The services India renders to the Royal Navy have not been taken into account, 9544–51.
The Admiralty claim that the Indian subsidy does not cover the whole cost, 9588.
The proposed charge is 100,000*l.* a year, as against the calculated actual expenditure of 117,000*l.*, 9552–9.
The calculations of the Admiralty in arriving at the subsidy were onesided, 9563–8.
In 1869 India began to pay for the pay and victuals at 70*l.* per man, before that time she paid nothing, 9580–3.
Australia does not pay the whole cost; her payment is for a definite force, 9584–7.
The subsidy will be reconsidered in 1901, 9592–8.
The question of the employment of natives, 9606–12.

26TH DAY.

WATERFIELD, SIR HENRY, K.C.S.I., C.B., ANALYSIS OF EVIDENCE OF—*continued.*

Eastern Mail Contract.

The present contract for the Eastern Mail service is with the Peninsular and Oriental Company, but new tenders are now being invited, 12,269. With regard to the apportionment of the charge, there was some controversy between the Post Office and the India Office, which was settled in 1876 by Lord Halifax's award. The main point of the controversy was the apportionment of the charge for the Mediterranean section, and the division of cost for this section is still made under that award. The India Office now contend that the proportions of correspondence carried to India may have altered, owing to increased correspondence between England, Egypt, and Africa, 12,270–1. Lord Halifax's award was in the shape of percentages on the various sections; and the result is that, at present, India pays about 25 per cent. of the gross amount *minus* the sea postage, or a net charge of 21½ per cent., 12,272–4. Under recent arrangements India retains its sea postage, and pays a larger proportion to the Post Office in consequence, 12,275–7. The recent reduction in postage was estimated to cost India about Rx. 38,000 a year, 12,286–96. The contention of the India Office is that there should be a revision of the statistics from time to time; and also that the Indian section, which is the most lucrative to the Company, is burdened with a greater share of the subsidy under the *pro ratâ* principle than if each section were dealt with separately; but this point has, it is believed, been provided for in the new contract, 12,297–8.

WATERFIELD, Sir HENRY—*cont.*

Zanzibar and Mauritius Telegraph.

The Government of India complain that their share of the cost of this cable came to more than they expected, 12,302. The cable is a strategical one, and was taken up at the instance of the Government of India. The Indian Government agreed to bear half of the balance of the cost, after deducting the share borne by the Mauritius and Seychelles Islands, and this came to 10,000*l.*, or 2,000*l.* more than India anticipated, 12,306–13. The object of it is to keep in touch with Her Majesty's forces in other parts of the world, 12,319–26.

Red Sea and India Telegraph Company.

The Home and Indian Governments at the time of the Mutiny guaranteed the capital of this Company to the extent of 4½ per cent. for 50 years, in order to provide prompt communication at that time with India. The line broke down and did, practically, no work, 12,314–8.

Diplomatic charges in Persia.

The apportionment of the expenses of the mission has been a subject of controversy between the British and Indian Governments for many years, but in 1891 the share of India was assessed by the Foreign Office Conference at 7,000*l.*, subject to revision at the end of five years, 12,398. According to an account prepared in the Foreign Office, England has borne in the last three years a net charge of 31,642*l.* [or if buildings, &c., be added in (*see* Appendix) of 44,475*l.*] In the same period Indian revenues have borne a charge of 91,568*l.*, so that India has contributed 74·32 (or 58·3, *see* Appendix) per cent. of the total cost, which is more than the $\frac{12}{17}$ths which she is supposed to be paying; that is to say, if buildings, &c. are excluded, 12,400–14.

China Consulates.

In 1834 it was agreed that India should bear one-third of the cost of the China establishments, amounting at that time to a payment of 4,676*l.* a year, which, however, rose to 23,000*l.* in 1876. From 1859 onwards the Secretary of State constantly protested. In 1876 the Government of India proposed a fixed payment of 10,000*l.*, but, the Treasury having demurred, at last 15,000*l.* was agreed to, with effect from 1876. This arrangement, in spite of protests from India, lasted till 1890; and, finally, simply (12,449) as a compromise, it was agreed at the Foreign Office Conference to fix the Indian share at 12,500*l.* 12,415. The object of the fixed payment has been considerably interfered with by the fact that the payment is a sterling payment, and therefore liable to vary with variations in the value of the rupee, 12,416. The 12,500*l.* a year, which she now pays is as heavy a burden upon India as the 15,000*l.* which she previously paid, 12,450. The Home Government will not agree to have payments assessed in rupees, unless they are payable in silver-using countries, *e.g.*, the Chiengmai Consulate; but this point has never been pressed with reference to this particular payment, 12,459–78. The protests of the Government of India are based on the ground that, when they entered into the agreement, it was never contemplated that the charge would be so heavy; and that they should not be obliged to pay more than 10,000*l.* to an expenditure which is not within their control; also because, apart from the opium trade, India has now little interest in China, 12,417–30. It is not fair to regard Indian trade as a trade in which Great Britain is not interested; most of it belongs to British merchants, 12,431. The Government of India has never accepted the principle of measuring the relative interests of the two countries in establishments by the relative amount of the trade, 12,438–9, 12,455–6.

Euphrates-Tigris, and Karun River Subsidies.

The Euphrates-Tigris subsidy now amounts to Rs. 24,000 a year for 10 years, payable entirely by India; it is paid to encourage trade and communications on those two rivers. The Karun River subsidy of 2,000*l.* (originally 3,000*l.*) a year has a similar object, and is shared between the British and Indian Governments. The Indian Government, however, contend that Indian interests on the Karun River are not sufficient to warrant them in continuing

WATERFIELD, Sir HENRY—*cont.*

their contribution unless the British Government will contribute towards the Euphrates-Tigris subsidy. Otherwise they will continue to subsidise the Euphrates-Tigris route, but leave the Karun River to the British Government, 12,479–83. The Karun subsidy was paid partly for commercial, partly for political, reasons; it was thought desirable to open the Karun to British trade, but it was recognised that the company would probably not pay at first, 12,484–8. Indian interests on the Karun are not so great as those on the Euphrates and Tigris, 12,489–92.

Aden.

The whole charge for Aden is borne by India, except a portion of that for the special defences; but it is held by India that the interests of the United Kingdom in Aden, both in respect of its foreign trade and of its great dependencies, is so great that some contribution should be paid to India on this account, 12,502. With regard to the fortifications, India constructed the works, England agreeing to pay a moiety of the estimated cost, and a converse arrangement was made with regard to the armament. The actual cost of the works is fairly close to the estimate, but India will have to bear any excess; the original estimate for the armament was set aside, but the revised estimate, which was prepared by the War Office, will probably not be greatly exceeded, 12,503–12. One ground on which India bases her contention is the state of the trade, the percentage being as follows:—33 per cent. belonging to the United Kingdom, 27 per cent. to India, and 40 per cent. to foreign countries. Further, Aden is most valuable to England as a naval station and as a base for the suppression of the slave trade, 12,513. It would not be fair to regard Gibraltar as a set-off against Aden, because that would throw on India the whole burden of the protection of the Eastern seas; Aden is really an Imperial fortress, protecting the route to England's Eastern possessions. The recent partition of Africa has added to the importance of Aden, and the Red Sea route is now of as much importance to Australasia, China, and other countries as to India alone, 12,514–9.

Miscellaneous.

There are certain other payments made by India to Her Majesty's Government to which no exception is taken, 12,495–500

26TH DAY.

FORMAN, MR. H. BUXTON, and CARDIN, MR. J., OF THE GENERAL POST OFFICE, ANALYSIS OF EVIDENCE OF.

EASTERN MAIL CONTRACT.

The process of coming to an agreement with the India Office upon the compiled accounts is gone through on the occasion of each new contract, *e.g.*, in 1887. At present a payment is made by India, reckoned upon the mails of 1886–7, and a similar course will naturally be followed in regard to the new contract, No difficulty should arise in coming to an agreement, 12,327–33. Revisions of the arrangement would be a matter for discussion; and, in fact, alterations have taken place during the currency of the existing contract, consequent on the reduction, for instance, of the postage rate to 2½*d*., 12,334–6. Since the Halifax award, the only disputed point has been a payment for increased speed on the Suez-Bombay section, but that point was not settled, except by a lump sum payment by India, without prejudice to the principle; and it is now probably under consideration by an inter-departmental committee with reference to the new contract, which will no doubt duly consider the interests of India. This committee, should it decide that the principles of Lord Halifax's award still hold good, will merely apply them to the existing circumstances, 12,337–46. Lord Halifax examined all the conditions under which the division was being made, *e.g.*, the mileage, and the subsidy was divided by the total annual mileage to see the cost per mile; then the United Kingdom was charged 50 per cent. of the cost of each section, and the other moiety was

FORMAN, Mr. H. BUXTON, and CARDIN, Mr. J.—*cont.*

divided rateably among the countries using the section 12,347. The principle of the Halifax Award was not affected by the separation of the Australian mail contract, which merely involved a readjustment of the figures, 12,348–9. India gets certain advantages from its association with the colonies in the extreme Eastern sections, *e.g.*, increase of speed to Bombay and lower transit rate across Europe, 12,350–3. Sir H. Waterfield's objection to the *pro ratâ* apportionment strikes at the principle of the Halifax award, and probably the Post Office would refuse to discuss it, 12,354. The principle of the award is that the cost of conveying a certain weight of correspondence a certain distance is the same from end to end of the service, 12,354–67. The loss on the reduction of postage to 2½*d*. has probably not been less than was anticipated, and the more the correspondence the greater the loss, 12,376–80. It is not expected that the East African and Egyptian correspondence will have altered the proportions materially. The latest figures will be taken, from which to assess the proportions, 12,381–93.

27TH AND 28TH DAYS.

KNOX, SIR RALPH, K.C.B., ACCOUNTANT-GENERAL OF THE ARMY. ANALYSIS OF EVIDENCE OF.

EFFECTIVE SERVICES.

The actual cost to the British Exchequer of maintaining a force in India consists of every expense incurred in England which would not be incurred but for the necessity of sending reliefs and drafts to India. The force to be maintained in England to fulfil the requirements of the army in India cannot be taken at less than 200 men for every battalion in India, and 500 for the cavalry, and a similar number for the artillery—in all probability about 16,000 officers and men. In addition to the charge for these men there are a number of other expenses which might be charged against the army in India, such as administrative departments, &c., which may be roughly calculated at 190,000*l*. a year, and for which no claim is made against India. The total charge to the British Exchequer of the Indian Army has been calculated at 1,100,000*l*. a year, 12,736–41. The calculation of the total cost to England of the Army in India at 1,100,000*l*. a year was arrived at on similar lines to the schemes which have been worked out from time to time, with the addition of administrative charges. That sum represents the saving if establishments maintained solely for Indian purposes were dispensed with. The 7*l*. 10*s*. capitation works out to a total charge of about 600,000*l*.; therefore, assuming this calculation to be correct, that is what the English Exchequer gets back out of 1,100,000*l*., 12,742–6.

Different Systems of Payment.

Before the Mutiny the total European force was about 37,000 men; from 1861 to 1870 about 63,000, and now there are about 73,030 men in India, 12,604–8.

The force of Queen's troops in India was 28,000 in 1844, and 24,000 at the time of the Mutiny, 12,533.

In the period before the Mutiny, each regiment in India had its depôt at home, which supplied all its wants, and the actual cost of these depôts was charged to India; also charges were made on account of recruiting staff, barrack accommodation, forage for the cavalry depôt, pay of officers in England on leave or at the depôt, contingent expenses, pay of men on passage, 12,546–53; the payments made by India for British troops represented an average rate of 8*l*. per man, which sum included furlough and honorary colonel's pay, 12,533–8. The Company's European troops were recruited at Warley, which was merely a receiving depôt; the cost of each recruit at Warley was on an average of three normal years, 30*l*., which figure fairly compares with the cost of an infantry recruit as calculated by the Northbrook Committee at 25*l*. (12,825), 12,554–70. The capitation charge now paid by India works out to a charge of 32*l*. or 33*l*. per recruit, which includes all the improved services, and the extra pay of the soldier, 12,571–81.

KNOX, Sir RALPH—*cont.*

Before the Mutiny soldiers were enlisted either under the old system for life, or under the 1847 system for 10 years; but the latter system did not begin to tell on the recruiting practically till about 1857; then in 1867, for a few years, the service was extended to 12 years, and finally the present system of short service was introduced in 1872 (12,609-15). The local European force was enlisted for life, 12,584.

Colonel Tulloch's capitation rate of 10*l.* covered important charges not included in the present rate, viz., furlough pay of officers and and pay of honorary colonels of regiments. The former item was calculated at about 70,000*l.* a year, but increased during the currency of the arrangement to 150,000*l.*; the latter amounted to about 67,000*l.*, 12,529-32. The Tulloch capitation rate of 10*l.* remained in force till 1870. Then the Bouverie Commission was appointed, which recommended that a price should be charged per man on the Indian Establishment, to include the cost of educating and fully training the recruit, and this is the system which is now adopted; that committee recommended that India should bear one-fifth of the cost of each depôt (this one-fifth charge amounts to about 2,000*l.* per depôt, whereas the cost of a depôt under the old system has been calculated at 1,922*l.*, but the former figure includes several charges not included in the latter), 12,642-5. In the meantime the Indian Government had paid sums as advances, and when the committee reported, the Indian Government having declined to accept their recommendations, after some correspondence with the Treasury the sums paid in advance up to 1878 were accepted as full payment, and the Northbrook Committee was appointed, which settled the present rate of 7*l.* 10*s.*, 12,609-65. The present capitation charge of 7*l.* 10*s.* includes the charge for training the soldier, and for waste by desertion and death in the first year's service; for young officers under training, for selecting and training medical and veterinary officers for India; for educational establishments; for advances of pay of drafts proceeding to India; for expenses on account of men returning from India, 12,520-8. It is based on calculations of the normal establishment, and could not be accepted by the War Office if it were to be affected by fluctuation in the numbers in India in the course of the year. It is extremely difficult to hit off the exact numbers of the drafts required, but it might be fair to make a deduction if, at the end of the relief season, the establishment is short of its strength, 12,747-53. The capitation rate was arrived at by Lord Northbrook's Committee by dividing the actual charges of certain years by the number of men on the establishment for those years, and calculating, as far as possible, the future probabilities; the arrangement is no doubt a rough and ready method of calculating the charge, and one side or the other may have an advantage in particular years of a series, and it would be well to come to a settlement as to its duration, 12,691-709, and it might be renewed from time to time (13,051). Whereas the 8*l.* payment before the Mutiny and the 10*l.* capitation rate included furlough and honorary colonel's pay, the 7*l.* 10*s.* rate does not include these but it includes a more costly administration and educational charges, amounting to 37,000*l.* a year. Therefore the three rates can only be compared with considerable reservation, 12,539-45.

Cost of Training.

The existing short-service system demands a greater number of recruits, but the charge *per caput* compares very favourably with all systems previously in force, 12,754-5. The lowness of the charge at Warley, calculated as a capitation rate on the force in India which it supplied, was due to the small number of recruits sent out owing to the service being for life; it has been calculated at 2*l.* 8*s.* 11*d.*, as compared with the charge for Queen's troops of 8*l.* before the Mutiny, and subsequently 10*l.*, and at present 7*l.* 10*s.* (But putting the four charges on a similar footing, and comparing like with like as far as possible, they should be 4*l.*, 6*l.* 7*s.* 6*d.*, 7*l.* 3*s.*, and 6*l.* 14*s.* respectively, the last three rates including both infantry and the mounted arms, 12,821-51.) The real cost of Warley must be judged by the cost of each recruit, which was, comparing like with like, higher than that now charged to India for an infantry soldier, 12,584-96.

The average period of training of a soldier before he is sent to India is now about 18 months, 12,597-8. With reference to the argument that the 10,000 men in training in England for India are available for home defence, the answer is, that they are not wanted for England, and exist only for India, 12,598-603. They are under military age, not fully trained, 13,054-5. During the Mutiny, the army in India was increased permanently by 40 battalions; to replace them a number of regiments were specially raised; subsequently 10,000 additional men were added, consequently the number of recruits has risen from about 1,100 or 1,200 to 10,000, 12,584-9. The charge for 12,000 recruits embarked for India, deducting charges on account of officers, amounts under the capitation rate to 629,000*l.*, or 52*l.* per man embarked; deducting further the rebate, which amounts to 13*l.* per man, the charge is 39*l.* per man. On the other hand, the cost of the Warley recruits, whether it be taken at 30*l.* or 26*l.*, with the addition of the charges for barrack accommodation, clothes, arms, &c. included in the present rate, comes probably to more; but that is not quite comparing like with like, as the present charge includes the mounted arms, which are more expensive, whereas there was practically no mounted establishment at Warley, nor any cavalry recruits, except in the last years of the Mutiny, and then they were sent out untrained, 12,675-90. At present the infantry recruit is taken to cost not more than 33*l.*, inclusive of everything, the cavalry recruit 71*l.* 11*s.*, the field artilleryman, 81*l.* 3*s.*, and the horse artilleryman 84*l.* 12*s.*, working out to a cost for each recruit of all arms (in consequence of the smaller numbers of the more expensive services) of 44*l.*, 12,821-6. The War Office hold that they have taken a just and liberal view in settling the depôt charges against India, 12,793-4. The recruit is now made a soldier before he goes out to India, though active operations there may no doubt make him a veteran, 12,788-90. Indian service is not distasteful to the men, though its attractions may be exaggerated, 12,791-2.

Short Service.

The short-service system of necessity causes an increased charge on account of recruiting and transport, but the saving comes in the pension charge, which, though at present it amounts to about 8*l.* 10*s.* a man, will probably fall to about 3*l.* or 4*l.*, 12,670-3. The number of men annually sent out to India under the short-service system is increased by about 50 per cent. as compared with the 10 years' system, but the expense has not increased proportionately owing to the fall in price of freight; the reserve, which is a part of the present system, is maintained as a reserve, not only for England, but for India, because in time of war Indian battalions would have to be filled up from it, and regiments going to India would also be supplied from it; but the short service system was really adopted as a cheaper as well as more efficient method of keeping up the army, 12,756-64.

Deferred Pay.

Deferred pay was introduced shortly after the short service system; the object was to increase the attractions of the service in order to be able to procure the necessary number of recruits by enabling the men to return home at the end of their service with money in their pockets. It is a moot point whether it should be regarded as an effective or non-effective charge, but it undoubtedly throws a new burden of about 200,000*l.* a year on India, 12,726-9. In such cases the practice is to take the consent of the India Office as being that of the Indian Government; and the interests of India are most carefully studied, and concessions are only granted to the Army when they are inevitable, 12,730-5.

With regard to the complaint of the Indian Government, that it is not consulted about changes, it is the practice of the War Office to consult the India Office, though omissions may have occurred through oversight; but it is difficult to see how the Indian Government could withhold its assent. As a

KNOX, Sir RALPH—*cont.*

matter of fact, some of these changes have been part of new systems which have resulted in decreased charges to India; others have been the result of prolonged discussion, in the course of which the India Office, at least, was consulted, 13,004–29.

Rebate.

The Northbrook Committee adopted the basis, *mutatis mutandis*, recommended by Mr. Bouverie's Committee, but they allowed a rebate to India of one-third of the cost charged against her for the six months' training of the recruit, on the ground that he gives one-third of his service in the reserve; but, in fact, though India only pays for six months' training, her requirements necessitate something like 18 months' training, and a rebate of one-third is too much, 12,666–9. A rebate would no doubt be quite fair if India paid the full charge of the period of training, 13,052. As it is, no rebate, or very little, should be made on account of reserve service, though the principle is fair, 13,056–60.

Central Depôts.

Both for the cavalry and artillery a system of big central depôts used to exist, but that has now been abolished for the artillery, and the recruits are trained with batteries, which is a more efficient but not a cheaper system, 12,710–2.

Abolition of Purchase.

Special care was taken that no part of the cost of the abolition of purchase should be charged to India; before the abolition a system of pensions existed in the artillery and engineers, and in a modified form (retired full pay) and extent in the cavalry and infantry, and to these pensions India contributed her share since 1824, which was fixed after the Mutiny at a capitation rate of 3*l.* 10*s.*, having previously been a lump sum of 60,000*l.* a year; but the abolition has no doubt imposed a new charge for pensions, both on the Home and Indian Governments, 12,713–25.

Charges owing to the Mutiny.

With regard to the troops sent to India during the Mutiny, so far as those troops had to be replaced, the arrangement under which India paid for them is similar to that under which India is now to be repaid for troops when raised to replace troops lent to England; but India did pay the whole charge for part of the force, which was only required for a temporary purpose, though they were to some extent replaced by embodying militia, 12,765–87.

Training of Royal Engineer Officers.

The training of Engineer officers is an expensive matter, and the establishment has been increased solely to meet Indian requirements; the officers, even though they might be utilised in emergency, are redundant to the British establishment, 12,857–77.

NON-EFFECTIVE SERVICES.

Before the year 1824, India paid nothing for the non-effective services of the British troops; it was then decided that she should pay 60,000*l.*, which was practically at the rate of 3*l.* a head on the maximum force then in India; then, in 1861–62, a capitation rate of 3*l.* 10*s.* was fixed by Sir A. Tulloch's committee, which was provisionally accepted, though the War Office calculated that it should be 5*l.*; that arrangement lasted till 1871–72, when the capitalisation system was introduced, under which India paid the present value of her share of each pension as it was granted, calculated upon a special life-table, based upon actual experience of pensioners' lives, and assuming the value of money as 4 per cent. (which was, however, considered to be an unduly high rate in the interest of the British taxpayer). This arrangement went on for 20 years, and was then superseded by the present arrangement, under which the claim against India is an annuity for a certain number of years, based upon a calculation of the probability of the life of each person who is put upon the pension list, the probabilities of life being calculated by specially prepared tables, 12,883–924.

KNOX, Sir RALPH—*cont.*

Pensions of Non-commissioned Officers and Men.

Under the capitalisation system the annual payments by India rose from 211,000*l.* in 1870–71 to 733,000*l.* in 1878–79. The abolition of this system at first almost annihilated the Indian pension charge, and the normal charge would be much greater even than the present charge. In 1884–85 the annuity was only 15,000*l.* (for men only), in 1894–95 it had risen to 214,000*l.* But, excluding the effect of the capitalisation system, the new charge falling annually upon India for permanent pensions, which was, in 1878–79, 59,700*l.*, has, with slight fluctuations, steadily fallen to 14,681*l.* in 1894–95; and, whereas the normal annual charge on India may now be taken at about 43,760*l.*, the normal charge under the short-service system has been calculated at 13,000*l.*, and the experience of 1894–95 bears out that calculation, 12,925. The maximum annual payment by India under the new system is calculated to be about 302,000*l.*, as against a maximum of 971,000*l.* under the long-service system. To put it in another way, whereas, in the years 1876–81, the number of men, for a share of whose pensions India is liable, was 5,200, 3,800, 5,700, 4,600, and 3,800 respectively, in the last two years the numbers have been 957 and 846, 12,925–53. Even allowing for a *per contra* of about 200,000*l.* for deferred pay, there has been an enormous saving from this decrease of pension arising from the short-service system, 12,954–8. The saving to India in pensions being 670,000*l.*, if from that sum 210,000*l.*, on account of deferred pay, and 73,000*l.*, on account of the charge for the transport to India of the increased number of recruits, be deducted, there will still remain a very large saving to India from the short-service system on the forces she now maintains, amounting to about 400,000*l.* a year, 12,959–70.

Pensions of Officers.

The abolition of purchase necessitates a system of pensions, which only partly existed before; but it was inevitable owing to the abuses to which it led, and the War Office had come to the conclusion that the army could no longer go on on that system; the only charge thrown on India was the pension charge, 12,971–88.

The charges fluctuated owing to adjustments affecting different years, but the capitalised Indian share amounted, in the years 1871–72 to 1883–84, to 77,000*l.*, 85,000*l.*, 49,000*l.*, 98,000*l.*, 76,000*l.*, 113,000*l.*, 223,000*l.*, 122,000*l.*, 274,000*l.*, 395,000*l.*, 405,000*l.*, 262,000*l.*, and 253,000*l.* In 1884–85, under the annuity system, the charge was 21,000*l.*, and it has increased steadily to 205,000*l.* in 1894–95. The annuities are calculated in the same way as the men's, on a special life table, 12,989–13,003.

Chelsea and Kilmainham Hospitals.

When the 3*l.* 10*s.* capitation rate was in force it included the Chelsea and Kilmainham charges; but, on the rearrangement, these charges were left out of account, the War Office considering that the balance of prize-money in their hands, resulting from Indian wars, was a fair offset against them. Subsequently an offer was made to surrender the prize money, if India would pay her share of the pensions to which it is admittedly liable, but this offer was refused; and now the Treasury desire to recover a sum amounting to about 5,000*l.* a year. No doubt the in-pension system is expensive, but the number of pensioners, on whose account there is a charge against India, has dwindled from 5,000 to 800, and the question seems likely to disappear, 13,030–48.

Questions as to the mutual interests of England and India, 12,795–804.

India is treated, in the matter of supply of stores, on the same footing as the Colonial Governments, it pays trade prices, but there is no charge for interest on capital sunk in buildings, &c., 12,805–9. Position with regard to warlike stores is different as regards the Admiralty to that as regards other departments, but India is treated similarly to any other Imperial Department, 12,877–82.

Questions as to "constantly sick" in Indian military hospitals, 12,810–20.

29TH DAY.

WOLSELEY, FIELD MARSHAL VISCOUNT., &c. ANALYSIS OF EVIDENCE OF.

Recruiting.

The strength of the Indian establishment is fixed at the request of the Government of India and to keep up its strength adds considerably to the difficulty of recruiting, 13,063–5. The authorities at home must be the best judges of the recruiting establishment requirements, 13,066–70. The present system of recruiting compares very favourably with the old system at Warley, under which men were recruited in great haste during certain months and sent out with little or no training to India, where there was great mortality among them, 13,071–5. The present system is also incomparably better than the old system of recruiting Queen's regiments, which indeed would not have furnished the necessary number of recruits, 13,076–83. The object of the present system is to send out seasoned soldiers ready to take the field, 13,084. It is probable that the present cost to India of the better class of soldier is not higher than that of the recruit under the old system, 13,085–9. A majority of the soldiers now sent out to India have had 18 months' training; a majority of the men recruits are 18 years of age, or of physical development equivalent to that age; India could not procure for herself men of 20 years of age and with even six month's training at a cheaper rate than under the existing system, 13,086–94. With regard to the argument that the recruits are useful for home defence, they would be positively a detriment in case of invasion, and in case of internal riots they would be useless, 13,095; after they have had a year's training they might be used for holding fortifications; but the reserve men are the force that would be used for fighting, and India can certainly not claim a rebate of charge on account of the value of the recruits to England, 13,096–109. Though the Army in India increases the ultimate reserve, if it were not for the large numbers required for India, it would be possible to get a better class of recruit at a less cost, 13,120–4. It is only in the event of invasion of England, that the army in India would be of any real practical use to England, 13,125–7.

India as a training ground.

With regard to the argument that India is the best training ground for the Army and that the most valuable part of the reserve consists of men trained in India, it is true that the small wars are an invaluable training, but the peace training in India is inferior to that at Aldershot, 13,133–5.

Short service system.

There can be no question but that short service has increased the efficiency of the Army, though it was inaugurated principally because of the difficulty of procuring recruits for long service, and would have been postponed but for the increased demands of India since the Mutiny. The mortality among the younger men now sent out is less than under the old system and also the number invalided, 13,136–50. The short service system is also especially economical to India, owing to the enormous diminution of pensions, 13,151–5. Though the cost of the recruit under the old system, reckoned as a capitation rate on the force in India, may have been lower because the recruits were enlisted for life and there were fewer of them, they formed a less effective army; the younger men now enlisted are better men and do more effective service for India, 13,156–66. In the interests of India, a prolongation of Indian service to 10 years is not desirable, and would be expensive, as it would entail the grant of pensions, 13,167–70. Seven years' service in India is quite sufficient, or even six years; but to get seven years' Indian service, you would have to extend the period of enlistment with the colours, and that would entail a pension; at present the Indian Army is admirably constituted in respect of age, 13,171–6. The old Indian European Artillery was an admirable force, and so were some of the infantry regiments, though

WOLSELEY, Field Marshal Viscount—*cont.*

slightly, perhaps, inferior to the Queen's regiments in discipline; but others were distinctly inferior, 13,177–82.

Payments to be made by India.

With regard to the charge made on India for troops sent out during the Mutiny, militia were embodied to take their place, and 26 new battalions were raised; the charge was, therefore, similar to that under the existing arrangement with England, under which India is repaid the cost of any men raised to replace troops lent to England, 13,183–5. India should in principle (13,407–8) pay for every charge connected with the Army and defence; and also for Aden, to the extent she pays at present, considering what a small contribution she makes to the Navy, and that the whole of the British Army is a reserve to be drawn upon by her in time of need; the Indian Native Army is not a reserve for England in the same sense, as native troops could not be pitted against European troops, 13,186–246. The real military charge to England on account of India is that which would not exist, if India did not exist; and we fulfil our Imperial obligation to India by keeping up a larger force in this country than we otherwise should keep; it is true that we ought not in any case to reduce the force at home, owing to a different set of considerations, but the fact remains that that force is maintained and available as a reserve for India; and possibly the force would, in fact, be considerably reduced, but for India; moreover, if India had not this reserve at her command, she would have to provide her own reserve at her own cost, whereas now she pays nothing for it; as for the payment made by India, all the Colonies contribute towards their defence when they are rich enough, 13,247–94.

Abolition of purchase.

With regard to compensation for the abolition of purchase, India paid nothing on that account. That step was necessary for making the Army efficient, and a system of pensions is necessary for a normal Army; India must allow the home administration to lay down rules for the Army, as a whole, 13,295–308.

India has a very good bargain with this country in regard to her payment for her British troops, 131,309–11.

It would be impossible to get the required number of recruits with a system of large central depôts, and the present system is that which the War Office have adopted as being most efficient for the Army, as a whole, 13,313–5; so far as the experience of the cavalry depôt is concerned, it is not favourable to the system of a large central training depot, 13,399–406.

The system sketched by Sir E. Collen of having localised regiments in India would be practically a reversion to the local Army system, and would be a very bad one, 13,316–7.

The larger demand caused by India on the recruiting market necessitated increased pay, 13,318–20; the War Office are always anxious to reduce charges as much as possible consistently with fairness to the British taxpayer, 13,321–2.

Consultation of Government of India.

With regard to the list of cases put in by the Indian Government in which charges have been imposed upon them without their consent, it is undoubtedly the rule of the War Office to consult the India Office, though cases may have occurred, in which this was not done; but the War Office cannot admit that the Indian Government have discretion to adopt, or not, charges which have been adopted for the Army as a whole by the home authorities, 13,323–45.

It is impossible to found any calculation of the financial interest of India in the British Army on the assumption that, but for the British connection, the work might be done by native troops; there is no possibility of replacing the British troops by any number of native troops, 13,346–73. It would not be safe to discontinue sending British Cavalry to India, 13,374–81. Eurasian troops are not useful, 13,382–3.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

ROYAL COMMISSION

APPOINTED TO

INQUIRE INTO THE ADMINISTRATION AND MANAGEMENT OF THE MILITARY AND CIVIL EXPENDITURE INCURRED UNDER THE AUTHORITY OF THE SECRETARY OF STATE FOR INDIA IN COUNCIL, OR OF THE GOVERNMENT OF INDIA, AND THE APPORTIONMENT OF CHARGE BETWEEN THE GOVERNMENTS OF THE UNITED KINGDOM AND OF INDIA FOR PURPOSES IN WHICH BOTH ARE INTERESTED.

SECTION I.

FINANCIAL MACHINERY OF THE GOVERNMENT OF INDIA.

1st to 7th DAYS, and the 30th DAY.
Q. 1 to 3675, and 13,503 to 13,723.

Note.—Questions 13,641-81, Lord Cromer's Evidence on the 30th Day, relate to the general question of Apportionment.

At the India Office.

FIRST DAY.

Tuesday, 5th November 1895.

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN PRESIDING).

THE RIGHT HON. LEONARD COURTNEY, M.P.
SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart., G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR. DADABHAI NAOROJI.

MR. COLIN G. CAMPBELL, *Secretary*.

SIR HENRY WATERFIELD, K.C.S.I., C.B., and MR. STEPHEN JACOB, C.S.I., called in and examined.

Sir H. Waterfield, K.C.S.I., C.B., and Mr. S. Jacob, C.S.I.

5 Nov. 1895.

1. *(Chairman.)* Sir Henry Waterfield, would you state to the Commission the post you hold at the India Office?—I am the Secretary in the Financial Department.

2. I think you have held that post for a considerable time?—Yes, since February 1879.

3. Mr. Jacob, would you tell the Commission the post you occupy in the Indian Government?—*(Mr. Jacob.)* I am Comptroller and Auditor-General.

4. How long have you held that post?—I have served continuously since April 1890 as Comptroller and Auditor-General, except when acting as Financial Secretary.

5. And before that time, what post did you occupy?—I was Accountant-General.

6. That would be Accountant-General in one of the Provinces?—Yes.

7. In what province?—I have served in Bombay, and in the North-West Provinces, and in Bengal.

8. Sir Henry, you put in a paper on the system of accounts in India. We should like to hear from you a general description of the manner in which the financial administration is organised, but in the first place, would you give us the number and names of the Provincial Governments into which India is divided?—*(Sir Henry Waterfield.)* There are eight Provincial Governments. The Governors of Madras and Bombay in Council; the Lieutenant-Governors of Bengal, the North-West Provinces and Oudh, and the Punjaub; and the Chief Commissioners of Burma, the Central Provinces, and Assam.

9. Is each of those Provincial Governments a separate centre of financial administration?—Yes.

10. Who are the chief officers entrusted with the financial administration of the Empire, first of all in the Central Government, and secondly in the Provincial Governments?—Taking the Central Government, the Financial Member of the Council of the Governor-General, assisted by the Secretary to the Government of India in the Financial Department, and by the Comptroller-General. As regards the Provincial Governments, the head of the local Government, or, in the case of Bombay and Madras, the Member of Council in charge of the Financial Department, with the assistance of the heads of the various branches, and with advice from the Accountants-General and Comptrollers.

11. I think there is a difference in the different Provincial Governments, is there not? When we speak of the Provincial Governments, for instance the Governments of Madras and Bombay, the style is "the Governor in Council," is it not?—That is so.

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12. Then in other provinces the Lieutenant-Governor is the chief officer, is he not?—The Lieutenant-Governor in the larger provinces, and the Chief Commissioner in the minor provinces.

13. Then, on this point I should like to ask you whether that implies any difference of authority possessed by the Provincial Government where, we will say, it is only a Chief Commissioner at the head, and a government like that of Bombay, where there is a Governor and Council?—The Chief Commissioner is, in the province which he administers, the chief authority, in the same sense. In the cases of Madras and Bombay the Governor acts with an Executive Council.

14. But the Chief Commissioner is as complete and supreme an authority within his province as the Governor and Council are within theirs?—Yes, only he is more under the control of the Government of India. In certain matters the Governor and Council of Madras and Bombay would have somewhat more independence, perhaps, in those provinces.

15. My question leads up to this, that the Government of India, the Central Government, would be anxious to give rather a larger financial discretion to, we will say, the Governments of Madras and Bombay, than they would to the governments where there is simply a Chief Commissioner in authority?—I am not sure that they would do so. I think that they would exercise their control equally in both cases.

16. Is the Financial Member of Council, practically, the finance minister for India, and head of the Central Treasury?—Yes.

17. For how many years does he hold office?—Usually for five years.

18. Is his term renewed?—It has never been renewed for a period of five years, but it has been extended for one year.

19. Naturally, some questions which I shall put to you will have a reference to the financial administration to which many of us on this Commission have been accustomed and are versed in, namely, the English Administration; but in putting the questions from that point of view, I wish it particularly to be understood that I am not by any means implying any superiority or instituting any comparison between our system here and the system in India. It is simply for our convenience and the better understanding of the difference between the two systems. In order to understand these powers of the Financial Member of Council, I should like to institute some comparison between him and the Chancellor of the Exchequer in England. You are aware that the Lord High Treasurer is nominally the officer responsible for the administration of financial affairs in England, and it is his duty in the first instance to collect and criticise the estimates for the public service of the year, to satisfy himself that the sums demanded are sufficient and not more than sufficient for the public needs, to submit the approved estimate to Parliament, and to propose also to Parliament such a scheme of taxation as will produce a revenue sufficient to meet the charge. In the second place it is his business to see that money is at all times ready to meet the demands of the Imperial Service at home and abroad. Lastly he has control over the public expenditure, and every executive measure increasing or tending to increase the public expenditure must have his previous approval?—Yes.

20. The office of the Lord High Treasurer has for the best part of two centuries been in commission, and the duties above described have devolved on the Commissioners for executing his office?—Yes.

21. The Chancellor of the Exchequer was in former times the next officer to the Lord High Treasurer on the receipt side of the Exchequer, and when the office of Lord High Treasurer was put into commission he was the second officer named in the commission when the First Lord was a peer. In that case the Treasury was represented by him in the House of Commons, and thus he came to be recognised as the Minister of Finance, and he is responsible for the special duties of the Treasury which I have named above?—Quite so.

22. Is the Financial Member of Council a finance minister with powers similar to those which I have described as exercised by the Chancellor of the Exchequer?—Yes, I think so.

23. The Chancellor of the Exchequer exercises these powers, subject of course to the overruling power of the Cabinet as a whole, and subject also in matters of minor difference between himself and his colleagues to appeal to the First Lord, who is usually the Prime Minister?—Yes.

24. As the Cabinet is the supreme authority here, I suppose the Governor-General in Council is the supreme authority in India?—That is so.

25. What would be the course in the event of a difference of opinion between the Financial Member of Council and one of his colleagues. Would an appeal lie to the Governor-General personally, or in matters of grave importance to the Governor-General in Council?—In the event of a difference of opinion the matter is discussed in Council, and is generally decided by a majority. If, however, the Financial Member and the Viceroy differ from the majority of the Council they can insist on a reference being made to the Secretary of State before the decision of the majority is carried into effect.

26. The Financial Member of Council, I gather from that, has not the power of making or causing an appeal to be made to the Secretary of State unless the Viceroy is in accordance with him?—No.

27. Has the Financial Member of Council any means by which he can make his voice known at home?—Yes; he can record a dissent, and unless it were a matter within the powers of the Governor-General in Council, the Government of India would then report to the Secretary of State the action that it was proposed to take, and send a copy of the Financial Member's dissent.

28. That is to say, the Financial Member of Council must make a formal remonstrance against the decision of the Viceroy in Council in order to get his views brought before the Secretary of State?—Yes, they must be recorded in writing.

29. I suppose that, apart from such serious differences as that, a high officer in the position of Financial Member of Council is probably in confidential correspondence with officers at home?—No doubt he is constantly in private and confidential correspondence, but that would not come upon the records in any way.

30. Quite so, and of course would in no sense be recognised?—No.

31. You would hardly count that a means by which the Financial Member of Council could make his views known at home?—No: certainly not.

32. Has the Financial Member within your knowledge ever recorded his solitary dissent from the rest of the Council?—He has certainly recorded his dissent. Without examination I could not say whether it has been a solitary dissent, whether no other Member of Council has agreed with him on the occasion.

33. (*Mr. Courtney.*) On financial questions?—I am afraid I cannot answer without reference. I can recollect dissents, but those might not perhaps have been recorded on a matter that was purely financial.

34. (*Sir Andrew Scoble.*) May I ask whether, as far as you remember, those dissents have been on a question of general policy involving, of course, financial considerations?—I should think so; I should think that as a rule they have been on questions of general policy. If you would allow me, I would make a note to see whether to qualify that answer.

35. (*Chairman.*) You tell us, Sir Henry, that dissents have been made, and that you will give us some instances of those dissents where they have been made by the Financial Member of Council either with or without the assent of some of his colleagues. Have they been on questions turning practically on financial considerations?—I think so.

36. Of course the exercise of this power of the Financial Member of the Council of controlling the increase of expenditure, raises questions or may raise questions between himself and the principal departments of Government. That we may understand the machinery of Government, would you tell us what the principal departments are that would correspond to the Foreign Office and the Home Office and so on, here?—The Finance and Commerce Department, the Military Department, the Home Department, the Revenue

Department, the Public Works Department, and the Legislative Department.

37. And the Foreign?—And the Foreign — "The Political" it is called in the India Office—which answers to our Foreign Office.

38. Under what head would education come? Under the Home?—Under the Home Department.

39. And I suppose the Revenue and Financial Departments are practically branches of the office over which the Financial Member of Council presides?—The Revenue Department especially takes the land revenue, which is not within the province of the Finance Department. Questions of what are called Separate Revenue, such as Stamps, Excise, and Customs, are under the direct control of the Finance Department, but the Land Revenue and Forests are under the Revenue Department.

40. And to a certain extent independent of the Finance Minister?—Independent, except in the same sense that all departments involving expenditure have to obtain the sanction of the Finance Department for their expenditure as a matter of course.

41. (*Sir James Peile.*) You might convey the idea better by saying that it is the Revenue and Agricultural Department?—The Revenue and Agricultural Department is more correct.

42. That gives a more clear idea of it, does it not?—Yes.

43. (*Chairman.*) Then I may take it from your answer that you think the powers of the Financial Member of Council very closely correspond with the powers exercised here by the Chancellor of the Exchequer—that his consent is necessary to every measure increasing or tending to increase the public expenditure in India?—Yes, as regards Imperial expenditure, subject to appeal to the Governor-General in Council in the manner which I have described. The Provincial Governments have the power, without reference to the Government of India, of increasing provincial expenditure, provided that it be met from provincial revenues.

44. And subject, I think, as we shall learn hereafter when we are dealing with provincial revenues, to certain limits and to certain conditions which require the consent of the Central Government?—Yes, the Provincial Governments are subject, in regard to provincial expenditure, to the same restrictions as the Imperial Government.

45. And on the subject of salary? — Yes, in all cases the Provincial Governments have no more power of increasing salaries than the Imperial Government has. An increase of salary beyond a certain amount requires the consent of the Secretary of State.

46. As head of the Central Treasury, has the Financial Member of Council any power of control over the expenditure of other departments, corresponding to that of the Chancellor of the Exchequer? That is really only a development of the previous question.— Yes, no new imperial charge can be entered in the Budget, and no expenditure in excess of the amount entered in the Budget can be incurred, without the consent of the Financial Department, except in minor cases where the Provincial Governments and other departments of the Government of India at once meet such expenditure by reduction elsewhere, in which case such temporary increases are afterwards reported to the Financial Department. Perhaps I may here ask the Commission to accept the answers which I give to your questions as from myself and Mr. Jacob jointly.

47. You say those cases are confined to temporary increases?—Yes, to temporary increases.

48. Do you mean by temporary increases that they are only temporarily granted until the sanction of the Financial Minister is obtained?—(*Mr. Jacob.*) No, it means that they are absolutely temporary in their nature.

49. And the method of obtaining that consent is, I suppose, the same as we know here, viz., that the head of a department would report to the Finance Department and say that such and such an addition to his establishment is wanted, or such and such an extraordinary expenditure is desirable, and would ask the Finance Department to agree?—(*Sir Henry Waterfield*) Speaking of the Imperial departments, that would be the case. In Provincial departments the application would come through the Provincial Government. I am not sure whether I made the word "department" understood. The Military Department must communicate to the Finance Department, but the Commissariat, which is one of the Army Departments, would not write direct to the Finance Department, but can only apply to the Government of India through the Military Department.

50. There would only be communication between the Financial Department and the Military Sub-departments through the Central Military Office?—Yes.

51. What we should call the War Office?—Yes.

52. And, therefore, I gather from what you have been good enough to tell us, that, for instance, the Postmaster General could not increase the salaries of his officers or add to his establishments without first obtaining the concurrence of the Financial Member of Council?—No, the Post Office is directly under the Financial Department; and the Director-General of the Post Office cannot increase the salaries of the establishment without its authority, except in so far as there is always a sum granted in the budget for petty increases within the Director-General's power of sanction.

53. In England additional clerks cannot be added to the establishment of a Secretary of State without the sanction of the Chancellor of the Exchequer. That is an instance of a measure directly increasing expenditure. The sanction of the Chancellor of the Exchequer is also necessary to a change in the Education Code which may lead indirectly to a large demand on the Education Vote. Would the consent of the Financial Member of Council be necessary in analogous cases in India, or have the heads of branches of administration, such as the Commander-in-Chief, more independent power of incurring expenditure than similar officers here?—Any department that desires to include any new Imperial charge in the Budget, or to incur expenditure beyond what is authorised in the Budget, must have the authority of the Financial Department of the Government of India. The authority of the Secretary of State is also required, if it involves an increase of above 25,000 rupees a year in the case of an establishment or the creation of a new appointment on a salary of upwards of 3,000 rupees, or the raising of the pay of an existing appointment above 5,000 rupees a year. Even the Commander-in-Chief, to whom special powers are granted, can only make transfers, and cannot, without the concurrence of the Financial Department, exceed the provision in the Budget.

54. That refers to what I call direct increases of expenditure; but I was rather drawing your attention to what I may call indirect increases, that is to say, the passing of a measure which may not have any immediate effect upon the Budget, but which, when it is fully carried out, may have a very important financial effect—say a change in regulations under which an education grant may be obtained—it is uncertain at the moment how far that change will take effect; but if it does it will create an eventual increase of expenditure. In such a case as that in India would the consent of the Finance Department be required? — It certainly ought to be obtained; if it was not obtained, it would be simply through an oversight in not observing that the measure proposed would cause an increase of expenditure.

55. I do not want to touch at this present moment on the question of audit, but for fear I may forget it when I come there I will ask this question, in case such an indirect charge were sanctioned, and became law, or came into practice without the assent of the Finance Minister being obtained, would the Comptroller and Auditor-General notice and report on that?—As soon as the expense was incurred, the auditing officer would report, and require proof that the sanction needed for it had been given.

56. He would report that there was an increase of expenditure, which had not been communicated to the Finance Minister, in consequence of such and such an order having been passed by the Home Office in dealing with education cases?—I am afraid my answer will have to go a little into the question of the manner in which the audit is enforced.

57. We had better then keep that till we reach the question of audit?—Yes.

58. (*Sir James Peile.*) Would not any such expenditure come into the estimates and the Budget first of all?—If I understand the Chairman's question, it is the case

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of an order which does not necessarily say that any expenditure will be increased, but the indirect effect of which is to increase the expenditure. As soon as any such expense actually occurred, the audit officer would require that sanction be obtained for it, and the increase of expenditure, if it exceeded the powers of the Provincial Government, would thus come to notice.

59. They could not spend the money until it had been provided in the Budget?—They could not spend the money beyond what had been provided in the Budget.

60–1. (*Chairman.*) The point which I was anxious to get from you, Sir Henry, is this— in instances of indirect expenditure, it is, of course, very often difficult beforehand to say that a measure involves expenditure, and there may be omissions in good faith in getting the necessary assent; but the principle is there, that if a department knows that the adoption of a certain measure will lead to increase of expenditure, the rule of the service requires it to go to the Finance Department; and if it does not go, and if the Comptroller and Auditor-General afterwards observes that it has not gone, and that increase of expenditure has followed, he will call attention to the fact?—Certainly, that is so.

62. Here the highest officer in the State, if he incurs expenditure without the assent of the Treasury, is at once brought to book by the Comptroller and Auditor-General, an officer whose independence of the Executive Government is guaranteed by safeguards similar to those which guarantee the independence of a Judge. This officer has access to the books of the Departments, and he reports direct to the House of Commons every instance of expenditure for which the assent of the Treasury has not been obtained. Every such instance is carefully examined and judged by the Standing Committee of the House of Commons, to which the Public Accounts, and the Reports of the Auditor-General upon them, are annually referred. What is the analogous method in India, by which omissions to obtain the sanction of the Financial Minister are detected and brought to judgment?—The audit officer would disallow such cases of expenditure, and order the money to be repaid, or the requisite sanction to be produced. If this could not be done, the matter would be reported to the Government, and if necessary to the Secretary of State. Thus, any expenditure not authorised by the Budget must within a short time be brought to the notice of the Government of India in the Financial Department, while all excess over the Budget is duly noted in the Appropriation Reports of the several Accountants General and of the Comptroller and Auditor-General.

63. First of all, has the Comptroller and Auditor-General actual power of disallowance? — The audit officer, who is a much inferior officer to the Comptroller and Auditor-General would disallow it. Take the case of a salary that had been overpaid; he would at once draw the Treasury officer's attention to the fact, also that of the officer to whom this excess of salary had been paid, and in ordinary cases it would be refunded immediately, within the month.

64. Then, in fact, the Audit Department has the power of disallowance?—Certainly.

65. And the disallowance has to be removed by superior authority?—Yes.

66. I think you mentioned in certain cases that such disallowance might come before the Secretary of State; what is the authority in India that decides whether it shall or shall not come before the Secretary of State?—The Secretary of State has given special instructions, which are now carried out, under which the audit officer may require, if he is not satisfied that the due sanction has been obtained, that the matter shall be reported to the Secretary of State.

67. In such cases, do you mean by the auditing officer the Comptroller and Auditor-General?—The auditing officer is a clerk under the local Accountant-General, and in the first instance he would report to the Accountant-General, and that officer may require that the sanction of the Secretary of State shall be obtained to the apparent breach of audit rules.

68. Even an officer occupying so comparatively subordinate a position as the Accountant-General may require a reference to the Secretary of State?—Yes.

69. That power is not even confined to the Comptroller and Auditor-General?—No, it is not.

70. The next officer in what I may call the hierarchy, has also that power?—Yes, the highest audit officer in the particular province or department.

71. What are the duties of the Financial Secretary, and for how long a time is he appointed? — The Financial Secretary to the Government of India is the chief officer of the Financial Department, under the Financial Member of Council. It is his duty to submit the correspondence in complete form to the Member of Council, and generally to see that financial regularity is preserved. He is a member of the Indian Civil (formerly covenanted) Service; he holds office during good behaviour, that is, till promotion or retirement.

72. Would he, in your opinion, correspond to the Secretary to the Treasury at home?—I think so, in a general way.

73. He would correspond to the chief permanent officer of the Treasury at home?—I think so.

74. What sort of an establishment is the Central Treasury, of what number of officers is it composed? —The Financial Secretary to the Government of India receives a salary of 4,000 rupees a month. He is assisted by a deputy-secretary on 2,250 rupees, who usually takes the Opium, Excise, and Stamps, and certain branches of expenditure; by an under-secretary on 1,300 rupees a month, who takes the Accounts, Leave, Pay, and Pensions questions; and an assistant-secretary on 1,750 to 2,000 rupees a month, who takes the Customs, Commerce, and Statistics, Mint and Paper currency, and part of the public expenditure. I give the divisions of the work as I believe it is now carried out (it is, of course, a matter of regulation from time to time). There is a registrar on Rs. 700, six superintendents at salaries of Rs. 300 to Rs. 600, and 82 clerks at salaries of Rs. 20 to Rs. 300 a month.

75. And this is quite independent of the establishment which is under the Comptroller and Auditor-General?—Entirely.

76. What are the duties of the Comptroller-General, and for how long is he appointed?—For his duties as chief accountant and auditing officer I will read an extract of the note which I have put in.

"Besides being the authority on all questions affecting classification and adjustment in the public accounts, the Comptroller-General compiles for the Government of India a complete monthly account of the receipts and expenditure of the whole Empire of India, from the accounts submitted to him by the civil accountants-general and comptrollers, the accountants-general in the Military and Public Works Departments, and the Comptroller of the Post Office.. But, before the complete accounts are ready, he reports (by telegraph if necessary) to the Finance Department the approximate receipts and issues from treasuries, in detail of departments, on the 9th of the following month, and fuller details of the chief heads of civil revenue, and expenditure on the 16th of the following month. He also publishes on the 9th the approximate cash balances at the treasuries, of which a revised edition is published on the 16th on the receipt of more accurate information. On the 25th of every month he submits to the Government an estimate of the probable receipts and payments, and the cash balances of that month and the two following months. He makes, for comparison with the budget prepared in the Financial Department of the Government of India, an independent compilation of the estimates of the various accountants-general (civil, military, and public works), and submits it to that Department with his own estimate of the debt heads, interest, exchange, and ways and means; reviewing the other estimates with special reference to the state of the cash balances. At the end of the year he prepares the finance and revenue accounts for submission to Parliament, and draws up an Appropriation Report for the whole of India, including the Military and Public Works Departments, in which the variations of the actual revenue and expenditure from the estimates and from the actuals of the preceding year are explained. He also reviews the balances of the public accounts annually, and satisfies himself how far those represent the admitted assets and liabilities of the Government.

"As Auditor-General, he, through his deputies, inspects and conducts a test audit of all offices of account, so as to satisfy the Government that the detailed audit conducted by the local and departmental account

offices is efficient, that the regulations and orders of the Government are duly enforced, and that the procedure in those offices is in accordance with the codes and suitable for the efficient performance of their duties."

The Comptroller-General is also responsible for the management of the Public Debt Office, and he is the Head Commissioner of Paper Currency. He must ordinarily be a member of the Indian Civil Service, and he holds office till promotion or retirement.

77. What did you say was his function with regard to the National Debt?—I said he is responsible for the management of the Public Debt Office.

78. Would that cover duties which are discharged here by the Bank of England, or would it simply be the executive duties connected with debt which must lie with the Government?—The Bank of Bengal is the agent for the discharge of the work, but it refers all questions involving any responsibility to the Comptroller-General at once, I believe.

(*Mr. Jacob.*) Yes, any questions involving the exercise of any discretion are referred to the Comptroller-General.

(*Sir Henry Waterfield.*) Perhaps I may also refer to the papers on Financial Control and Appropriation Audit which have been laid before the Commission.

79. That is the correspondence which followed the Committee of 1880?—Yes. In the letter dated 8th September 1882, there is a summary given by the Government of India of the principal departments of work which remain to the Comptroller-General after the arrangements which they proposed should be carried into effect. They there divided them into 19 heads:—

1. Appropriation audit.
2. Control of personnel of Civil Account Department.
3. Inspection of all offices of account.
4. Management of the Currency Department.
5. Compilation of the central accounts, both monthly and yearly.
6. Compilation of estimates and comparison of current facts therewith.
7. Resource—that is, the providing of money both by increasing the balances as a whole, and by transferring them to the points where they are required.
8. Management of the Public Debt.
9. Accounts of district savings banks. (These are now merged in the Post Office Savings Banks.)
10. Adjustment of accounts of guaranteed railways.
11. Account with London, and probably also those with the colonies.
12. Management of the reserve treasuries and bank balances.
13. Central accounts, and custody of securities held in trust by Government officers.
14. General direction of coinage and mint operations.
15. Verification of deposit advance and other debt balances.
16. Collection of mutual accounts of accounting officers.
17. Audit of such accounts as Administrator-General's and other law officers; emigration agencies of colonies, &c.
18. The accounts of the Forest Department.
19. Examination of accounts of service funds. (This duty is now performed by the Comptroller of Indian Treasuries.)

80. This brings out a very important point to which the attention of the Commission should be called. The Comptroller General is, from the description of his duties which you have put before us, an important executive officer, and at the same time he is the chief auditor of all the expenditure of India?—That is so.

81. We may note here, I think, that the question was considered both by the Secretary of State and the Government of India, after the discussions which took place in 1880, whether it was desirable that that mixture of functions (which *primâ facie* do not appear quite compatible, namely, the independent functions of an auditor and the naturally more or less dependent functions of an executive officer) should continue; but on the whole the Government of India were satisfied with the arrangement as it stands, and though they were not opposed to the principle that the auditor ought to be a thoroughly independent officer, they demurred to a change of system on account of the expense that would be entailed?—That was the reason of their objection to the appointment of an Auditor-General to carry out annually in detail an administration audit of the whole of the accounts.

82–83. At the present moment it is only necessary to note that this took place. Now, putting aside for the moment the duties of the Comptroller and Auditor-General as an auditor, to what officer, as far as you know, in the English service, would you compare him?—In answering this question my difficulty is that I do not know the English system sufficiently. I think that he has duties which are discharged by one of the secretaries in the Treasury to a very great extent, as presiding over the accounts of the Empire. He occupies to a great extent the position of the Bank of England in the management of the debt.

84. And, I suppose, of the Controller of the National Debt Office?—Of the Controller of the National Debt Office. In the management of the balances I doubt if there is any officer in England to whom he can be compared. He has the responsibility of seeing that all over India there is a sufficient balance at the 200 or 300 treasuries where money is required.

85. The post here which most nearly corresponds to that office is apparently the post held by Sir Edward Hamilton. Of course, I am speaking of a permanent officer under the Chancellor of the Exchequer. The officer who holds Sir Edward Hamilton's place is distinctly responsible to the Chancellor of the Exchequer in respect to the movement of funds?—Yes; but I meant rather as to the number of treasuries. I should suppose that in England—in the United Kingdom—they were very much fewer.

86. But as far as it goes, the comparison is correct?—Yes, as far as it goes.

87. He is responsible for the movement of funds, because a chief officer of the Treasury naturally has to see that the moneys in the Treasury are sufficient for the demands upon it?—Yes.

88. And, therefore, you may put it generally that that is the control of the movement of funds?—Certainly that is so.

89. And I think we must add, must we not, that he also has duties somewhat analogous to those of the Deputy Master of the Mint?—Yes, in controlling the operations of the Mint and presiding over the currency. Well, the currency in England is rather controlled by the Treasury, is it not? Would not the currency come more directly under the Chancellor of the Exchequer?

90. Quite so. The Chancellor of the Exchequer is Master of the Mint; that is part of his office, and all currency questions which involve considerations of policy are, of course, solely in the province of the Chancellor of the Exchequer?—Yes, the policy to be adopted for the Mint and currency would be in the province of the member of Government in the Financial Department, but the Comptroller-General is responsible for the administration of the department.

91. (*Mr. Courtney.*) You are thinking of paper money only?—I was thinking of both; he has both Mint and paper currency, and I believe in England it would be rather a double duty. The Comptroller-General corresponds to the two officers of the English Administration.

92. (*Chairman.*) Would you describe the Comptroller-General as the second officer in the Central Treasury under the Financial Member? In the absence of the Financial Secretary does he take his place and represent him?—No, that is not quite the case. In the case of the Financial Secretary being absent for a short interval—a few days—the deputy secretary would take his place. If the Financial Secretary took leave of absence, the Government would appoint an Acting Secretary. When Mr. Finlay, the Financial Secretary, came to England in 1894, Mr. Jacob, who was then the Comptroller-General, was appointed Acting Financial Secretary, but that was not because he was the Comptroller-General, but because the Government of India considered him the best man to select.

93. Is his office in the same building with the Central Treasury, and—from what you have said before I take it that it does not—form part of the Central Treasury establishment?—No, it is under the same roof, but it is quite separate from that of the Financial Secretary. The Comptroller-General always remains at Calcutta; when the Government is at Simla, the Financial Secretary goes up with a certain part of his office to Simla,

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but at the same time the Comptroller-General is always in constant unofficial and confidential communication with the Secretary.

94. Practically, therefore, the Comptroller-General, when the Government is at Simla, is, the representative of the Treasury in Calcutta?—Yes, in so far as the duties have to be discharged immediately on the spot.

95. Then in a rough sense perhaps you might say he is the second officer in the Treasury, might you not?—The Comptroller-General is usually a more important officer than the Deputy Financial Secretary; but my point is that the Comptroller-General does not succeed to the Financial Secretary in his absence, but the Deputy Secretary would, if the absence was for a short time.

96. But if the absence is for any long period, such as for coming home, it looks as if the Comptroller-General are preferred to the Deputy Financial Secretary as acting chief?—I think it is a question then of the personality of the man—whoever has the greatest experience would be selected.

97. Has the Comptroller-General a deputy?—He has three deputies; one of whom, called Deputy Comptroller General, works in the office and is the Comptroller-General's chief assistant for his work generally. He signs many of the accounts and the Budget with the Comptroller-General. The other two are Deputy Auditors-General, and are employed on the inspection and test audit of the other account offices. If the Comptroller-General were away only for a day or two, his duties would be performed by the Deputy Comptroller-General; but if the Comptroller-General took leave of absence, one of the Accountants-General would probably be appointed to act for him.

98. Then do I understand that under the Comptroller-General his department is entrusted to deputies, two of whom are purely auditors?—Yes. Perhaps you had better let Mr. Jacob answer that question, as it has reference to his office.

(*Mr. Jacob.*) The duties of two of the deputies are confined entirely to the audit, and one is the general assistant of the Comptroller-General.

99. Then one is the assistant to the Comptroller-General in his executive functions, and two in his audit functions?—Yes.

100. What is the strength of the establishment of the Comptroller-General?—(*Sir Henry Waterfield.*) The Comptroller-General's department is thus composed: Comptroller and Auditor-General, salary 3,500 rupees a month; Deputy Comptroller-General, Rs. 1,750 to 2,000.

101. May I just stop you for a moment. Does not that mark rather a difference between the Comptroller General and the Deputy Financial Secretary? When you were mentioning the salaries of the Treasury staff, you stated, if I remember rightly, that the Deputy Financial Secretary had rather a smaller salary?—The Deputy Secretary has Rs. 2,250. Undoubtedly the Comptroller General's post is a more important one than that of the Deputy Financial Secretary. After the Deputy Comptroller-General come a Deputy Auditor-General at Rs. 1,750 to Rs. 2,000, and another Deputy Auditor-General at Rs. 1,250 to Rs. 1,500. There are four Assistant Comptrollers-General at Rs. 600 to Rs. 1,250, one Chief Superintendent at Rs. 450, nine Superintendents at Rs. 200 to Rs. 390, and 100 clerks at Rs. 30 to Rs. 175. Then besides that, as Head Commissioner of Paper Currency the Comptroller-General has the following establishment:—One Assistant Comptroller-General at Rs. 1,000 to Rs. 1,250, one Chief Superintendent at Rs. 500, one Treasurer at Rs. 500, one Deputy Treasurer at Rs. 200, three Superintendents at Rs. 200 to Rs. 290, 101 clerks at Rs. 20 to Rs. 125.

101*a*. That makes a very large total establishment?—Yes, upwards of 200 clerks in the total establishment.

101*b*. I suppose that a very small number of these are European-born, are they?—(*Mr. Jacob.*) Yes, a very small number.

102. It seems to me rather important, Sir Henry, to understand the nature of the executive duties performed by the Comptroller-General, especially with reference to that of which we have already spoken, viz., that he is at the same time entrusted with the functions of an independent auditor. Does he advise the Financial Minister on financial questions, and does he take part in the ordinary business of the Treasury, framing the estimates? Or is he simply chief accountant responsible for the preparation of the account sent to the Treasury, and directing in addition the movement of funds throughout the country?—(*Sir Henry Waterfield.*) The Financial Member constantly takes the advice of the Comptroller-General; but the current business of the Financial Department does not come before him. He is not, however, simply a chief accountant; in addition to the duties described in the previous answer, he compiles the estimates for the whole of India in all departments, independently of the Financial Secretary, and the Budget is signed by both officers.*

103. I think perhaps it would bring it home to the members of the Commission who are more familiar with the English system than with the Indian, if we could take it that the nearest analogy to the duties of the Indian Comptroller-General would be if in our Treasury here Sir Edward Hamilton, in addition to his other duties, was Comptroller and Auditor-General?—I suppose it would be so; but I am not quite sure that you would then have exhausted the duties of the Comptroller-General.

104. Now, take the case of the Afghan war. The Comptroller-General is the first officer at head-quarters who would have knowledge of the state of the cash balances in the different treasuries, and he would be the first officer to learn that the cash advances were in excess of the rate foreseen in the estimates, would he not?—The Accountant-General of the particular province would be the first officer to observe a drain on the balances; but the Comptroller-General's attention would be immediately drawn thereto by the telegraphic report, and he would at once examine the cause.

105. Therefore he would be the first officer at head-quarters?—Yes, at Calcutta probably he would.

106. Then on the occurrence of an emergency he would be as it were the watchdog or signalman of the Treasury, and the Finance Minister would rely upon him for the first intimation of financial danger?—No doubt the Comptroller-General would give the necessary warning; but, as the Financial Secretary would also have the telegraphic reports, he would probably have also observed the excessive drain.

107. But the Financial Secretary receives that information practically through and from the Comptroller-General, does he not?—At the time the present arrangements were initiated a note was written by Mr. Hope, who was then the Financial Secretary, on the arrangement which it was intended to introduce, and, in giving a description of the returns and statements which were to be brought into force he said, "three principles have governed the re-organisation; "first, that it is the business of the Comptroller-General "or other officers, as the case may be, to supply, and to "be responsible for, all facts and figures which the "Financial Department may require; (2) that the latter "must digest and compile from day to day the in-"formation thus supplied in such form as it may deem "suitable for maintaining 'touch' of the whole; and "(3) that nothing shall be supplied to it which it does "not intend regularly to scrutinise, check, and apply "to some practical use." Thus you will see the Comptroller-General, although he undoubtedly would give warning, is not charged with the duty of giving warning. That rests with the Financial Department.

108. With the Financial Secretary?—With the Financial Secretary.

109. But still the Comptroller-General would be the first officer at head-quarters who would receive the information showing that there was danger ahead?—I do not know that he would be the first officer, because it would be simultaneously given to the Financial Department; but he would learn it as soon as anyone.

110. The point I want to come to is this—would it come through him to the Finance Department?—No, a duplicate of these reports goes direct to the Finance Department. (*Mr. Jacob.*) The Comptroller-Generals communicates it to the Finance Department; the Comptroller General compiles the Accountant-General's reports, and he would be the first to know the general state.

* *See Qs.* 2141-4 *and Q.* 2842 *et seq.*

111. And he communicates it to the Financial Department?—And he communicates it by telegraph, or by memorandum if the Government is in Calcutta.

112. That is a very important executive function, is it not?—(*Sir Henry Waterfield.*) Certainly it is.

113. Accounts and returns for the whole of India are furnished to the Comptroller-General by the Accountants-General and Comptrollers of the several Provinces, and, as I gather from paragraph 4 of the despatch of the Government of India dated 1st October 1881, also by other officers, namely, the Accountant-General of the Public Works Department, the Controllers of Military Accounts, the Postal and Marine Controllers, and the Examiner of Telegraph Accounts?—Yes.

114. That is the case?—That is the case.

115. And, therefore, he focusses all the accounts from the different independent spending departments?—Yes.

116. The Provincial Accountants General do not forward to the Comptroller-General the accounts of the Military, Public Works, Postal, Telegraph, and Marine departments, do they?—No. They forward the Civil Accounts but not the accounts of the other Departments.

117. Are duplicates of those returns furnished to the Accountants-General?—No. The Provincial Accountants-General have nothing to do with the accounts of those other departments, which are sent direct to the Comptroller-General; for the purpose, however, of adjusting the balances of the Provincial Governments, they receive certain total figures from the Public Works Examiners.

118. Therefore, the Accountants-General of the Provincial Governments, who are the chief financial officers of the Provincial Governments, are not really aware of the financial condition of the provinces?—The Military Department is entirely under the Government of India, and not under the Provincial Government, and, therefore, the military expenditure does not affect their accounts.

119. But if these accounts from Postal, Telegraph, and Public Works Accountants, besides those of the Military Accountants, are not forwarded to the Accountants-General in the provinces, those officers cannot be fully aware of what is going on generally in the way of expenditure throughout the provinces?—They know the amount that has been paid to each department from the treasuries in their provinces.

120. But that is all?—They have not full information. They could not compile a complete account of the manner in which the money has been spent.

121. And, therefore, the Comptroller-General is the first officer who focusses and collects together the total of the whole expenditure of India?—That is so. (*Mr. Jacob.*) Yes.

122. The same despatch that I have just mentioned describes the Accountants-General as officers of the Finance Department. Are they paid by the Central Government or by the Government of the Provinces to which they belong, and are they solely dependent on the Comptroller-General, or do they owe allegiance to the Government of the Province in which they are employed?—(*Sir Henry Waterfield.*) The salaries of the Provincial Accountants-General and their staffs are charged against the Imperial Revenues. They are under the Central Government, not under the Provincial Governments.

123. And, therefore, they owe no allegiance to the Provincial Governments?—No, excepting that they are directed to furnish all assistance to them; but they are not their officers.

124. But I rather gathered from a previous answer of yours that they were in the position of financial advisers to the Provincial Government?—Yes, they are advisers, but they must not interfere with the Provincial Governments. They only give them advice and warning, as being Imperial advisers at the headquarters of these Provincial Governments.

125. At the same time they most nearly correspond to the Financial Minister to the province, do they not?—There is a Finance Secretariat in each province.

126. Does that Finance Secretariat manage the finance of the province?—That manages the financial administration of the province.

127. Therefore, the Accountant-General is purely the Accountant-General of the Central Government, standing aloof and apart from the provincial Finance Department, which deals with the financial questions arising within the Province and within the powers of the Provincial Government?—Yes, within the powers of the Provincial Government. It is only by way of advice that he can exercise any influence.

128. We should therefore not carry away a correct conclusion if we were to assume that the Accountant-General in Bombay was, to all intents and purposes, the Finance Minister for Bombay?—Oh no, he is not.

129. (*Sir W. Wedderburn.*) But I think it is customary to refer matters partly to him for his advice from the secretaries?—It certainly is customary to do so. I believe the Provincial Governments are very careful to obtain the advice of the Accountant-General in all matters of finance.

130. (*Chairman.*) Probably the Provincial Government on financial matters gets the advice of the Accountant-General, because that would, in most cases, imply that it would get thereby the assent of the Central Government. I mean that the Accountant-General would know how far the Central Government would be likely to approve?—He would certainly give them warning if they were likely to be exceeding their powers. (*Mr. Jacob.*) Perhaps I might say that it is rather as to whether their proposals are in accordance with the regulations that the Accountant-General is consulted, not so much on matters of financial administration.

131. The Accountant-General would not be consulted, for instance, if the Provincial Government was within its limits, amending a method of levying, say, the excise revenue?—Very seldom, I think, would he be consulted on a matter of that kind.

132. And I suppose also he would not be consulted on questions of increasing the establishment or measures of that kind, involving increased expenditure?—Every proposal involving an increase of expenditure has to be referred to him for a certificate that the present expenditure is properly stated.

133. And that it will not cause an increase?—And that the increase in the proposal is properly shown.

134. And that it will not involve an excess over the revenue assigned to the Provincial Government?—Yes, he would see that the proposal was within the powers of the Provincial Government.

135. The next officers mentioned are the Treasury Officers; who are they?—(*Sir Henry Waterfield.*) In the office of the Collector or chief civil officer of each district, one of the deputies or assistants is appointed Treasury officer; he is subordinate to the Local Government.

136. Although he is in the office of the Accountant-General?—No, he is not in the office of the Accountant-General; he is in the office of the Collector of the district—that is, he is a deputy of the Collector of the district.

137. Have the Treasury officers any other duties to perform except that of bankers for the Government at the place where their treasuries are situated, that is, receiving the revenue, and paying the orders issued by duly authorised officers?—The Treasury officers for their Treasury work are assisted by an accountant and a treasurer supervising their respective branches. The Treasury officers almost invariably have other duties to perform. They are on the general district staff, and perform revenue and magisterial duties. In some Provinces the Treasury officer is always in charge of the Excise branch of the Collector's office. In small districts the Treasury work would not take up the whole time of an officer.

138. Where do the Treasury officers keep the moneys in their charge?—In strong rooms in the collectors' district offices which are under double locks of the Treasury officer and Treasurer, and cannot be opened save in the presence of both these officials.

139. In great centres are the moneys placed in banks?—(*Mr. Jacob.*) Yes, in the Presidency banks or their branches.

140. Wherever there is a branch of the Presidency banks?—Almost invariably. I think there are one or two cases in which there is a branch, and the Treasury is not at the branch, but generally, if there is a branch of the Presidency bank at a station, it conducts the Treasury business.

141. There are other banks in India besides the Presidency banks?—Yes.

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142. Does the Government ever make use of them?—No, I think in no instance. There have been such proposals sometimes, but they have never been carried into effect.

143-4. I suppose, probably, these other banks have not branches in the small towns where many of the district treasuries must be situated?—No; they are only in large centres, like Agra and Delhi, and at some hill stations where there are many Europeans.

145. And there there would be branches of the Presidency banks, I suppose?—Yes, generally.

146. Therefore, it would practically come to this—that in the smaller centres where there are district treasuries there is no choice except to keep the money in the strong box?—No.

147. Do not these other banks have branches in many places where the Presidency bank has no branches?—I only recollect one instance. At Aden there is a branch of one of the banks, and a proposal was made by it to take over the treasury work; but for some reason or other the negotiations fell through.

148. Could you give us a statement of the places where there are branches of the Presidency bank, do you think?—Yes, I could get a statement made out; I do not think I have got it here. Do you mean where the treasuries ———

149. No, where there are branches of the Presidency bank; how many branches they have, and where they are situated?—Yes, I could give that to you. (*Sir Henry Waterfield.*) We shall be able to put that in.

150. I suppose it would not be very difficult to find out where there are branches of the other banks?—I think the directories which we have upstairs will give them at once.

151. Perhaps you could give them, without too much trouble?—I will see what we can do in that way.

152. How many treasuries are there?—There are 266 treasuries under the Provincial Governments. There are 19 in the Central Provinces, 36 in Burmah, 12 in Assam, 50 in Bengal, 52 in the North-West Provinces and Oudh, 35 in the Punjab, 36 in Madras, and 26 in Bombay.

153. Does that comprise the total number of treasuries, whether they are district treasuries or sub-treasuries, or is it simply the district treasuries alone?—Those are district treasuries alone; that does not include sub-treasuries.

154. Could you describe to us the difference between the treasury and the sub-treasury?—The sub-treasury is an outlying post for a district. The accounts pass through the district treasury and are treated as if they all belonged to the district treasury, but in some places it is convenient to have a sub-treasury; if a place is a considerable distance from the district treasury, it would be inconvenient to have all the revenue paid into the district treasury.

155. At the head of the sub-treasury there is, I suppose, a subordinate officer from the Collector's department?—Yes.

156. You told us just now that the treasury officer had under him I think two officers, an accountant and another officer?—(*Mr. Jacob.*) The treasury officer has a treasurer and an accountant under him.

157. Has he any other officers?—Yes, the treasurer and the accountant are assisted by various clerks and deputies.

158. Then I suppose at a large district treasury the staff must be considerable?—Yes.

159. I suppose you have no return to give us an idea of what the cost of the district treasury system is?—No, I have not any statement made out.

160. Is it easily obtainable?—(*Sir Henry Waterfield*). I am afraid it would be rather a long business to compile it from the Estimates. (*Mr. Jacob.*) The treasury officers of course are mixed up with the regular district staff.

161. And it would be somewhat difficult for you to separate them so as to give us some idea of what the charge of the banking department, if I may so call it, of the Indian Government is?—I think I could give you an idea of what is the cost of a large treasury and of a small treasury.

162. Perhaps you could give us that, would you?—Yes, I will try.*

* *See* Appendix 4.

163. (*Sir Donald Stewart.*) Is it not the case that in some districts the Treasury officer is entirely employed in treasury work?—He may be. As a matter of practice he is simply one of the officers of the general district staff, and the collector can give him any work he chooses.

164. (*Chairman.*) I suppose that there are a few great central treasuries where the bulk of the revenue is received and the bulk of the payments are made, but that the larger number of those of which you have given us a description in the different provinces are comparatively insignificant?—(*Sir Henry Waterfield.*) The bulk of the revenue is received at the collector's office in each district; and any surplus not required for immediate expenditure is removed to central treasuries which are conveniently accessible by railway or otherwise, or from which the funds can be easily removed by drafts owing to mercantile demands, &c. The greater part of the funds is deposited at these central treasuries, and most of the expenditure is by drafts thereon. The payments at the greater number of the treasuries are relatively small.

165. Then do I understand the principle of the movement of funds to be this—that the money is collected and paid into the district treasury, and any money that is not wanted at that district treasury is remitted either in cash or by bills to more central treasuries; that probably at those central treasuries there are branches of the Presidency banks, and that those balances would be deposited in the Presidency banks?—(*Mr. Jacob.*) Yes.*

166. So that the tendency of the administration is to transfer the money that is not immediately wanted on the spot to those treasuries where there are branches of the banks?—Yes, but the excess funds are not always left in the charge of the banks. At the Presidency towns, for instance, we have reserve treasuries in which we deposit any funds in excess of a certain amount.

167. Therefore, even where there are branches of the Presidency banks, the whole of the treasury account is not kept there?—No.

168. Is there any reason for that?—Generally in the districts the whole of the treasury balances are kept with the branch banks, but we have a system by which we can transfer a portion of the treasury balance to the currency department and hold it as a currency balance.

169. And in that case?—It is removed from the Presidency bank.

170. Into the strong box?—Yes; that is a very useful system, because it often obviates the necessity of actually remitting the money. We may have a surplus at one part of the year and a deficiency at another, and by placing the money in the currency department we can transfer it to another treasury where the money is required immediately: and then again when the money is required at the original treasury we can just make a corresponding transfer back again.

171. But on the whole would it not be more secure if the whole of the funds were deposited in the branch of the Presidency bank where there is one?—I think not.

172. You are satisfied with the regulation under which a portion is kept in the strong box?—Yes, I think it is a much more satisfactory arrangement. There have been occasions on which the banks have found some difficulty in making funds available at once. (*Sir Henry Waterfield.*) Many years ago there was a difficulty at Calcutta; and another occasion arose at Bombay, when the bank was not able to supply the Government with the money that was wanted, owing to their having lent out so large a portion of the money deposited with them.

173. Imprudent banking?—In their own banking business; and it was then ordered that the balance kept by the Government at the Presidency bank should only be a liberal amount for what was required, and that any surplus should be put in the reserve treasury.

174. That really appears to mean that there is a certain distrust of the Indian system of banking, and, in consequence of that, a preference for keeping money in the strong box?—There are no reserves in India beyond those of the banks, and they may be unable to call in their money with sufficient rapidity, as happened

* *See* Q. 2805 *et seq.*

in the case of the great crisis which took place a great many years ago in Bombay. I believe that on one occasion a difficulty also arose at Calcutta, through some mismanagement by the secretary of the bank.

175. In fact, it is an arrangement somewhat corresponding to the German Emperor's war chest?—It is somewhat of that nature, no doubt. (*Mr. Jacob.*) Perhaps I might be allowed to say that it is partly, I think, owing to the difference in the proportion which the Government funds bear to the whole of the funds in India. In London I suppose the Government balance is a very small portion of the total available funds in England at any given time; but in India the Government balances form a very large proportion of the total funds, and it does not seem advisable that the Government drafts upon the banks should suddenly cause a great strain upon the general funds available for commerce.

176. Of course it strikes one as singular that where there are banks, and especially banks of the standing of the Presidency banks, the Government money should not be altogether deposited there. But that opens rather a wide question that perhaps we may have to ask more about hereafter. At the present moment we may rest upon your statement that the matter has been fully considered, and that this is a matured policy?—Yes.*

177. Therefore, I will only ask you if I rightly understood you to say that this reserve, which in the central treasuries is kept out of the banks, is so kept as part of the reserve in the hands of the commissioners of currency. I do not know whether I am right in calling them commissioners of currency, but the Currency Department?—No, the treasury surplus is always kept in the treasury, not in the Currency Department.

178. Then perhaps you will explain a little more fully what you said with regard to a certain portion of the balance being kept out of the bank for currency purposes?—Yes, what I mean is, supposing at Treasury A. there is a surplus of treasury money available, and Treasury B. wants treasury money, there being currency depôts at each of these treasuries. I should telegraph, as Comptroller-General, to Treasury A. and say, "Transfer 10 lacs of your treasury money to currency at Treasury A." To Currency Depôt B. I should telegraph as head Commissioner of the Currency Department and say, "Pay 10 lacs to Treasury B."

179. That is to say, you diminish the currency balance?—The currency balance at one depôt is diminished and at another it is increased; and the converse occurs with the treasury money.

180. I suppose you are obliged to keep a certain amount of cash in reserve against the currency?—Yes.

181. Still to a certain extent that might be done even though at Treasury A. the currency money was in the bank, might it not?—The balance is in the bank; but it is a condition of the Currency Act that we must have the money available as cash, so that, even when it is in the bank, it must be deposited in a strong-box which is under the key of the bank, and under the key of a currency officer.

182. And therefore it is an ear-marked deposit in the bank?—Yes.

183. Do the Treasury officers give security, or does the Government take any other kind of security against maladministration?—(*Sir Henry Waterfield.*) The treasury officers do not give security. There is for each treasury a treasurer who is in immediate charge of the cash, and who gives security. The treasurer and his subordinates (for all of whom he is responsible) have the handling of the cash, and his department is quite separate from the accountant's department. The accounts of the treasurers and accountants are examined daily by the treasury officer, and form a check on each other.

184. Then are there no periodical surveys to see that the sum with which the treasurer charges himself is actually there?—(*Mr. Jacob.*) Yes. The collector of the district is bound to report, on the last day in each month, that he has actually counted the treasure, and he is also instructed to do so at uncertain intervals.

185. Are losses frequent under the present system?—(*Sir Henry Waterfield*). No; and, when they do occur, it is invariably through neglect of some of the prescribed precautions. The rule is, "Whenever any "defalcation or loss of public money, stamps, or opium, "is discovered in a Government treasury, or other "office or department, which is under the audit of "the Accountant-General, the fact should be immediately reported to the Accountant-General; and, "when the matter has been fully inquired into, a "further and complete report should be submitted of "the nature and extent of the loss, showing the errors, "or neglect of rules, by which such loss was rendered "possible, and the prospects of effecting a recovery. "The submission of such report does not debar the "local authorities from taking any further action "which may be deemed necessary."

186. Is there any return to the central treasury of the amount of losses in the year, or over a series of years?—(*Mr. Jacob.*) I do not think any return is made out; every individual loss is brought to the notice of the Provincial Government or the Imperial Government.

187. You could not give us any idea of what the sums lost in two or three years were?—No, I could not do that.

188. (*Sir Donald Stewart.*) Losses are very rare?—(*Sir Henry Waterfield.*) They are now very rare.

189. (*Chairman.*) They are so rare that it has not occurred to you to collect the statistics of them?—(*Mr. Jacob.*) No.

190. Then the Treasury officers are in fact district paymasters, and they exist for that purpose, practically, do they not?—Yes.

191. The moneys are kept in these district treasuries instead of being remitted, because it is convenient to have them there to meet the Government payments in the district?—Yes.

192. Are the district treasuries the sole Government banks, if I may so call them, at which Government officers can draw for funds; or do the Military, Public Works, Post Office, and other Departments keep chests of their own?—(*Sir Henry Waterfield.*) Those departments draw on the civil treasuries. But in a few cases military treasure chests are maintained, as, for instance, in the territory of Native States where there is no civil treasury; and, in all cases of expeditions, there is at least one military treasure chest at the base and perhaps elsewhere.

193. But there is no separate chest in cases where there is a district treasury near at hand?—Not in the ordinary course.

194. Can you describe in a general manner, or give an abstract of, the regulations under which the treasury officers make their payments?—In the case of non-civil departments, such as the Military and Public Works Departments, which do not account directly to the Civil Accountant-General, money is drawn from the treasury by cheques against fixed assignments, the amount of which is communicated to the treasury officer by the Accountant-General. In the case of Civil Departments, the treasury officer is bound by certain general rules applying to the various classes of expenditure. Thus salaries can be drawn only at the rate communicated by the Accountant-General; establishment and contingent charges are drawn only on the signature or counter-signature of responsible officers, and such bills are paid by the Treasury officer without the application of any limit. Government has declared that the responsibility for an over-payment rests primarily with the drawer, and that the treasury officer is responsible only for checking palpable errors. All civil bills are submitted twice a month to the account office for audit (on the 11th of the month and the 1st of the following month), so that audit follows very rapidly on payment.

195. Are the amounts which the different departments may draw strictly limited?—Yes, by the assignments in the Military Department, and the letters of credit in the Public Works Department. For the civil departments there is no limit, the treasury officer meeting any payments, if authorised by the regulations; otherwise he would decline to pay.

196. Therefore I might perhaps describe the issues of the treasury in the large spending departments, such as the Military and Public Works Departments as being in the nature of imprests to those departments?—Yes, that is so.

* *See* Q. 2805 *et seq.*

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197. Whereas in the civil departments the district treasury officers are ultimate paymasters?—Yes, the payments to civil departments are treated as final payments.

198. But if the issues to the Military and Public Works Department officers are in the nature of imprests, that implies a certain cash balance being kept in the hands of those officers, does it not?—Yes. The Accountant-General is responsible for keeping the proper balance at each treasury to meet such charges.

199. But I mean, when this imprest is passed into the hands of the military officer, he has a balance in his hands?—Oh, yes, he draws on that imprest.

200. And where does he keep that balance? Because the object of my question was to learn whether other officers besides the district treasurer had cash balances?—(*Mr. Jacob.*) They have; the balances of such officers are, as a rule, I think, of about 100 rupees or so at a time.

201. They are kept from hand to mouth?—Yes.

202. And as far as possible they only just draw what they want?—They are almost always near a treasury or sub-treasury, and can always draw what they want; they have no money in their hands except what is required for immediate payments.

203. (*Sir Donald Stewart.*) On field service large sums of money are sometimes placed at the disposal of the general in command?—Yes.

204. And there you have a treasurer and paymaster-in-charge, but in the ordinary time they have no balance?—(*Sir Henry Waterfield.*) Nothing of any moment. (*Mr. Jacob.*) Merely the money which is passing through their hands in course of payment.

205. The commanding officer sends in bills and cheques for money, that is all. He has no balance?—If a commanding officer drew 5,000 rupees from the treasury for payment to his regiment, he might not pay the whole amount on the same day as he drew it, he might complete the payment in a day or two.

206. That is an extraordinary case. When he gets advances, the ordinary practice is to draw on his treasury balance?—Yes, and such drafts are passed and cashed.

207. (*Chairman.*) And in that case the treasury officer pays the actual cheque which the military officer draws, and so becomes the ultimate paymaster.

208. (*Sir Donald Stewart.*) The pay bills are submitted to the Pay Department?—No military pay bills are submitted to the civil treasury.

209. The commanding officer never has any balance practically?—I fancy the system has been changed since you were in India, Sir Donald. Now the Military Department draws entirely by cheques on the treasury.

210. Well, I do not know about the exact demand—it may be by cheque or bill—but the sum which they draw is fixed?—Yes, they get a cheque either from he paymaster or some other disbursing officer.

211. (*Sir Ralph Knox.*) Does that payment represent the exact amount which the commanding officer or military officer has to disburse, or is it a round sum out of which he makes the disbursements due to his men?—Ordinarily it would represent the exact amount he has to disburse.

212. (*Chairman.*) Supposing there is a certain commodity bought from a bazaar, costing 315 rupees, would that bill be sent in to the district treasury to pay, or would the military officer draw, we will say, 350 rupees, and pay it out of that?—It would be entirely according to his own idea as to what was most convenient. Very often the military or public works officer, if he has to pay a contractor, will draw a cheque for the exact amount payable, and make over the cheque to him. The contractor presents the cheque and draws the amount from the treasury himself; but, as far as the treasury is concerned, the payment is treated as an issue to the Military or Public Works Department, and the military or public works disburser has to account for it.

213. So far as accounting goes, it is an imprest?—Yes.

214. But in other cases, such, I suppose, as that which arose out of Sir Donald Stewart's question, I presume that some officer must draw the pay to be given to the men in bulk and pay it in detail?—Yes, but he would draw the exact amount payable.

215. But as you say that might remain a day or two in his hands?—A portion of it might.

216. Would you say that the Civil, Military, and Public Works Codes, so far as they contain financial directions under which the treasury officers act, are simple and easily understood?—(*Sir Henry Waterfield.*) The Civil Account Code seems as simple as it can be made, being divided, to a great extent, into chapters applicable to particular departments; most of the treasuries are concerned with only a small portion of its provisions, described under the head of treasury procedure, but it is necessary to provide for all contingencies that may arise at any treasury. The treasury officers have very little to do with the Public Works and Military Account Codes, which are mainly for the guidance of the officers of those departments; but abstracts of such portions as the Treasury officers may have to act on are given in brief chapters in the Civil Account Code.

217. You do not think then that there is, or ought to be, any difficulty in interpreting the codes?—I spoke to Mr. Jacob on the subject, and he assures me that each officer knows what he has to administer, which is within a comparatively small compass. No doubt these two volumes do look very formidable, but the treasury officers are not concerned with the second.

218. Your memorandum says that: "A treasury "officer may not make any payment unauthorised by "the code, unless under an express order *to himself* "from the Government, and he must at once enforce "any order from the Accountant-General disallowing "a payment. If the Local Government overrules the "Accountant-General, even temporarily, reference "must at once be made to the Government of India" as to whether it falls within the code?—Yes, he must only pay what the regulations authorise.

219. Does the exercise of this discretion cause any friction between the treasury officers and other departments?—I believe not.

220. You have never heard of such being the case?—No; I think one does hear occasionally of friction, but it is not from the action of the treasury officers, though, no doubt, the executive officers do not like being tied by regulations too closely, and complain; but that is probably essential.

221. That is what was in my mind in asking the question, because where the interpretation of a code rests within the discretion of a certain officer, and perhaps a subordinate officer, I thought it very possible that the officer who made the order to which objection is taken, might, at all events, remonstrate against such a discretion being in the hands of a subordinate officer?—Yes, but I think it is not against the interpretation by the officer, but it is against the rule itself.

222. Exactly. Do you know whether payments are often refused on the ground of insufficient authority?—Payments are undoubtedly refused on such ground, but the requirements of the treasury officers are well known to each department, and they are generally easily complied with.

223. Are all the district treasuries in telegraphic communication with the Accountant-General of the Province to which they belong?—There are, I believe, one or two in Burma which are not, but otherwise they all are.

224. Are the various branches of the revenue collected within a district paid into the district treasury?—Yes.

225. Would you describe to us the method and process of collecting revenue. Take, for instance, Customs; who is the chief authority responsible for enforcing the Customs' laws throughout India, corresponding to the Board of Customs here?—The administration of the Customs is one of the duties of the Financial Department of the Government of India.

226-7. And, therefore, as far as there is an analogy, the Financial Member of Council, the Financial Secretary, and that branch of the Financial Department which has that duty assigned to it, would represent the Board of Customs here?—Yes.

228. Are the Customs officers, say in the Bombay Presidency, subordinate to the Provincial Government of Bombay, or to a central authority in Calcutta?—The Customs Department in each province is under the Provincial Government.

229. But, if so, how is uniformity in the administration of the Customs' laws throughout India maintained?

In the interpretation of one law, may not the Provincial Government of Bombay take a different view from the Provincial Government of Madras?—There is a recent order of the Government of India providing for the publication, in the Gazette of India, for general information, of all Customs' orders of general application. They are re-published in the local gazettes, and sent to Chambers of Commerce, and such bodies as are interested in them; and consequently there is a fair amount of uniformity in the administration.

230. (*Sir Andrew Scoble.*) Is there not an appeal from the Provincial Governments to the Government of India upon questions that arise upon the administration of the Customs' laws?—The practice is to admit an appeal, but by law the appeal is to the Provincial Government; the Government of India, however, always entertains an appeal if necessary.

231. And gives a definitive interpretation?—Yes.

232. (*Chairman.*) Then, under this order which you have described, there is only one Customs code of regulations in force throughout India?—Yes, there is one Act for the whole of India, under which regulations may, with the approval of the Provincial Government, be made for each Province, provided that they are consistent with the Act. That leaves a certain amount of discretion in the details.

233. Then the Provincial Government has the power of modifying or amending, provided always their amendments are in accordance with the Act?—Yes, in matters of pure detail they can do so.

234. And if any Provisional Government interpret that discretion too widely, knowledge of the modification would only reach the Central Government in case somebody remonstrated or appealed?—I suppose so. (*Mr. Jacob.*) The proceedings of the Provincial Government are all submitted to the Government of India, and the Government of India does sometimes take notice of matters which come before it only through the proceedings of the Provincial Government.

235. That involves a very great work of review does it not?—Yes, but the proceedings are actually reviewed by the Government of India. (*Sir Henry Waterfield.*) That is to say, they are read by the Government of India, and noticed by it, if necessary.

236. And I gather from what you have just stated to one of the members of the Commission, that practically the ultimate appeal against the action of Customs officers comes to the Central Government?—Yes. By the law the ultimate appeal in questions relating to Customs is to the Provincial Government, but the Provincial Government is in all executive matters subject to the control of the Governor-General in Council, and appeals are admitted against the orders of Provincial Goverments in Customs matters.

237. Under what regulations do the Customs officers, say of a small port, pay the revenue which they receive into the district treasury?—As far as the treasury transactions are concerned, there are no special regulations for the Customs Department. The revenue is paid by the Customs Department into the district treasury, and is accounted for to the departmental controlling officers, who receive from the Accountant-General, for comparison with and check of the departmental returns, accounts of the amounts credited in the treasury.

238. Do they pay into the district treasury only the net surplus of the revenue collected after defraying all charges of collection? or do they pay the gross receipts into the district treasury, drawing again on the district treasury for such sums as they require?—As a rule they pay in the gross revenue, and draw by bills any amounts required for expenditure; and even in the few instances in which departmental officers are allowed to spend out of revenue, the gross revenue is brought to account on the treasury books, the amounts spent being treated as remittances from the treasury, and charged off. This would seldom be permitted unless the officers were at a considerable distance from the treasury.

239. The principle being that gross revenue is brought to account, and gross expenditure charged?—Yes. The first rule of the Civil Account Code is:—"All transactions to which any officer of Government in his "official capacity is a party, must without any reser- "vation be brought to account, and all the money "received be lodged in full in the Government "treasury, to be credited to the appropriate account, "and make part of the general treasury balance." Then it goes on:—"This rule is relaxed in the civil "department:—(*a*) in the case of the Postal Depart- "ment, to afford facilities for the money order busi- "ness; (*b*) in regard to monies received on account of "the service of summonses, diet money of witnesses, "&c. in civil and criminal cases; (*c*) in the case of "Government servants appointed Notaries Public "under Act 26 of 1881."

240. Take the Excise, is there a central Excise authority, and are Excise officers subordinate to that central authority or to the Provincial Government?—The Excise Department is under the several Provincial Governments, who, on questions requiring authority beyond their own powers, would correspond with the Government of India in the Financial Department

241. Perhaps you would explain what you mean by the Government of India in the Financial Department? It is a phrase, is it not?—It is the financial office of the Government of India. All orders that are issued by the Governor-General in Council which deal with financial matters are issued by him in the Financial Department.

242. And in the same way I suppose any order in the Home Department is issued by the Governor-General in the Home Department?—Quite so. The Governor-General in the Financial Department answers to what we here call the Treasury.

243. But is there no Central Excise authority?—The Financial Department of the Government of India controls it, as it does the Customs; and in matters of Excise as well as Customs, there is an appeal to it similarly from the action of the Provincial Governments, if necessary.

244. Quite so; but you can hardly compare that limited branch of the Treasury with the Board of Inland Revenue here?—You must not look at the control as exercised by the particular Deputy Secretary who is dealing with it; it is the Government of India.

245. Quite so; the Government of India. But the functions that the Financial Department exercises must be very much more limited than those which are exercised by the Inland Revenue Department here. Let me explain what I mean. I understand that, the Excise officers being under the Provincial Governments, that part of the work which is done here by the Board of Inland Revenue would not be done in the central Finance Department in India, because it is work delegated to the provincial authority. Here all the important disputed questions which arise as to the enforcement of the Excise laws, and which concern an enormous number of traders throughout the country, are brought to the notice of and settled by the Board of Inland Revenue, and no doubt they must form a very considerable part of their business. Would that part of their business be carried out by the branch of the Treasury of which we have been speaking?—In the first instance, it would be done by the Provincial Government acting under the law; and it would only be in case the Provincial Government was in doubt, or a representation was made that its action was not just, that a reference or an appeal would be made to the Government of India

246. In reality then the functions of the Board of Inland Revenue are to a great extent exercised in India by officers in the different Provincial Governments, and the function of the Central Finance Department at Calcutta corresponds very nearly to that of the Treasury here—that, namely, of a Court of Appeal?—I think so. I think that that is a fair representation of the case.

247. But then there seems to me to be a lack of power, or might be a lack of power at one point, viz., the want of advisers of the Finance Minister in carrying out modifications of the law. In advising modifications of the law, the Board of Inland Revenue here are a skilled body administering the law throughout the United Kingdom, knowing where the shoe pinches, able to judge better than anybody else, by reason of their large experience, the value of remonstrances, and who are therefore the most competent people to advise the Chancellor of the Exchequer upon changes in the law. I do not quite see, under the administration which you describe, where the corresponding, or equally competent authority exists to advise the Financial Member of Council?—It must be remembered that in India you are dealing with very different provinces, and different sets of people, and strict uniformity is impracticable and undesirable. The

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Government of India, in such a case as you mention, would consult the Government of the Province which was concerned, and obtain the advice of the chief authorities there; and they also have in their own Council, probably, officers who are acquainted more or less with the particular districts. There are three or four civil members of the Council who have served in different parts of India, and who would very likely have personal knowledge on the subject. The Government of India would also have advice from the heads of the different departments; and, although perhaps not with the same convenience of personal intercourse, the Government could by correspondence at any rate, consult all the authorities who know best, and they would be able to say how far it was desirable to modify the orders of the Provincial Government.

248. (*Sir Andrew Scoble.*) Is not the practice this—that, when a proposal is made for alteration in the law relating to excise, for instance, the Provincial Governments are first consulted by the Central Government as to whether the necessity for change in the law is established. Upon these communications a Bill is drafted which is again circulated to the local authorities, and when the Bill is introduced into the Legislative Council of the Governor General it is again circulated, not merely for the information of the Provincial Governments, but of the Chambers of Commerce and other public bodies, and also of private individuals conversant with the subject, whose opinions are invited; and it is upon the body of information thus obtained that the project of law is finally brought into shape, and becomes an Act of the Government of India?—That is so; but I had understood the Chairman's question rather to refer to questions arising, after the law was established, as to whether it was fairly administered.

249. (*Chairman*) I am trying to find out where the motive power would be for modification and amendment of existing law. The original suggestion would come from the Provincial Government which was concerned in the case on which the question had arisen?—Certainly it would.

250. And then the process which has been described would be gone through before the alteration of the law was finally made?—Yes.

251. (*Sir James Peile.*) There is not one Excise law for the whole of India?—No.

252. There are different laws for different provinces, suited to their conditions?—Yes. There is one law for Bombay, one for Madras, and one for Bengal, and then there is a general law for the whole of the rest of India.

253. All of which are passed by the Legislative Council of India and not of the Province?—No; the Bombay, Madras, and Bengal Acts were passed by the Provincial Legislative Councils, and an Act of the Legislative Council of the Governor General was passed for the rest of India.

254. (*Chairman.*) Then in further explanation I would ask this: the Chairman of the Board of Customs and the Chairman of the Board of Inland Revenue are the chief officers who would be consulted here; who are the officers in India corresponding to the Chairman of the Board of Customs and the Chairman of the Board of Inland Revenue, with whom the Financial Member of Council could consult?—The Financial Member of Council would consult the Provincial Governments, who would, as a rule, furnish their advice after consulting the chief Customs or Excise authority. Of course there is often personal and verbal consultation with the actual authorities when any matter of importance is under discussion; and, as Sir Andrew Scoble mentioned, it is very fully discussed in public through the advertisement of the proposed Bill.

255. As I understand, drafts of Bills affecting the public, like Tax Bills, are practically submitted, before they become law, for the criticism of the public?—They are published three times, and again at later stages, if materially altered.

256. Before they become law?—Before they become law.

257. (*Sir Andrew Scoble.*) In the local gazettes both in English and in the vernacular languages, is it not?—Quite so.

258. (*Chairman.*) Take a special case. On the question of imposing a countervailing excise duty on cotton manufactures, who in ordinary course would be the technical advisers of the Financial Member?—That question more especially affected the Bombay Presidency, and Sir James Westland went to Bombay to discuss the subject with the Provincial Government, and to make inquiries on the spot.

259. (*Sir Andrew Scoble.*) I believe he also consulted the different bodies connected with commerce at Bombay, did he not?—He was in communication—confidential communication—with certain members of them; the chairman, I suppose, of the board, but I do not think he formally consulted the Chamber of Commerce there.

260. (*Chairman.*) Then I suppose the Excise Revenue is paid into the district treasuries in exactly the same way as the Customs, and subject to the same rules?—Quite so. It is paid in gross; when it has been collected at or near head-quarters or at a sub-treasury, it is paid in from day to day. From places at a distance the revenue is remitted at longer intervals, but generally every two or three days.

261. Take the Stamp revenue: Is there a central Stamp Authority, and are the collecting officers subject to that authority, or are they in subordination to the Provincial Government of the province in which they are employed?—Like the Excise, the Stamp revenue is under the Provincial Governments, large questions being dealt with by the Government of India in the Financial Department. The officers are under the Provincial Governments, but the regulations are made by or under the control of the Government of India.

262. The Central Financial Department practically being the department to which appeal is made?—Yes.

263. And I suppose the Stamp revenue is collected and paid exactly in the same way into the district treasuries?—Stamps are sold at the treasuries and sub-treasuries. The bulk of the revenue thus comes direct into the Treasury. Fines and other miscellaneous revenue are paid into the Treasury as soon after collection as is convenient.

264. With respect to these three branches of revenue, where in doubtful cases does the ultimate discretion rest as to the interpretation to be put upon a revenue law, or as to non-enforcement of the law in its strictness? Does it lie with the revenue authority itself, or with the Central Finance Department?—In law the decision rests with the Provincial Governments; but appeals would be entertained by the Government of India in the Financial Department under its general powers of control. In the Stamp Act special provision is made for a reference to the High Court, if the local authorities are in doubt upon a point. But that, I think, is not a case of an appeal to the High Court, but a provision that the local authorities may state a case in order to have a decision.

265. Like reserved cases in the Court of Exchequer here?—Yes.

266. If that is the case with the laws, how is uniformity of action and interpretation secured?—The Provincial Governments have freedom in details; their general action is controlled by the Government of India. But that Government would not require the same regulations to be followed, in Burma, for instance, as in the Punjab. Local considerations render uniformity impracticable.

267. Here, although the Customs and Inland Revenue Boards are responsible for the execution of the laws, they consult the Chancellor of the Exchequer beforehand, and thus secure harmonious action. Is any similar result obtained in Indian Revenue administration?—I think I can only say that there is always an ultimate appeal allowed to the Government of India by any member of the public.

268. And I suppose also, that, if the Finance Department became aware of a difference of practice which might result in inequality before the law in different presidencies of India, they would take steps to remedy it?—(*Mr. Jacob.*) I think so.

269. Here the Chancellor of the Exchequer is always open to appeal from members of the public on revenue questions; is the Finance Member of Council equally open to appeal in India?—(*Sir Henry Waterfield.*) Yes.

270. I think you have told us the land revenue is a branch of the revenue which stands apart—that it is not under the management of the Provincial Government. Would you describe the methods in which it is collected?—I think you did not quite catch my reply. It is that

it is not under the Financial Department. There is a special department of the Government of India, the Revenue and Agricultural Department, which controls the land revenue.

271. Yes?—The actual method of collection differs in each province, but as a general rule the revenue payer is bound to pay in his revenue to the district treasury or sub-treasury himself by a certain date. He brings it first to the Land Revenue Department (in the same building), an official of which checks the amount and initials the memorandum made out by the payer. It is then taken to the Treasury, and the amount is paid in. Separate returns are made to the chief Revenue Authority in the province from the Land Revenue Department and the Treasury. The Provincial Government does not actually *retain* a portion, because the revenue is included in the balances. I mention that because I said in my paper that it retained a portion; it is not actually retained. The revenue is included in the balances which are managed by the Comptroller-General, but the Provincial Government is credited for provincial purposes with one-fourth of the receipts.

272. Then the chief authority for the collection of Land Revenue is a central department in Calcutta?—The Revenue and Agricultural Department of the Government of India. But there again there is great latitude left to the Provincial Governments. The land revenue is paid under very different systems in different provinces of India, and in different districts of the same province.

273. But are the collecting officers subordinate to this central department, or are they officers of the Provincial Governments?—They are officers of the Provincial Governments. The Collector is the chief officer in each district of the province.

274. Then what is the function of the Central Department in that case?—General questions—all questions that require an alteration of the law, for instance—must be submitted to the Government of India. The Provincial Government cannot alter the laws relating to Land Revenue on its own authority.

275. Can you give us any idea of the strength of the Central Revenue Department?—The secretary has Rs. 4,166 a month. He has an under secretary on Rs. 1,300 to Rs. 1,500; there is one registrar on 600 to 700; and 37 clerks from Rs. 40 to Rs. 600.

276. Then, I suppose, the Central Department is a special department of appeal?—More than that; because it is not only the Revenue but it is also the Agricultural Department, and there are many questions—general questions throughout India, which must come before the Government of India—general questions of settlement—and the Survey and Settlement Law are under the Government of India.

277. I understand that they would decide questions of principle?—Yes.

278. Questions of principle must be settled at headquarters by this Department?—Yes, the local bodies recommend, but they must receive the sanction of the Government of India.

279. Still that brings the functions of the Central Department rather near to those of a Department of Appeal?—Appeal and general control.

280. More corresponding to the functions of the Treasury here than to those of the actual Executive Departments?—Yes, I think so.

281. Would there be any cases in dealing with the Land Revenue in which appeal would lie to the Finance Member?—No, not an appeal from the public to the Finance Member; any such appeal could only come through the Provincial Government to the Government of India in the Revenue Department; but, if the Government of India and the Revenue Department wished to make an alteration of law or system which would involve a loss of revenue or increase of charge, the Finance Department must be consulted.

282. Then again there is another duty which is reserved to the central authority—the Opium Duty—In that case, what is the regulating authority under the law?—The Opium Department is under the Government of India in the Finance Department. The revenue is, as your Lordship is probably aware, collected under two very different systems. In Bengal the poppy is cultivated by means of advances made by the Government, which itself manufactures the opium; and the revenue consists almost entirely of the proceeds of the sale of opium by auction at Calcutta. In Bombay the opium is manufactured in the Native States, and a pass duty is levied on the transit of the opium to the seaboard. The opium revenue in all provinces is Imperial, the detailed rules are framed under the sanction of the Government of India, and any doubtful points in the law or rules would be referred to it.

283. But in this case the central authority is a branch of the Government of India in the Finance Department?—It is.

284-5. The Post Office and Telegraph services throughout India are under the control, are they not, of a single officer?—A single officer, in each case; the Director-General of the Post Office and the Director-General of Telegraphs are officers immediately under the Government of India—the two departments are quite distinct in India.

286. And are they under the Government of India in the Finance Department?—The Director-General of Telegraphs is under the Public Works Department; the Director-General of the Post Office is under the Finance Department.

287. Are the surplus postal and telegraph revenues paid into the District Treasuries or remitted direct to Calcutta or other centres?—The receipts from both departments are paid into the several district treasuries and form part of the general balances.

288. Is there not a net surplus on these two undertakings?—The Telegraph Department has for several years produced a net revenue. The Post Office began to produce a net revenue on the accounts some years ago; it was then decided to charge the Post Office with its stationery, and printing charges, and this, for a year or two, absorbed the surplus; but now its receipts are in excess of its expenditure. There are, however, some charges which are incurred on behalf of these departments, but not debited to them. An account exhibiting the position of the Postal Department is always made out at the end of the Annual Post Office Report; and in the Telegraph Report similar calculations are made, to show the true financial result.

289. The Financial Member of Council is, of course, interested in the amount of such net surplus as part of the Ways and Means of his Budget?—The Postal Department is not usually looked upon as a revenue-producing department in India. There was an illustration of that, I think, in the debate in the Legislative Council on the last Budget, which shows that the revenue is not treated as one of his reserves by the Finance Member. There is much room for expansion of the Post Office in India, and for some years to come, probably, the necessity for such expansion will be kept in view. At the same time the Financial Member is undoubtedly interested in the financial result, but not more because there is a surplus than if there was a net charge for which he had to find ways and means.

290. Of course these are different aspects of the same question?—Yes.

291. Still, it is the accepted view that the service is to be expanded?—Yes.

292. There would be in that case a certain antagonism between the head of the Post Office, who has no interest in the equilibrium of the revenue, but is much interested in making his department as efficient as possible, and the Financial Member of Council, might there not?—The Postal Department is administered directly by the Financial Department of the Government of India.

293. Therefore, it is completely subject to the Financial Member?—It is completely subject to the Financial Member.

294. Then as to the Telegraph Department?—In the case of the Telegraph Department, which is administered by the Public Works Department, such antagonism may be felt to a slight degree; but the Financial Department of the Government of India fixes the total amount of the Telegraph expenditure before the estimate of revenue is framed.

295. The point I want to come to is this: We have been hearing of the very great difficulty in which the Government of India is placed in respect of finding ways and means, but if it is laid down by the Government that the Post Office revenue is to be entirely spent on expansion of the service, a sound and prudent Finance Minister might in times of great difficulty offer reasonable objection; might he not?—Yes.

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296. And say: "This is not the time for great "expansion of the service; this is not the time for "reducing a telegram from a shilling to sixpence; we "must get into smoother water before we do it." That is the special function of the Finance Member. But, unless he has considerable powers in this direction, might not the Government find itself practically forced to accept a thorough going policy of expansion, irrespective of financial circumstances?—Yes. I do not think that any prudent Finance Minister would agree in the view, which perhaps the Director-General of the Post Office might wish to enforce, that the whole of his revenue was to be spent in developing the department. In a time of surplus the Director-General would have a better chance of carrying out reforms if he could show that there was a surplus revenue in his own department, but the Finance Minister in a time of pressure would certainly not allow development to occur in the Post Office any more than in another department.

297. What I gathered from you was that the policy of the Government of India, in spite of these bad times and the necessity for looking around for new taxation, is still in favour of this policy of expansion of the Post Office instead of economy?—No doubt, as in a great many other departments in India, we must look to progress being obtained by expansion of expenditure. But in all cases of pressure it is not one department only, but (as was shown only recently), all the departments that have very strong pressure put upon them to curtail their expenses.

298. Therefore, you would hardly say that the policy of expansion of the Post Office is adopted without reference to financial considerations?—No, not at all. I would not go so far as that.

299. Would you explain to us the method in which the surplus revenues from State railways and irrigation or other revenue-producing works are brought in aid of the general expenditure?—All revenue from railways and irrigation works is paid into the treasury of the district in which it is received, or the central treasury which for convenience may be prescribed (as, for example, where the railway terminus is situated). As a rule, the revenue for any railway is paid only into one treasury.

300. And that would be a central treasury?—Probably a central treasury, either at the terminus or in a town through which the railway passes.

301. Is there any central authority, which regulates the State railways?—State railways are for the most part under the direct control of the Government of India in the Public Works Department. Some are provincial, but they must be administered under the general regulations.

302. Could the Public Works Department reduce the traffic rates without previously obtaining the assent of the Financial Member of the Council?—The alteration of traffic rates is a matter for decision by the Government of India in the Public Works Department; but, like any other measure involving a loss of revenue, it cannot be brought into operation without the previous sanction of the Financial Department; or, in case of a difference of opinion, of the Governor-General in Council. In practice, certain maximum and minimum rates are prescribed, within which the railway administrations are left free to make such alterations as they think fit, their proceedings being always reported to the Government of India in the Public Works Department.

303. Passing now to the manner in which the general Budget of India is framed. At what time of the year must the Budget be ready for the Legislative Council?—It is usually presented to the Legislative Council in the last week of March.

304. At what time of the year do the departments prepare their several Budgets for the ensuing financial year?—The various officers prepare their estimates in October, the departments then combine these, and send them to the Provincial Governments, for whom the Accountants-General compile them into a Budget about the middle of January.

305. Would you describe who are the officers who "prepare the Budgets and submit them to the departmental authority"?—The head of each office; for instance, the Collector in each district.

306. I want to get the distinction between "office" and "department"?—In every province there are from about 20 to 50 districts, and the Collector in each of those districts will compile his estimate for his office. The Public Works officer, the engineer, will compile the estimates for his office or his work. But they all have to be amalgamated; for instance, all the civil engineers' various estimates have to be amalgamated into the estimate of the Chief Engineer in the province. And the same way in other departments.

307. It is a distinction which arises out of the immense administrative area over which the collection of statistics and accounts extends?—Yes.

308. Is there any fixed date by which the Budgets must be submitted to the Central Finance Department?—The Civil Budgets must be despatched by the 15th of January.

309. To the Central Finance Department?—Yes.

310. And is there a different time fixed for the Military and Public Works Departments?—Yes. The Military Estimates must reach the Military Secretariat of the Government of India about the middle of December; the Public Works Estimates must be sent to the Government of India in the Public Works Department by the middle of January. It is a matter of convenience in the department, what time is prescribed.

311. Then by what time is the Military Budget in the hands of the chief military authority?—By the middle of December.

312. And the Public Works have a longer period given to them?—Yes.

313. The ordinary civil budgets being, as you said, I think, presented in January?—By the middle of January, about the 15th of January.

313*a*. By the middle of January, then, all the estimates of all the departments must be in the hands of the Government?—In the hands of the particular department of the Government of India which administers them.

314. Not in the Finance Department?—The estimates of the Military Department and the Public Works Department must reach the Financial Department towards the end of February.

315. So that practically the Finance Minister has a month to consider these Budgets?—Hardly a month, perhaps three weeks.

316. Can you explain to us the process of framing the Departmental Budgets in the Military and Public Works Departments, or would you prefer that that question should be reserved for officers of those departments?—I think I can give you a general answer; perhaps for any further details it might be better to ask them.

317. It might properly form part of this branch of information?—The Accountant-General in the Military or Public Works Department combines the estimates furnished to him by the several Controllers of Military Accounts or by the Provincial Governments (who have prepared their estimates on the reports of the local officers) and the managers of State railways.

318. Through the hands of what officers in a province do the Military and Public Works Budgets pass before they are sent up to the Military or Public Works Department in Calcutta?—The Military Budget is prepared for each of the four commands by the Controller concerned, and goes either to the head of the department, or direct to the Accountant-General. I may explain that in the Military Department there are several sub-departments, the Commissariat, and the Ordnance, and so on.

319. Where do all those budgets centre?—All the estimates centre eventually in the Accountant-General.

320. But I suppose they centre in the first instance in the Controller of each of the commands?—Yes. Then the Public Works Budgets are prepared by each Provincial Government for the provincial expenditure and the imperial expenditure administered by it. These are submitted to the Public Works Department of the Government of India, which also receives an estimate from each Manager of a railway.

321. What is the process of the examination of the Budget by the Treasury?—The Financial Department early in September sends to each Civil Accountant-General a form showing under each minor head of revenue and expenditure the actual entries for the last five years and the Budget of the current year, and also under each major head the amount for the first eight,

nine, and ten months, and the last four, three, and two of each of those years, thus drawing attention to any important variation that is usual towards the end of the year. It is one of those forms, showing under each minor head of revenue and expenditure the actual entries for the last five years. I think you would understand it better if you saw an instance (*exhibiting forms*). For each of these years you will notice at the top of the page a form which is left blank in the first instance, except as to past years. The blank columns for the revised estimate for the current year, and the Budget for the new year, are then filled up by the Accountant-General, who adds the actual figures as they become available for the completed months of the current year. He returns these, with explanatory notes, by the 20th of January to the Financial Department, by which they are carefully criticised and returned to the Accountant-General, with any necessary comments or inquiries. You will see at the foot of these tables that initials are put to the notes or questions by the Financial Secretary and the replies by the Accountant-General. About the middle of February they are returned to the Financial Secretary with replies, and any further information available, and he then directs what figures shall be entered under each major head in the preliminary compilation of the revised estimate and of the Budget. These are returned to the Accountant-General, who, after considering the actual results of February, sends an intimation by about the 10th of March of any important alteration which he deems necessary, after which the Financial Department settles the final figures. The Military Estimates are sent to the Financial Department about the 20th of February, with notes akin to those furnished by the Civil Accountants-General, together with a summary giving details of any material increase or decrease. In the Public Works Estimates particulars are given, for the past five years as regards irrigation works, and three years as to railways, of the receipts and working expenses of each important undertaking. In respect of roads and buildings, the particulars are given according to the province. The Comptroller-General examines these estimates carefully, with reference to their probable effect on the balances; but the check of the Financial Department is not applied in the same minute manner that it is to the civil estimates, the necessary control being maintained generally by seeing that there is no excess over the limit previously fixed by the Financial Department as available under each major head. The budgets of other departments, such as post office and marine, are treated in much the same manner.

322. Is there any discussion by the Governor-General in Council of the forces to be maintained or of the works to be undertaken? and is the policy of the varying expenditure of the year decided, before the Military and Works Budgets are finally drafted?—Such a discussion must, as a rule, have taken place beforehand, and orders have been passed, which furnish the authority for including charges in the Budget. For example, the outlay to be sanctioned in the coming year on the construction of State railways will have been determined generally in the previous autumn, but final orders are passed towards the end of February, or early in March, approving or altering the previous decision.

323. My question rather referred to the Military Budget?—As a rule the forces would not be altered at all; it is a fixed establishment, and, except within units, perhaps, it does not vary from year to year.

324. Without entering on the question of the increase of military expenditure, I think there is ground for saying, as a fact, that military expenditure has increased, and that I suppose has been the result of policy. I presume the Governor-General in Council decides what is to be the military policy of the year, and that practically decides the amount of the estimate?—The establishment or force to be maintained was increased in 1884, and has not been altered since; and I do not think any discussion would, as a rule, arise as to the establishment; it would be assumed that it is to be maintained. The Budget provision for perhaps a particular local expedition, or as in the recent case for a more serious war, may have to be considered, but I do not think that would affect the question of the force to be maintained.

325. There is a fixed establishment?—The establishment is fixed.

326 Which cannot be diminished in case of financial emergency, though it may be increased to meet political emergency?—It can be diminished. The amount of the British force maintained in India has occasionally been reduced, provided that the War Office were able to take the corps off the hands of the Government of India; but that would only be on some emergency which would not arise in ordinary course.

327. There is no formal decision come to as to what the forces shall be?—No; the establishment was fixed many years ago, and has not been altered since.

328. (*Sir Donald Stewart.*) It cannot be altered without the sanction of the Secretary of State?—No.

(*Chairman.*) I think Sir Ralph Knox will tell us that here the Cabinet always decides the number and force to be maintained?

(*Sir Ralph Knox.*) The number of the force for the year is determined by the Cabinet; but I think it does not form any subject for serious discussion in the Cabinet, unless some material change is proposed.

(*Chairman.*) What I mean is that the number of the force is really the basis which determines the larger part of the estimate.

(*Sir Ralph Knox.*) Yes; it is so. If any large addition was proposed it would certainly be a Cabinet question, but not such small variations as have occurred in recent years.

(*Chairman.*) Not perhaps of late, but you have known reductions made, have you not?

(*Sir Ralph Knox.*) Certainly. (*Sir H. Waterfield.*) That has been done by the Indian Government in past years, but only after consultation with the Home Government.

329–30. (*Chairman.*) But it would be rather an awkward position for the country if under no circumstances of financial necessity could the force be reduced?—What I mean is, when the Budget is being framed, it is then too late to carry on such a correspondence; that would have to be done months before.

331. Yes, exactly; the point of my question was whether the number of the force, or the warlike policy of the Government is determined beforehand?—Such a policy must be taken into consideration beforehand; it would be too late when the Budget is taken up.

332. What I have in view is that such a consultation would enable the Finance Minister to make fully known to the Governor-General and his colleagues what India can afford to spend, before they settle what she is to spend?—A consultation must be held by the Governor-General in Council, just as it is by the English Cabinet, to ascertain what expenditure must be incurred. But I think on any such great question as the reduction of the military establishment, the discussion must have taken place months before, as it would be necessary to consult the Secretary of State, and he would have to consult the War Office to see whether any reduction of the British forces could be effected; and for a reduction of the native forces it would be necessary to have the approval of the Secretary of State. A preliminary estimate is framed in February to show the general financial position in view of the decisions which may have been passed beforehand on all such questions.

333. Does the Budget estimate provide for those expenses only which will come actually into course of payment within the financial year? Let me explain what I mean by a reference to our financial system at home. Our Budget is confined to receipts actually paid into the Exchequer and to issues actually made out of the Exchequer within the financial year, that is before the close of business on the 31st March, the last day of the financial year. Does the Indian Budget in like manner only relate to receipts into and issues from the treasuries within the year?—Yes, the rule is this: "It "should be for what is expected to be actually received "or paid (under proper sanction) during the year, in- "cluding the arrears of past years,—not for the "demand or the liabilities falling due within the "year."

334. I suppose you have no abstracts of those codes of which we have been speaking which might be of use to the Commission?—No, the codes are rather bulky volumes—the Civil Account Code in two volumes, the Military Account Code in one volume, and the Public Works Account in four volumes; and there is a Postal Account Code I believe also, of which I have not a copy. But there is a summary here in chapter 70 of the Civil Account Code, which is called a summary of the whole system of Government accounts. It runs

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over five or six pages, and if you would like to have a reprint of that, it would, I daresay, give the main points.

335. Well, I think it would be rather useful. Of course it is useless to think of going into those enormous volumes, but if that is really a summary of what they are, it would be useful?—It is entitled "A summary of the whole system of Government accounts." It is very technical as to the mode of compiling transfers, and it gives full particulars as regards the Civil accounts. That paper, which I laid before the Commission, on the system of account, is an epitome of the Civil Account Code, and was made from it.

336. It embraces all the main points?—All the main points of the Civil Account Code. I did not go into the same detail in regard to the Public Works Code, because that is very elaborate, and the general principles the same.

337. Then what would be the difference between your summary and these five or six pages that you speak of?—This chapter is divided into small sections dealing with "Civil Accounts," "Other Departments," "Monthly Accounts," "Account between India and England," "Local Books," "Annual Finance and Revenue Accounts," "Appropriation Report," "Central Books," "Report on Balances," and "Writes-off"; and they contrive to give the general rules of account in five pages.

338. The point in my mind was not so much the number of accounts, but whether you could give us anything which would enable us to judge how far the provisions of these codes are simple and easily intelligible, because two or three volumes of regulations of that kind look as if they went into very great detail, and therefore as if they did not leave a very large field for that discretion on the part of the paying officer of which we have been speaking?—(*Mr. Jacob.*) The second volume of the Civil Account Code has nothing to do with the treasury officers. That deals with the work in the account offices; but the first volume is what the treasury officers are concerned with. (*Sir Henry Waterfield.*) The first volume begins with instructions to officers generally in dealing with treasuries. Part II. is divided into "General," "Claims on the Treasury," "Remittances," "Budget," &c. Then the second part is "Treasury Procedure," divided into "General Procedure of Treasuries," "Special Subjects," "Transactions with other Departments," "Service Funds," "Cash Department of Treasury," and "Miscellaneous." But I am afraid there is no authorised abstract. This paper is a compilation of mine, which Mr. Jacob was good enough to check, and which gives generally an abstract of the Civil Account Code, but it is not authorised by the Government.

339. No, quite so. By what authority are those codes amended or modified?—The Comptroller-General is responsible for any amendment or modification of the Civil Account Code, but he cannot insert any alteration of a rule requiring higher sanction, unless it has received that sanction. The Public Works Code embraces orders on personnel, organisation, and other subjects besides accounts, and must have the sanction of the Government of India in the Public Works Department for its modification; similarly, the Military Account Code is under the Government of India in the Military Department; but in both cases the Finance Department would always have to concur in any important alteration dealing with finance or accounts.

340. We have spoken of the method in which the Military Department obtains money: could you tell us briefly the rules under which the Public Works Department obtains money from the Treasury, the limitations or conditions under which it draws?—Funds are supplied to the Public Works Department by means of letters of credit, against which the disbursing officer, usually an executive engineer, draws cheques. The amount of the letter of credit up to which each disbursing officer may draw, is communicated to the treasury officer by the Accountant-General. The letters of credit are issued monthly on the application of the Examiners of Public Works Accounts; and it is provided that,—"The ordinary monthly requisition will be accompanied by a statement showing the grants, expenditure, and balance of the departments as known on the 20th of the month in which the application is made, the object of which is to make the Accountant-General watch the expenditure of the Public Works Department as against its grants. But the supply of funds should not be stopped from an impression that the expenditure of the department will exceed the grant. If, on checking these statements, the Accountant-General sees reason to form such an expectation, he will report the matter at once to the Local Government for instructions, but will not put the Public Works Department to inconvenience by a sudden stoppage of funds, except on the clearest grounds. If the Examiner asks for funds which he admits to be in excess of the grant, the Accountant-General will exercise his discretion as to whether there are sufficient reasons for granting the credit in anticipation of the sanction of Government Any such credit should, of course, be at once reported to Government."

341. The Public Works Department, it seems to me, is a most important one. It may, I suppose, be divided into two heads, viz., the building and maintenance of public institutions, and the execution of great public works and their maintenance. The regulations under which money is issued for the first head, or ordinary expenditure of the Department, are probably simple. But for the second, which involves large capital expenpenditure, what are the regulations and limitations under which money is supplied?—Whether funds are required for the construction or the maintenance of works, and whether those works are ordinary buildings and roads, or great public works such as railways and canals, the money is issued under the system that I have just described. There is no difference in the system.

342. Can you say in round figures what is the amount of the Public Works Budget?—The Public Works Department spends on the maintenance—would you include interest on debt also in it?

343. Yes, I think so; the whole expenditure?—On railway revenue account—I am reading the figures for 1893-94—Rx. 21,832,476; on irrigation, Rx. 2,862,567; on civil buildings and roads, Rx. 4,630,244—I omit the military works, because they are under the Military Department;—and also there is the construction of railways and protective and other irrigation works which in that year came to Rx. 1,191,208. Those together would make a total of about Rx. 30,500,000. Then there is also the capital expenditure on railways and irrigation works not charged against revenue, which was Rx. 3,621,252; so the total would be something like Rx. 34,000,000.

344. The total expenditure?—The total expenditure that the Public Works Department would control.

345. In what manner, from a financial point of view, is the progress of Public Works expenditure tested and watched?—The disbursing officer on each work keeps a cash-book, a measurement book, a muster roll, a contractor's bill, and a daily report, abstracts of which he forwards, immediately on the close of each month, to the executive engineer. That officer compiles them with store accounts, and compares the outlay to date with each sub-head of the sanctioned estimate, and sends to the Superintending Engineer a work slip, immediately on its becoming apparent that the estimate is likely to be exceeded from any cause. He is required to send to the Examiner, by the 20th of the succeeding month, a cash account current, a stock account current, a schedule of receipts and expenditure, list of petty works and repairs, an extract from the contractor's ledger, a schedule of establishment charges, and a list of the vouchers for each item of expenditure. This enables the Examiner to watch the progress of each work; and he submits a monthly return of grants, expenditure, and unspent balances, to the Accountant-General of the Public Works Department.

345*a*. The Examiner is an officer of the Public Works Department?—Yes.

346. Is he, so to speak, the auditing officer in the Public Works Department?—Yes; his duties are those of audit as well as account.

347. Like those under the Accountant-General?—As regards audit, the Examiner holds a similar position to that of the Civil Accountant-General.

348. Does the Public Works Department execute any works for the Military Department, or has the Military Department its own Works Department quite independent?—Military works are under the Military Works Department, except, perhaps, at very small stations, where it is not worth while to keep a separate staff.

349. Under what limitations, and under what conditions does the Military Department draw for its payments?—Funds are placed at the disposal of military officers by annual assignment estimates in their favour, issued to treasury officers by the local Accountants-General, on the application of the Controllers of Military Accounts. The probable cash requirements for each month are specified in the assignments. The treasury officer pays any amount drawn against the assignment, provided that the payments up to date do not exceed the provision made in the estimate for that period. The Controller is responsible that there is sanction for the assignments for which he applies; and the aggregate of the assignments for the current year is reported on the 1st of May to the Military Accountant-General and to the Comptroller-General, who are also periodically informed of any additional assignments.

350. Then there is no occasion for the treasury officer to object to make a payment so long as the demands are not beyond the sum assigned in the Budget?—Quite so. He will treat it as an imprest or advance to the Military Department within the assignment.

351. And so far there would be no such friction between the civil and military officers which we have here described?—No, there would be no friction between the civil and military officers in that case.

352. Would you describe the military authorities in their order?—The Military Member of Council, the Military Secretary, the Military Accountant-General, the Military Controllers in the four commands, the Military Examiners, and the Military Disbursers.

353. Would you explain the functions of the Examiners and Disbursers. Are the former of the character of audit officers, the latter of that of executive officers?—Yes, that is so.

354. The examining officers have no executive functions?—No. They are officers of audit and account.

355. You say in your memorandum that an additional credit may be given on the authority of a district or station order. What officer can give such an order and under what limitations?—The officer commanding a station or district is allowed to give such an order in cases of emergency, when delay in applying for a supplementary assignment would be productive of inconvenience to the public service, and he may obtain an additional credit on a civil treasury on the authority of a station or district order.

356. Without limit?—Without limit; but such a credit must not be applied for except in cases of actual necessity, and the circumstances must, in every case, be reported to the Controller of Military Accounts.

357. Would the civil treasury officer report to his Accountant-General also that such a demand had been made upon him in excess of the assignments?—Yes. (*Mr. Jacob.*) It would come to the Accountant-General's notice in the accounts.

358. His attention would not be specially called to it?—I do not think so. (*Sir Henry Waterfield.*) In every case when an advance is made, it can only be made through the paymaster or commanding officer of the regiment, who will draw the amounts by cheque, supported by the authority of a station order; and the treasury officer has on the same day to send a letter of advice to the officer who has authorised the advance; so that it is at once brought to the notice of the military authorities that such a payment has been made.

359. But then the civil officer who makes the issue from the treasury is not bound to report the fact that this excess has been incurred to his own chiefs?—No, the Civil Accountant-General could not exercise any check, because it does not follow that it is an excess issue on the whole; it may be only an excess in that district or in that province, covered by a saving in another.

360. The Military Controllers appear to discharge very important financial duties. They learn from the military disburser, the actual military expenditure in progress, *i.e.*, the imprests the disbursing officers have received, the expenditure defrayed out of those imprests, and the balances in hand, and by means of this information they are able to warn the Military Accountant-General and the Military Member of the progress and prospects of expenditure. Is that so?—Yes.

361. Do the Military Controllers learn early in the month from the Military Disbursing Officers the amount of the military expenditure in the preceding month?—Yes.

362. I understand that by the 20th of the current month they can telegraph the account of the past month to the Military Accountant-General?—Yes, a preliminary account.

363. Your memorandum states that the Military Controllers telegraph on the 26th of the month "the "total debits for military expenditure incurred in other "departments as received through the Central Adjust-"ing Department." Would you explain rather more fully the nature of this information, and the sources from which it is derived?—Military expenditure may be incurred not only in the Military Department, but also in the Public Works, Post Office, Telegraph, and Marine Departments. Any such expenditure is in the accounts transferred to the Military Department, through the central adjusting account kept by the Comptroller General.

364. Then these are departments outside the Military Department?—Yes.

365. They are not sub-departments?—No, they are other departments, but they may incur expenditure which in the accounts is brought into the army charges.

366. Therefore by the 20th of a month the military expenditure carried on by the military disbursers is ascertained and telegraphed to the central office?—Yes; approximately.

367. By the 26th there is a supplemental account of what may be incurred in other departments?—(*Mr. Jacob.*) That is so.

368. (*Sir Ralph Knox.*) That is reported as a total, I suppose?—It is the Military Accountant General who receives the report from the Controllers The Comptroller-General compiles the total military expenditure he has received through the Military Controllers; he also receives statements from the other departments, and transfers into the Military Account any charges that should be reckoned as army expenditure.

369. But is what he telegraphs the total expenditure in the particular district or is it classified in detail, showing the expenditure under all the various heads of military expenditure?—It depends upon which date you are referring to. The first telegram is a total—in the second it is sub-divided. The telegram of the 26th contains the total disbursements of military expenditure incurred in other departments.

370. On the 26th of the following month?—Yes.

371. And then when is the further time?—The telegram of the 26th is the second. On the 20th the Controllers must telegraph to the Accountant-General in the Military Department the total military expenditure by military disbursing officers in the previous month, and on the 26th the total debits for military expenditure incurred in other departments as intimated through the central adjusting accounts.

372. But only the total?—It is only the total.

373. In either case it is only the totals?—Yes, they are only totals.

374. (*Chairman.*) And the second one is a mere supplemental account?—It is a supplementary account, to be added to the other.

375. (*Sir Andrew Scoble.*) Is that a grand total or a series of specific totals applying to specific departments?—We are speaking of the Military Department now.

376. In regard to the other items of civil expenditure on military account is the grand total given, or specific departmental totals, applicable to each of these departments particularly?—You mean the supplementary addition?

377-8. That on the 26th?—Yes. I think it is one total.

379. (*Chairman.*) Shall we not learn this from Sir Oliver Newmarch?—I am afraid it has been altered since his time. I took this from an order which was only published the other day—in 1894. The words are "total debits"; I think it is a lump sum.

380. (*Sir Andrew Scoble.*) A lump sum?—I think so.

381. (*Chairman.*) Have not the Controllers the power of authorizing a certain amount of extraordinary expenditure without reference to the Central Government? Is this power sufficient, if freely exercised, to create a noticeable excess in the Military Budget?—(*Sir Henry Waterfield.*) The Controllers have power to sanction

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expenditure not provided for by regulation up to a limit of Rs. 500 in each case, but not exceeding Rs. 1,000 in any month. The use of such authority is conditional on the amount being covered by the grant, under the particular head, for that command during the year; it is merely used to avoid petty references for formal sanction.

382. In fact there being only four military Controllers, it could only amount to Rs. 48,000?—If each used it to the utmost, it could only come to that.

383. Are there any further important periodical accounts in the Military Department, prepared for the Military Accountant-General, or by him, besides those based on the information received by the Accountant-General on the 20th and 26th of each month?—I am not sure that there are any other important returns prepared for or by the Military Accountant-General; but a very important series of returns is kept up in the Military Secretariat, of which copies are laid quarterly before the Military Member of Council. These give statements of all expenditure sanctioned during the year, which was not provided for in the estimates, (1) not recurring, (2) recurring in the following year; and also of proposals reserved for consideration with the estimates of the coming year.

384. Then there is no account laid before the Military Member of Council showing from time to time the progress of the military expenditure during the year?—(*Mr. Jacob.*) Yes, he receives the Comptroller General's return showing under each great branch the progress that is going on, which comes to him monthly.

385. And this is sent to him monthly?—It is sent to him monthly.

386. This sums up the whole military expenditure of India?—Yes.

387. For the preceding month?—For the preceding month and for the preceding period of the year; it is progressive.

388. (*Sir Ralph Knox.*) Under eight different heads?—Yes.

389. (*Chairman.*) And how long after date would this be furnished?—A little more than two months. I think the date is probably on it. (*Sir Henry Waterfield.*) You will see the date on the back; I think it is 2½ months.

390. Therefore the Central Military Department has this information by the end of the month following the month to which the expenditure refers? It is in sums total, the statement of the issues for military expenditure up to the conclusion of that month?—Up to the conclusion of the preceding month.

391. I mean the preceding month. Therefore at the end of May we will say the Military Department knows the total of the military expenditure for the month of April, and for any preceding part of the financial year?—You have selected the first month.

392. I have taken a bad month, let me amend it and say at the end of August they know the military expenditure for the month of July and the preceding portion of the financial year?—Yes.

393. But that is only in totals?—That is in totals.

394. About the middle of October the Military Department would get further information for the period to the end of July under separate heads?—Yes.

395. But intermediate between those times they have no information?—They have no detailed information.

396. Is there an account of the military expenditure of the year drawn up by the Accountant-General, after the conclusion of the year, comparing actual expenditure with estimate? Is such an account communicated by the Military Department to the Financial Department?—I think, in reference to my previous answer, I must make it clear that they have no return of the total expenditure, but they have a return from each Controller.

397. They could put it together?—They could put it together, but it would not have been compiled for them. With reference to the last question, each Controller prepares an Appropriation Report, which he sends to the Military Accountant-General, who compiles them into a report which he furnishes to the Comptroller General, at the same time sending those of the Controllers of Military Accounts. This report is also communicated to the Financial Department of the Government of India.

398. And how long is that after the conclusion of the year? As I understand, the Military Accountant-General, on the basis of the information rendered him by the Military Controllers, draws up an account of the military expenditure for the year, and furnishes that to the Controller-General, through whom it passes to the Finance Department?—I do not see any date mentioned for the despatch of the Military Appropriation Report. The Civil Appropriation Reports are sent in about the beginning of October. I think it must be about the same date.

399. Have you not a copy of a Military Appropriation Account?—I do not think I have; I have only the Comptroller-General's Appropriation Report.

400. Would there be one in the India Office?—I will send round to ask.

401. Would you say that the Military Accountant-General corresponds to the Accountant-General of the Army here?—Yes, I think so; very nearly so. The military accounts are kept by the four Controllers, and all transfers of account would be made in their offices, not in that of the Military Accountant-General, but otherwise I should suppose that the position is very nearly the same.

402. That is to say, he is the head permanent financial officer of the War Office?—Yes.

403. I think Sir Ralph Knox would admit that that is the description of his position?—(*Sir Ralph Knox.*) Yes, I think so.

404. (*Chairman.*) What happens when the drafts on a treasury threaten to exceed the receipts?—The Accountant-General is responsible for keeping all his treasuries adequately supplied with funds. To assist him in carrying out this part of his duties, he receives each month from each treasury an estimate of the balances, receipts, and expenditure, of that and the two succeeding months, which he checks by the information in his possession as to normal receipts and expenditure and as to any unusual demands. He is thus kept constantly informed of the position of each treasury, and he orders remittances of coin from surplus to deficit treasuries.

405. Therefore, there is no necessity to give a district treasury the power of borrowing?—No.

406. Could you describe generally the accounts which are rendered to the Comptroller-General through the Provincial Accountants-General or by other departments to aid him in checking the progress of expenditure?—The Comptroller-General receives by telegraph on the 8th of each month from each Accountant-General the following totals: on the receipt side Civil Revenue, Civil Debt and Remittance, Forest, Telegraph and Marine and Post Office, Guaranteed Railways, Military Department and Public Works Department, and the opening balance; and for the outgoings, Civil Expenditure, Civil Debt and Remittance, Forest, Telegraph and Marine and Post Office, Guaranteed Railways, Military Department, Public Works Department, and closing balance.

407. Who sends that to him, each Accountant-General?—Each Accountant-General telegraphs it to the Comptroller-General on the 8th of the month.

408. On the 8th of the succeeding month?—Yes. On the 15th, the Accountants-General telegraph to him in greater detail, under the following revenue heads: "Land Revenue"; "Opium"; "Northern India Salt Department"; "Salt, Local Manufacture"; "Seaborne Salt"; "Stamps"; "Excise"; "Provincial Rates"; "Customs"; "Assessed Taxes"; "Tributes of Native States"; "Total Civil Revenue"; "Payments," "Interest on Government Promissory Notes"; "Opium Expenditure in India, Bengal, and North-West Provinces, and Bombay"; "Total Civil Expenditure"; and then a check figure which is the total of all the preceding figures.

409-10. Those are the accounts which the Comptroller-General receives during the course of the year?—Yes, he gets those monthly; the first sent on the 8th, the second on the 15th of the month. Then the net military issues to each command are also sent to him, and the Public Works Receipts and Issues under these heads:—"Telegraph Department, Ordinary Branches, "Railway Branches, East Indian Railway," "Total."

411. Then in the course of the year, does he, at the end of three months or six months, or at any other time provide, or is there provided for him, a more elaborate account, the above-mentioned accounts being,

as I understand, only totals?—Totals under the above menticned heads. He shortly afterwards receives an abstract account revising the telegraph figures. That is compiled at the close of the month following that to which it relates, and is in greater detail.

412. And that is all he receives while the year is in progress?—Yes, that is all. (*Mr. Jacob*). I show you a form of the more detailed civil account compiled by the Comptroller-General.

413. Then what is the basis upon which the revised estimate of income and expenditure, which I understand is prepared and issued in the course of the year, is based?—The book of civil estimates which I have put before your Lordship shows the details of the revised estimate; the revision is based on the latest figures of actual expenditure available at the time.

414. We may say therefore that the revised estimate is really based upon the information contained in these monthly accounts?—On accounts drawn up in much greater detail. Each Accountant-General submits an estimate in full detail in the form of the civil estimates, but there is an additional blank page, on which he gives the actual expenditure under every head for eight months or nine months, as the case may be.

415. This is really got out of these monthly accounts?—The total is in these monthly accounts, but these are in much greater detail, and the estimate is framed with reference to the actuals under each detailed head.

416. Therefore you may say his account is complete for eight months, and he forwards that completed account to the Central Financial Department, and on that the estimate is revised?—Yes.

417. (*Sir Ralph Knox.*) He sends an estimate of the remaining four months?—Yes.

418. (*Chairman.*) The remaining four months being estimated on the concluding four months of the preceding year?—Yes, and this is also given in the form in which the Accountant-General submits the estimate.

(*Sir Henry Waterfield.*) And then, perhaps, the actuals of two months more may be available in the course of the compilation of the estimates.

419. Then after the close of the year, when does he prepare the Appropriation Account—how long after?—For the Civil Account, it is about the 5th October, that it is sent, I think. I have ascertained that we have not any copy of the Military Appropriation Report; I cannot put that before you.

420. And the General Appropriation Report of the Comptroller-General includes also the military expenditure?—Yes, it includes the whole. Shall I hand in a copy of that?

421. I should like you so to do (*report put in*). And that Appropriation Report is prepared within about six months of the close of the year?—The Comptroller-General's report is prepared nearly 12 months after the close of the year, but the Appropriation Reports of the several Accountants-General, from which it is compiled, have been prepared about six months before.

422. Are they published?—No, I think not.

423. You have something like six months to prepare your Appropriation Report?—(*Mr. Jacob.*) No, I get the appropriation reports of the Civil Accountants-General in October, and I submit my own report in February; that would give about four months perhaps. I find the date prescribed for the submission of the Military Appropriation Audit Reports is "the 15th, but "under no circumstances later than the 25th September."

424. They have to be ready by that date?—They have to be submitted to the Military Accountant-General by that date.

425. The Military Accountant-General is not responsible for the drawing of them up?—He compiles his own report from them.

426. But they come from the Military Controller?—Yes, they come to him from the Controllers.

427. By the 25th September?—By the 25th September.

428. And he prepares a compiled account?—Yes.

429. And at what time does he send it off to the Comptroller-General?—It reaches him about November.

430. So he has some three months to make his account up?—Yes.

431. And I suppose, without going into detail, something of the same kind of rule applies to the Public Works Department?—(*Sir Henry Waterfield.*) Yes, I think so.

432. The Public Works Department do prepare a separate Appropriation Account?—(*Mr. Jacob.*) Yes.

432*a*. Now what is the account which the Comptroller-General prepares for the information of the Finance Minister? I want to compare his account with what is done here. The Chancellor of the Exchequer relies on receiving on Monday afternoon—I think I am right—an account under the general heads of Army, Navy, Debt, Civil Service, and so forth of the issues from the Exchequer on the one side, the receipts on the other side, and the balance of account up to the Saturday night previous; and that is the standing account upon which he works. I think I am right in saying that every month during the year he gets an account for the completed portion of the year, and another for the quarter. Is the Finance Minister in India furnished with any account at all corresponding to that?—On the 9th of the month following the month to which it relates he gets this statement (*statement put in*).*

433. That is sent to the Finance Minister?—It is telegraphed to him if he is at Simla, and it is given to him if he is at Calcutta.

434. And that is for the previous month?—Yes.

435. It does not give the previous year; it is for the current year?—No, it compares the actual expenditure with the Budget; there are columns for that purpose as you will see.

436. But is it made up to date? Here would be two months of the financial year; does this statement include two months?—Yes, it gives both the expenditure for the month and the progressive total, and compares both with the Budget.

437-8. It is not a balanced account; is it?—Yes.

439. What is "progressive"?—The figures under "Progressive" are for the past months in the year.

440. Oh, you divide the statement into two heads, current and progressive?—Yes; current is for one month, and the progressive is for the months of the year that have elapsed, including that month.

441. And, therefore, the Finance Member of Council has no source of information, except that supplied by the Comptroller-General; and the Comptroller-General gives him, within nine days of the close of the month a monthly account?—Yes.

442. He gets no weekly accounts?—No.

443. On the 15th he gives him this other account?—On the 16th generally; it is prepared on the 15th, and gives further details, including the actuals under each of the principal heads of revenue, both for the previous month and the progressive.

444. (*Sir Ralph Knox.*) Those are compiled from telegraphic reports from the different Accountants-General?—Yes.

445. (*Chairman.*) At the close of the quarter is any more elaborate account prepared?—A civil account is prepared at the end of the following month.

446. That is still more in detail?—Yes, that gives every major head.*

447. Does the Financial Member receive any information from officials who understand, and who are watching the progress of, the revenue side as to what that progress is and the reasons for that progress or, it may be, falling off of revenue?—Yes, from the great Imperial Revenue Departments, such as the Salt Department, the Finance Member receives statements during each month.

448. But this is a point upon which I have been asking some questions previously. There will be some difficulty in getting information from the Customs, Excise, or Stamps, because there is no central authority to collect information such as our Board of Customs and Board of Revenue?—On the same date that the account of which I have just spoken is submitted, on the 16th, the Finance Member receives these statements from me giving details for every principal head for each province (*statement put in*).

449. This relates to Opium?—Statements for all the heads are there, Land Revenue, Opium, Salt, Stamps, Excise, &c.

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* *See* Q. 2844*a*-5.

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450. All are here?—Yes, there is a statement for each of them, and they come from each province.

451. I see there is no comment upon these figures?—No, these are solely the figures.

452. And, except in the case of Opium and Salt, you may say there is no officer who is in a position to describe the reasons for the increase or falling off of revenue?—No.

453. We will take a very important measure passed in England, such as the alteration of the death duties. Last year at the close of each quarter the Chancellor of the Exchequer would have received, as a matter of course, an account coming from the Inland Revenue showing under each head the progress of the different taxes, and a short account of the reasons for any increase or decrease; and he would thereby have learned from the officers who were actually engaged in carrying out the law, the manner in which this new law was working. I have heard that the Finance Member of Council does not get such assistance in the course of the year from what I may call the Revenue Department?—If there is any difference from the Budget estimates in any province, I should call upon the Accountants-General to explain why the revenue was coming in more slowly, and I should ordinarily do it by telegraph. The Accountant-General would be in communication with the local heads of departments, and would be able to give such explanation as they could afford.

454. That would come by your asking; it would not come automatically?—The Accountants-General are told to explain any considerable difference when they send up the figures.

455. But the Accountants-General themselves have not necessarily information; they must go elsewhere?—They must get it elsewhere.

456. In fact, be the Indian system sufficient or be it insufficient, there is no centralised revenue authority who can immediately give information upon these revenue questions in the same way that our Board of Inland Revenue can here?—I am not quite sure about that; the principal revenue heads are provincial in India, and the Provincial Governments receive these returns at the same time that the Government of India does. They, being responsible for the principal revenue heads, would ordinarily at once take up any questions that may arise out of them. Of course, the Government of India cannot go into the details of every head of revenue in every province.

457. In fact it is the case that there is no person who at all corresponds in India to the Chairman of the Board of Inland Revenue or the Chairman of the Board of Customs here; a man who ought to have all the information under that department in his hands and be ready to produce it at any moment, sitting there at head quarters watching it day by day, knowing the policy of the Government under which it is carried out, and testing results by that knowledge?—For each province there is such a man.

458. In Bombay?—In Bombay there is a Commissioner of Customs, Excise, and Opium.

459. There is?—Yes, and in Bengal there is a Board of Revenue, and in the North-West Provinces also; each of these would know all about any particular head of revenue in the province, and each province is a very large unit.

460. Therefore the Finance Member of Council could, either directly or through the Accountant-General of the Province, communicate with the Board of Revenue, or the responsible head of the Revenue Department, and learn what the progress of the revenue was, and the reasons for any rises or falls?—Yes.

461. (*Sir Ralph Knox.*) Is that in every province?—That is in every province. (*Sir Henry Waterfield.*) He would do it through the Provincial Governments; but confidentially, he would very likely inquire from the officer himself.

462. (*Chairman.*) Passing now to the question of audit, would you describe in like manner the process of examining and reporting on accounts in the Public Works Department; who the examining officers are and where stationed; how and when accounts reach them; to whom and in what form they report the result of examination; whether they report irregularities or cases in which the assent of the Finance Department, if necessary, has not been obtained, and whether their reports and criticisms are communicated to the Finance Department?—There are 45 examiners at the head-quarters of the several provinces and chief railways.

463. Will you explain how the expenditure is examined?—It is by the examiners.

464. In the army they have Controllers who are engaged, you have told us, solely in examining these accounts?—Yes.

465. Then how do these accounts come before you?—(*Mr. Jacob.*) You are speaking of the Military Department now?

466. Yes; the Military Department?—The disbursing officers in each case will send up their accounts. They are required to submit their cash and store accounts to the examiners of accounts at such periods during the month as may be prescribed by the controllers, and they are responsible for submitting the accounts in the prescribed form. That is the duty of the disbursing officers. They must send up their accounts to the examiners at a given date which is prescribed, and then the examiners at once begin to audit these accounts.

467. And have those examining officers every access to the books of the department, from which the accounts are extracted?—I should say so, certainly. Yes.

468. Then these examining officers are purely audit officers, and they know nothing whatever of the expenditure until these accounts are sent in to them?

469. (*Sir Ralph Knox.*) Do the disbursing officers apply any check before they make a payment?—The disbursing officers can only make payments under the rules laid down.

470. Then they examine the vouchers to see that they are in accordance with the rules when paying?—They examine the demand, and if it is not according to regulations they will not pay. In many cases the demand bill is pre-audited by the pay examiner before it is passed and paid.

471. They pay on the order of the examiner?—Yes, in some cases.

472. (*Chairman.*) I thought I had understood that monthly accounts were sent for payment?—Yes, the accounts come up monthly. But individual bills—for instance, the salary bill of the commissariat officer—would be sent to the pay examiner at the end of the month for which pay is due, and he would examine, pass, and return it, and it would then be paid by a cheque on the Treasury. (*Sir Henry Waterfield.*) There is pre-audit as well as post-audit.

473-4. Exactly. Then I suppose the examining officer can only examine what the disbursing officer chooses to send to him to examine?—(*Mr. Jacob.*) Yes, but if any sum has been drawn from the Treasury, the disbursing officer must send to the examiner a voucher showing the amount and the account on which it has been disbursed.

475. (*Sir Ralph Knox*) But would the examiner examine the pay list for instance in the first instance, before he ordered the disbursing officer to issue the cash?—The pay of a regiment you mean?

476. Yes?—Yes.

477. He examines in detail and then sends to the disbursing officer to pay?—Yes; that is the procedure in the case of pre-audited bills.

478. (*Chairman.*) Do I gather that these examining officers are all at the head quarters of the Controller or are they scattered over the different places where the troops are?—They are all at head quarters, except in the case of Bombay and Rangoon. Poona is the head-quarters of the Bombay command, and the Controller is there; but for the convenience of officers embarking and landing there is a special paymaster at Bombay.

479. Does it not cause some awkwardness if the examining officers are situated at one place, and the principal audit which you have mentioned is carried on at another? Does it not mean sending a certain number of accounts for examination before they fall due?—Yes; that has to be done, of course. That procedure is followed chiefly in the case of salaries and establishments.

480. Then when the examining officer has examined the monthly accounts, does he report the result to the military Controller of the province?—Yes; he is the

assistant of the military Controller; he is really part of his office.

481. He is the head of the office?—Yes, the Controller is the head of the office.

482. And does the Controller send this audited result up to the Military Accountant-General?—No; he does not send any monthly audit report to the Military Accountant-General. He is the final authority so far as the audit is concerned, unless anybody appeals.

483. And he does not do anything until the year is passed?—Oh, yes, every month, on the monthly accounts.

484. But he does not send at all to the Military Accountant-General and the Central Military Department until the estimates are prepared?—He sends the body of the account, but he does not send any detailed report.

485. He sends in the account, but no report?—Yes.

486. Therefore, the Military Accountant-General knows the result of the audited account?—Yes.

487. Probably these accounts of which you have been speaking are two months after date, or something of that kind?—Yes.

488. Now, would the military examiner, when the monthly accounts are before him, note any case in which an order had been made for expenditure not provided for in the Budget, or not specially sanctioned and for which the sanction of the Government has not been previously obtained? — (*Sir Henry Waterfield.*) He would retrench any undue charge at once. In case of doubt he has to refer to the Controller.

489. But I presume the examining officer would not trouble himself about the sanction of the Finance Department, would he?—(*Mr. Jacob.*) Oh, yes, he would.

490. Though he is a military officer?—Yes.

490*a*. Not being one of your officers?—Yes, it would make no difference.

491. And also the sanction of the Secretary of State?—The objection in that case is made through the Controllers. If it was a question of over-payment of salary to an officer, the examiner would act at once.

492. (*Sir Ralph Knox.*) Supposing an objection to be made, has the Controller power to decide whether the demand shall be passed or not?—Yes, he decides absolutely.

493. (*Chairman.*) You say the stores accounts are sent by the disbursing officer to the examining officer. What check does the examining officer apply to the stores account; and by what agency does a survey of stores in stock take place, so as to ensure that the stock agrees with the account?—(*Sir Henry Waterfield.*) There are very careful rules laid down about the stores. Rules are given, varying according to the Department. I am taking now the case of the Commissariat Department. They require monthly returns of (*a*) the stores and transferable dead stock; (*b*) returns of surplus gear and uniform clothing in stock; (*c*) return of grass; (*d*) return of hospital stores and equipment; and (*e*) returns of reserve stock. And it is provided that "In "auditing commissariat store returns, the following "points will be attended to:—

"(1.) That the returns have been countersigned by "the chief commissariat officer.

"(2.) That corrections promised in replies to ob- "jection-statements have been made.

"(3.) That stores other than those to be accounted "for are not shown in the return.

"(4.) That the opening balances agree with the "closing balances of the previous month's return.

"(5.) That each entry of receipt and issue, which in "accordance with regulations should be supported "by a voucher, is so supported, and that the "transactions shown in the vouchers agree with "the corresponding entries in the return.

"(6.) That the calculations in the returns and "vouchers are correct.

"(7.) That the periodical verification reports of stores "and stock, as prescribed by regulations, are duly "furnished, checked with the returns on record, "and transferred to the Commissary-General with "a statement of discrepancies noticed."

494. Then I suppose that there are regulations for the survey of stores, so as to ensure the actual stock being in correspondence with the accounts? I suppose these Military examiners only examine the accounts.

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and are satisfied by the signatures on the accounts, that the stores are really there?—Yes, but I read: "That "the periodical verification reports of stores and stock. "as prescribed by regulations, are duly furnished." Those regulations lay down how the examination of the stores shall be made.

495. Quite so: but the examiners have nothing to do with them?—(*Mr. Jacob.*) No.

496. (*Sir Ralph Knox.*) They see that a report is furnished to the effect that some officer has verified the stores with the account?—(*Sir Henry Waterfield.*) Probably a regimental officer, I suppose.

497. Board of Survey?—Yes, a Board of Survey.

498. (*Chairman.*) Would you describe in like manner the process of examining and reporting on accounts in the Public Works Department. I think you practically have told us that in telling us the strength?—The accounts of the several engineers are sent monthly to the examiners, who audit them and report to the Accountant-General if necessary on any point. They would certainly report to him if the sanction of the Finance Department had not been obtained, and, as in the Military Department, they at once disallow expenditure not duly sanctioned. The compilation of the accounts by the Accountant-General of the Public Works Department is furnished to the Finance Department.

499. And therefore the Finance Department, both in this case and in the case of the Military Department, is informed of the criticisms made by the examining officers?—So far as those criticisms have to be passed on, but many of the examiner's criticisms may have been settled at once.

500. And so they fall, of course?—Yes.

501. Are there any other departments in which there is a separate staff for the examination of expenditure, to which you would wish to call our attention, in order that we may fully understand the extent to which, and the manner in which, accounts of expenditure are examined in India?—There are other account departments; the Forest and Postal Accounts Departments are under the Comptroller-General; the Marine under the Military Accountant-General; and the Telegraph under the Public Works Accountant-General. But they all have their own accountants or examiners, whose accounts are sent to the Comptroller-General or Accountant-General, as the case may be.

502. Of course, for those under the Comptroller-General he can lay down his own rules?—Yes.

503. Having now learned the nature of these accounts, I would like to ask whether the Comptroller-General is an executive as well as an auditing officer?—Yes.

504. Who are the officers through whom the Comptroller applies his audit (1) in the treasury at head-quarters, (2) in the provinces?—The work of audit is primarily applied through the Accountants-General of the provinces and the Departmental Account Officers; but at head-quarters the Comptroller and Auditor-General is assisted by one deputy comptroller-general and two deputy auditors-general, and three assistants, besides a large staff of superintendents and clerks. I think I gave the number in a former answer.

505. Has he in each province an account office at head-quarters, the officers of which examine in detail the accounts of the Civil Treasuries; or has he an officer visiting each treasury, independent of the officer in charge of the treasury; and does he by means of that officer examine in detail the accounts of the treasury?—In each province the Accountant-General, who is an officer under the Comptroller-General, examines in detail the accounts of the civil treasuries, special officers being set apart for the purpose; the auditing officer examines the vouchers at the central office, and would not go to the district treasury unless the accounts showed some reason to suspect malversation. That step has, however, been taken occasionally by the Accountant-General; but it has been ruled that the revenue authorities are responsible for the detailed control of each treasury. It is not the Accountant-General who is primarily responsible for the treasury officer; that rests with the revenue authorities.

506. Because the officer in charge of the treasury is under the Collector?—He is an officer of the Collector's establishment.

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507. Still, it is the function of the Comptroller-General to see that these accounts are audited, and to get the results?—Certainly; I was referring rather to the check on the treasury officers.

508. And are the auditing officers under the Accountant-General in a province his own officers—or are they the officers of the revenue authorities?—The auditing officers are officers of the Accountant-General's office.

509. And, therefore, officers belonging to the Comptroller-General?—Yes. (*Mr. Jacob.*) It is provided that the inspection reports of the land revenue officers shall always be sent to the Accountant-General, and the Comptroller-General has drawn up a list of questions with the view of bringing to their notice the important points to be noticed in the inspection of a treasury.

510. Do these examining officers send their accounts, with their reports and criticisms, to the Accountant-General of each province? and how long after the close of each month is it before the audited account of each treasury for the month is furnished to the Accountant-General of the province to which the district belongs?—(*Sir Henry Waterfield.*) The examining officer is, as I said, a clerk in the Accountant-General's office, and at once places in the objection book any charge which is not duly sanctioned, thereby bringing it to the Accountant-General's notice; and it is specially laid down that the Accountant-General is to pay constant attention to this book, which is formally reviewed once a quarter. The audit of each month's payments is carried on immediately, so as to avoid the repetition in the next month of any error that may have occurred.*

511. Therefore, all the criticisms or disallowances which are not settled at the time are sure to come on to the Comptroller-General through that objection book?—They come to the Accountant-General, and if he is not able to settle them they would go on to the Comptroller-General. (*Mr. Jacob.*) It is very seldom that any audit question comes to the Comptroller-General.

512. They are all settled by the Accountant-General?—Yes.

513. But the Accountant-General only settles them by delegated authority from the Comptroller-General?—No; he is the primary auditing officer.

514. Then what security is there that an officer, who, although a high officer, is a subordinate officer, may not give erroneous decisions in not disallowing certain charges?—It is for that purpose that I have the two Deputy Auditors-General. I send them round to all the offices in India; they test the accounts for two or three months, and bring to my notice any doubtful questions.

515. That is the test audit mentioned in the memorandum?—Yes.

516. They may be said to be the Comptroller-General's detective staff?—Yes.

517. There is then really no monthly audit report; the monthly audited account comes to you from the Accountant-General, but no remarks upon it?—No, it is the account, without any remarks.

518. But then what is done with an objection entered in the objection book if the Accountant-General is not satisfied on the point? Does he not send it up to you?—Yes; if he were in doubt he would refer the question to me; but as a rule objections get removed by correspondence.

519. The accounts of civil treasuries, I suppose, only give the issues of imprests from these treasuries for Military or Public Works expenditure, and show whether those issues have been made in accordance with the regulations of the service?—Yes.

520. If so, the Comptroller-General can only learn whether the actual expenditure of the Military and Public Works departments is in every respect regular, through the reports of the Military and Public Works Examining Officers. I think that follows from an answer which you made to the effect that even if a civil treasury officer pass an account in total for the military department, he still treats it as an issue to the department to be accounted for by the department?—(*Sir Henry Waterfield.*) Yes, the Comptroller-General has the means of knowing, through the reports of the Civil Accountant-General, that the total expenditure is within the budget or supplementary sanction; but he depends on the auditing officers in the departments for information as to the regularity of the details, and then, as Mr. Jacob was saying just now, he has that check, that he deputes from time to time one of the Deputy Auditors-General to examine the office account.

521. When the Comptroller-General has all the accounts of the year before him, does he then draw up a general audited account of the expenditure of the Empire for the year, accompanied by a report on each branch of expenditure, corresponding to the Appropriation Reports of the Comptroller and Auditor-General here?—The detailed reports correspond more or less to the report of the Comptroller and Auditor-General in England; but the final report of the Comptroller and Auditor-General is not of the same minute character. You will see, from the copy before you, that it is more in the nature of a review, comparing totals under each head with the Budget estimate and the expenditure of the past year.

522. That hardly answers to an audit report; it is more the report of an executive officer, is it not?—It is compiled from the audited accounts, but it does not exactly correspond to the Appropriation Report of the Comptroller and Auditor-General in this country.

523. The Appropriation Report is essentially the report of a critic, or ought to be?—Yes.

524. And I gather that this does not correspond to it. This is more in the nature of a review, I think?—(*Mr. Jacob.*) It brings to notice any case in which any sanctioned expenditure, or expenditure not provided for in the Budget, has been allowed.

525. Could you show an illustration of the manner in which the criticism is drawn up?—It is very seldom that the expenditure does exceed the sanction.

526. But I think the criticisms of an auditor would be addressed, not so much to excess upon the estimate, which no doubt he would note, but to cases in which in some respects an irregularity had occurred. It is very rare that you find an expenditure getting on to 70 or 80 millions ——?—Ninety millions.

527. With no irregularities, even venial irregularities?—Yes. This report of course does not draw attention to irregularities.

528. Then I think we must come to the conclusion that for India you have no Appropriation Report of the same kind as the Comptroller and Auditor General draws up here on the expenditure?—I do not know exactly what is the object of the report of the Comptroller and Auditor General here.

529. The Comptroller and Auditor-General, being entirely independent of the Executive, with full access to the books of the Executive, examines the account of expenditure under each vote submitted to him by the Department responsible for that vote, and guarantees the correctness of that expenditure on his responsibility by his signature. Then follows the report in which he calls the special attention of the House of Commons to any irregularity which he has found in the account. He has not, like you, the power of disallowance, and he can only report to Parliament irregularities for disallowance. Every vote of Parliament has such a report appended?—Then does not that account for the difference in the Appropriation Reports? I mean that the Comptroller and Auditor-General here has no power of disallowance, and consequently he must report the irregularities; the audit officers in India disallow at once, and so there really are no irregularities to report.

530. Yes, but then observe that that implies that they have power of allowing: and inasmuch as the auditing officers in India are also executive officers, the natural criticism one would make is, have you sufficient guarantee that items are not passed which ought not to be passed?—Yes. I think my test audit gives me a sufficient guarantee of that, and the report of each account officer is submitted to the Finance Department of the Government of India, with my comments appended.

531. Yes, but still you depend on a test audit for that guarantee; you can only guarantee it so far as your test audit enables you to form an opinion?—Yes, that is all.

532. But further than that, as I understand it, you do not present to the Indian Government any audit report of the nature of the Appropriation Report of the Comptroller and Auditor-General here?—No, it is not in the same form; it is an appropriation audit report;

* *See* Q. 2846 *et seq.*

it shows that there is sanction for every charge that has been incurred.

533. But it does not deal with irregularities?—No, not in that way. But the test audit reports do; I have found out errors sometimes through them.

534. What do you do with those test reports?—I pass orders on them, and require the account officers to explain; I also submit a copy of them to the Government of India, and finally when I get the explanations of the account officers, I refer again to the Government of India if necessary.

535. Have you one of those at hand?—I am afraid I have not. These test audit reports are very thorough; they run to 160, 180, and 200 paragraphs.

536. And these test audit reports go to the Government of India?—Yes; they are submitted to the Government of India *in extenso*.

537. With your comments upon them?—With my comments upon them.

538. Then whose is the final voice upon such irregularities as you have called attention to?—Well, if my decision was disputed, the question would be referred to the Government of India.

539. Your decision is final; but if the Commander-in-Chief, for instance, were to appeal against your disallowance of some payment made in the Military Department, the appeal would lie to the Government of India?—Yes.

540. And the Governor-General in Council would pass or disallow that item?—Yes. I never remember any case in the Military Department; but I remember there was a case in the Public Works Department, in which certain salaries had been passed which required the sanction of the Secretary of State. I ascertained it only by my test audit, and the Secretary of State's sanction was obtained.

541. Would there be in any case reference to the Secretary of State, even if the Governor-General in Council did not choose? Could the Finance Member of the Council, for instance, insist upon one of your reports being sent to the Secretary of State?—I could insist upon it.

542. You could?—Yes.

543. (*Sir Donald Stewart.*) It has been done, I think, quite recently?—Yes. (*Sir Henry Waterfield.*) I have a list of the instances where such references have been made. I think you will see that they are petty.

544. (*Chairman.*) Perhaps you will hand in the paper. But could you give us briefly what the cases are?—The final orders relating to the audit of expenditure requiring the Secretary of State's sanction were given in 1890; and the first case arose in 1892—the grant of free quarters to two officers whose salary exceeded 5,000 rupees; it was a question whether the grant of free quarters was an increase of salary or not; and the auditing officer held that he could not pass it; although the Government of India held that that was not an increase of salary, the auditing officer declined to pass it; the Secretary of State agreed that the Government of India might exercise discretion in such cases. The next case, in November 1892, was where expenditure on the East Coast Railway had taken place before the estimates had been sanctioned by the Secretary of State; in order to save time the Secretary of State had given his authority for the construction of the railway, but the estimates had not been formally sanctioned by him; the Government of India had provisionally sanctioned the estimates, but had called for a report on certain points before they submitted them for approval; Lord Kimberley held that the auditor's objection was justified in that case. The next case, in April 1893, was a personal allowance to a deputy native magistrate, on his transfer to superior civil service; the Secretary of State confirmed that allowance. The next was temporary continuance of the post of deputy inspector of cattle disease in Madras after the death of the person whose appointment had been originally sanctioned; the auditor said it was a personal allowance and not one for the office; the Secretary of State then confirmed it for one year. The next was a case where the Lieutenant-Governor of Bengal had agreed that gas might be supplied gratis to the official residence of the Commissioner of Police at Calcutta; the auditor said that that was an indirect increase of his salary, and therefore must receive the Secretary of State's sanction; the Secretary of State held that the Government of India could have passed it on their discretion, but, as it had been brought to his notice, he considered that it was an improper grant, and it was discontinued. The next was a case of an officer sent to Gilgit to replace one who had accompanied Dr. Robertson to Chitral, and while at Gilgit was allowed to draw a deputation allowance of 20 per cent.; that was not within the regulations, and it had to be referred for the confirmation of the Secretary of State. The next was the case of the private secretary of the Governor-General, who had been allowed during illness to draw his pay as if he had been present in the appointment; it would have been permissible if he had been in the Civil Service, but for an outside officer as he was there was no regulation to cover it; that was confirmed by the Secretary of State. The next was the case of the emoluments of an officer of the Bombay City Police, who was employed on special duty in connection with the forgery of notes in a native State, and he was allowed some addition to his salary to cover expenditure while on tour; that again, it was held, ought to have the Secretary of State's sanction. And the last case which I have was that of the linking up of the metre gauge railway systems in Northern India, where again the expenditure was challenged, as the estimates had not been approved by the Secretary of State, being under revision. In almost all those cases it was a mere question of whether a formal approval had been given, but it shows, I think, that the auditing officers are careful to draw attention where the forms have not been complied with.

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545. In the correspondence which followed the inquiry of 1880 reference is made to an appropriation account prepared by the Comptroller and Auditor-General which it was said might be published and about which there was a discussion as to whether it should be submitted to the review of a Committee in England. I was always under the impression that that was a report more or less in the nature of the appropriation reports to which we are accustomed here. I gather now that there is no such report, and that the appropriation report in question is different in its nature from that which the Comptroller and Auditor-General in England draws up, which is a critical review of every irregular financial act of the Executive Government during the year. I think—I am anxious to understand clearly—that there is no such critical report drawn up?—It is not of the same nature. It is, however, a report by an officer who is quite independent in his auditing capacity.

546. That I quite understand; and of course the question whether he is sufficiently independent is one that may come up for subsequent consideration. But for the present I gather that you have not for India a report of a critical nature and drawn up by an independent critic such as we have in England?—No, we have not. But I think, as Mr. Jacob has explained, it would be impossible to draw it up, for the reason that those criticisms have already been acted upon during the year; the criticisms have been made by the auditing officers, and have been acted upon from time to time, and sanction has been given to the expenditure. So that the irregularities no longer remain in the accounts.

547. As an illustration of my point I may say that on one occasion in this country a great irregularity took place—a high officer in the public service (there was no accusation of his taking the money himself) spent upon telegraph extension large sums of money which Parliament had not granted. I refer to what is ordinarily known by the name of the Telegraph scandal. If there had not been the Standing Committee of the House of Commons appointed to examine the reports of the independent auditor, I doubt whether Parliament would ever have been fully seised of this very grave irregularity. Now, of course, those things happen very rarely, but I do not quite see in the Indian system as it stands now, that there is absolute provision for such a case, because there is no provision for a critical report, or for an independent examination of the auditor's report?—(*Mr. Jacob.*) But the account officer would have stopped him at once. In India the audit is complete at the end of a month. It could not have gone on for more than a month; in fact, he could not have got any money to spend. (*Sir Henry Waterfield.*) I do not see how on the Indian system he could have spent the money.

548. That is satisfactory to know. But still what I want to point out is that, supposing the irregularity to take place—if it had not happened we should have thought it almost impossible—the great security that

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Parliament has is that the independent Auditor-General by his critical report makes it quite certain that it will be known and brought to justice. I do not see as it stands that there is that provision in India—it may not be necessary; that I am not considering now—under your appropriation audit?—(*Mr. Jacob*). But is not the case this? The Comptroller and Auditor-General can only apply his audit in England, say one and a half years or two years after the expenditure has been incurred.

549. Oh, no; to the monthly accounts?—At the end of the year?

550. The monthly accounts go monthly to the Comptroller and Auditor-General?—His report is not submitted month by month?

551-2. No, that the law does not require, because, the Army and Navy accounts coming from distant parts, at the time the Audit Act passed, a very considerable margin of time, perhaps too great a margin, was left. But the Appropriation Report is laid before Parliament within 11 months?—(*Sir Henry Waterfield.*) Within 11 months of the last month of the year it relates to. It may be 22 months from the time in which some money has been misappropriated, if that has occurred early in the year.

553. It does not pretend to be preventive?—In the case to which your Lordship refers there must have been some special means of obtaining money which could not in an ordinary case exist.

554. Of course the telegraph scandal was a case of an irregularity in the Post Office, and the Post Office had very large balances passing through its hands, especially for Post Office Savings Banks, which it was the duty of the officer to send forward for investment directly. It was in the nature of capital expenditure, and was an illustration of one of the dangers of a loan service?—Yes. But then in India the capital expenditure is checked equally with the ordinary expenditure. The officer could not have there obtained sums of money in the manner you describe.

555. I am only giving an instance in which, gross irregularity having happened, it was detected through the fact that there was an independent officer and an independent critic.

556. (*Mr. Buchanan.*) You would say your test audit would detect that at once?—(*Mr. Jacob.*) In the first instance the Accountant-General would detect it within a month of the expenditure having occurred, and would not only detect it, but would actually have taken whatever steps were necessary for stopping any irregularity; and he would not have to wait for 11 months or until a report was presented to somebody else; and also, if it escaped the attention of the account officer, my test audit would give me a means generally of ascertaining if there was any such irregularity.

557. (*Chairman.*) I think you should say "might," because this audit only covers a small period of the whole account. Of course, it does not follow that detection would be certain?—But does not the Comptroller and Auditor-General in this country work only by a test audit?

558. With regard to the great services he accepts the statements of the examining officers, applying detailed audit to a certain portion of it at his own will. I am not in the least arguing that the same kind of thing would happen, but there are different kinds of irregularities; and what I understand from you is that, whether it is right or whether it is desirable to amend it, the Indian appropriation account does not represent, like our appropriation accounts do, a criticism on each head of expenditure by an independent critic; and there are no documents to prove that such criticism is not needed?—(*Sir Henry Waterfield.*) I think it must be admitted that you are right—that it is not the same.

559. (*Sir Ralph Knox.*) Do not the objections of the local Accountants-General or disallowances by them come up to you at all?—(*Mr. Jacob.*) No.

560. They do not reach you?—No.

(The witnesses withdrew.)

[Adjourned till to-morrow at 11 a.m.]

At the India Office.

SECOND DAY.

Wednesday, 6th November 1895.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

THE RIGHT HON. LEONARD COURTNEY, M.P.
THE RIGHT HON. W. L. JACKSON, M.P.
SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart., G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR. DADABHAI NAOROJI.

MR. COLIN G. CAMPBELL, *Secretary.*

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SIR HENRY WATERFIELD, K.C.S.I., C.B., and MR. STEPHEN JACOB, C.S.I., recalled and further examined.

561. (*Chairman.*) Mr. Jacob, I think you have a list of banks that you wish to hand in?—(*Mr. Jacob.*) Yes, that is it (*document handed in*).*

562. Then, Sir Henry, there was the question of putting in a paper about dissents which had been made?—(*Sir Henry Waterfield.*) Yes. I have not had time to make a complete search, but I think those that I have found will enable the Commissioners to understand the manner in which that power of dissent is used by the Financial Member of Council. I found that in 1885 Sir Auckland Colvin and Mr. Ilbert dissented from the proposal to increase the strength of the army. That was a measure affecting finance.†

563. What year was that in?—It was a dissent from the increase proposed in the strength of the army in 1885; and they demurred to it strictly on account of its financial effect. In the following year, 1886, Sir Auckland Colvin dissented from the proposal to construct the Bengal-Nagpur Railway, regardless of the financial burden caused by the fall in exchange; and I found that in that case the Viceroy stated that he was disposed to concur with his financial advisers, but the majority of the Council were in favour of constructing the line at once. Then I pass on to 1893. (I do not mean to say that there may have been no such dissents between those dates, but I looked in the later years.) In that year, in March, Sir David Barbour and Sir Charles Pritchard dissented from the proposal to accept in the

* *See* Appendix 5. † *See* Appendix 6.

Budget an increased amount for military expenditure; it was proposed to take some definite sum as what could be afforded, and they considered it higher than was prudent. Sir David Barbour, also, objected to give exchange compensation allowance without waiting for the Secretary of State's decision on the currency question. In November of the same year, 1893, Sir David Barbour dissented from the proposed extension of the limit up to which money might be spent in the coming year on the construction of railways and irrigation works; there, again, the majority of the Council was against him. Then, as an instance of what happens in minor cases, when a member of the Council does not think it necessary formally to record a dissent ——

564. I beg your pardon, these are formal dissents, which came on to the Secretary of State?—Yes, all of them; but, even if a formal dissent is not recorded, the Government of India in their despatch mention the fact of the divergence of opinion. They said, in October 1892, that Sir David Barbour dissented from the proposal to obtain in England recruits for the police; I am not quite sure whether he dissented on the question of policy, or whether he thought it was a more expensive plan than should be adopted. Then in 1894, Sir James Westland dissented from the grounds on which the amount of furlough pay for a certain officer was to be fixed; though on other grounds he did not object to giving the proposed amount; but he thought it necessary to have it recorded that he did not agree with the reasons for which it was given. A week afterwards he objected to a certain pension which was recommended, because he considered it was not authorised by the regulations; in this case no dissent was recorded, but the fact was stated that the Financial Member did not agree.

565. In the case of formal dissents, which are communicated to the Secretary of State, does the Secretary of State take any notice of the fact that a dissent has been recorded?—He would, in a case of any material importance; he certainly would comment on the fact in his despatch in reply.

566. (*Mr. Courtney.*) But it does not come before him in the way of appeal, but by way of record?—By way of record. It is one of the official papers which the Government of India send to him, to enable him to form his opinion.

567. (*Chairman.*) And of course the Secretary of State with the dissent before him might consider whether the reasons for the dissent were so weighty as to induce him to call for reconsideration of the decision?—Certainly he might do so. He might agree with the dissenting members rather than with the others.

568. (*Mr. Courtney.*) One Member of Council with the Viceroy dissenting constitutes an appeal?—The Finance Member of Council with the Viceroy. It is a special provision laid down in the case of the Finance Member.

569. No action is taken until the appeal is heard?—That is so.

570. (*Mr. Buchanan.*) Did the Viceroy concur in any of those appeals on the part of the Financial Member of which you have spoken?—In the case of Sir Auckland Colvin's dissent from the construction of the Bengal and Nagpur Railway, it was so stated, but not very positively; the Viceroy said that he was disposed to concur. It was a very doubtful matter whether the railway should be pushed at that moment, and he was disposed to concur with his financial advisers that the situation did not admit of its construction at that time.

571. It was not a formal dissent by the Viceroy, and the Financial Member, appealing to the Secretary of State?—No, it was not.

572. (*Sir Andrew Scoble.*) And that was before the rule was passed that enabled the Viceroy, in concurrence with the Financial Member, to suspend operations until the order of the Secretary of State had been obtained, was it not?—Yes; it was only two or three years ago, I think, that that was laid down.

573. It was in 1891, I think?—It was laid down in 1888-89.

574. (*Chairman.*) Therefore, we may define the power of appeal of the Finance Minister somewhat in this way: first of all, he can record a dissent from any measure that comes before the Viceroy in Council, and that dissent will, as a matter of course, go before the Secretary of State. Further, if the Viceroy concurs with him, even though there may be a majority of the Council against them, yet that constitutes an appeal to the Secretary of State; and that measure would not be carried out until the Secretary of State had considered the reasons which had induced the Viceroy and the Finance Member to dissent?—Yes; that is exactly the case. It ensures delay until the Secretary of State's opinion is received. (*Mr. Jacob.*) I do not think, as a matter of course, it does. It is only in cases where the Viceroy considers it of sufficient importance.

575. The Viceroy exercises, as it were, a kind of suspensory veto upon it for the moment?—Yes; that is how I think it is. I mean the mere fact that the Viceroy and the Financial Member were in agreement, and that they differed from the rest of the Council, would not necessarily result in delaying action.

576. But still the Viceroy could delay it if he expressed a wish to that effect?—He could.

577. (*Sir A. Scoble.*) I think the procedure is all laid down in the rules?—(*Sir Henry Waterfield.*) Yes, we have the rules in the room. Mr. Jacob's view is, I think, right. It is first provided by Rules 17 and 18 what are the subjects of which the Finance Minister has to take special cognisance.

578. (*Chairman.*) What are you quoting from, Sir Henry?—The rules and orders for the transaction of business in the Governor-General's Council. Then it is provided by Rule 24: "In the case of a proposal "referred to the Finance Department, under Rule 17 or "Rule 18, if the Finance Member of Council does not "concur with the initiating member, and if the "Governor-General concurs with the Finance Member, "the papers shall be circulated to Members of Council, "or be brought before Council at once, as the "Governor-General shall direct; but no order shall be "issued on the proposal, unless his Excellency shall "otherwise direct, until the instructions of the Secre-"tary of State in Council shall have been received "thereon." Therefore the Governor-General may give way if he thinks fit, and allow immediate action to be taken in accordance with the view of the majority; but he has the power of delaying it, although the majority is against him, until the Secretary of State's orders are received.

579. Has the Viceroy alone any power of suspending a decision of his Council?—No; if the majority were against him the Government would act as a whole, although the Governor-General might be opposed to it, but, in such a case, he might perhaps avoid bringing it before the Council. (*Mr. Jacob.*) He can overrule his Council. I forget what are the exact words, but he can do so, if he considers it a matter affecting the safety of India. I think that it is so provided in the Act of Parliament. (*Sir Henry Waterfield.*) That is in the Act of Parliament, but it does not relate to such matters of finance as those of which you have been speaking.

580. Would you say that that is an exhaustive list of dissents that you have read. There is a considerable gap between 1887 and 1890?—No. I had not time to look for those in the intermediate years. I took the last decade, and I have referred to the first two years of Sir Auckland Colvin's tenure of office as Finance Minister and the last two of Sir David Barbour's, merely because I happened to recollect that there were dissents recorded at that time. I am not at all prepared to say that there may not have been others from 1887 to 1892, but I have not looked at those years.

581. Then the paper that you have handed in is a sample of the action taken by the Finance Minister?—Exactly, it is a sample of the dissents.

582. We come now, Sir Henry, to the very interesting question of Provincial finance. You have given us a paper describing the present system of Provincial finance as it has been developed since its institution by Lord Mayo.* Would you say that that policy is intended (1) to interest the Provincial Governments in collecting closely and fully the revenue which its officers levy, and (2) to secure efficient and economical application of the moneys assigned for provincial services by giving the Provincial Government a certain control over its own provincial budget?—Yes, in the words of Sir Richard Temple, on the 9th of March 1871, it was hoped that the concession "will give the local "Governments an additional interest in the study and "the enforcement of economy in expenditure; will "afford them a just inducement to supplement their "local receipts from time to time by methods most "acceptable to the people, or least fraught with

* *See* Appendix 3.

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"popular objection; will cause a more complete under-
"standing to arise between the executive authorities
"and the tax-paying classes respecting the develop-
"ment of fiscal resources; will teach the people to
"take a practical share in provincial finance, and lead
"them up gradually towards a degree of local self-
"government; and will thus conduce to administrative
"as well as financial improvement."

583. Did not Lord Mayo assign a fixed grant to each Provincial Government, and was not the system of fixed grants abolished in 1882, and a share in the revenue collected, given to them instead?—Yes, Lord Mayo assigned fixed grants. Afterwards a share in the excise and stamp revenue was given in 1877, in addition to the fixed grants. The system of granting the Provincial Governments a share in the revenue was extended in 1879 when agreements were made with Burma and Assam, and it was more generally applied in the agreements with all provinces in 1882.

584. I do not quite gather from the Memorandum whether the responsibility of the Provincial Governments for collection of revenue began in 1877 or in 1882?—The Provincial Governments were always responsible for the collection of the revenue; but until 1877 they derived no direct benefit by the more careful collection.

585. Therefore there was no change in the system. It was not that the collection of revenue was in any respect transferred from officers of the Central Government to officers of the Provincial Government. When those changes took place that system had been in force before?—Quite so. The same officers as before collected it. The revenue is necessarily collected by the officers of the various provinces, and the same officers continued to collect it when the system was altered, so as to give to the Provincial Governments a direct incentive to more careful collection.

586. In fact the Provincial Governments were given a percentage or bonus on the amounts they collected?—Yes, something of that sort.

587. Would you describe the nature of the change then made?—Up to 1877 each Government received a fixed annual grant—that was the system you referred to as introduced by Lord Mayo—merely varied from time to time by minor adjustments; after that date they were allowed a share of the excise and stamp revenue in place of a corresponding portion of the fixed grant. In 1882 the system was extended by giving to them, instead of any fixed grant, the whole or a varying proportion of the revenue under several heads, including a percentage of the Land Revenue, this latter differing according to the requirements of each province.

588. The proportion of revenue assigned to the Provincial Governments is revised every five years, is it not? Would you describe the nature and objects of this revision?—The object is, on the one hand, to ensure to the Imperial Government a due share of the improvement that has taken place in the revenue from the development of the country; and, on the other hand, while giving the Provincial Governments a fair proportion of the increase, to lessen the chance of their being called upon to render abnormal assistance to the Imperial Government. Gradually it has been found possible to extend the provincial system in some degree to all heads of revenue, except opium, tributes from Native States, Post Office, Telegraph, and Mint, and to all other receipts except Gain by Exchange on Remittance transactions, receipts from Railways, Military Works, and Army. Before the commencement of each quinquennial period, a careful examination is made of the circumstances of the several provinces, in order to see to what extent they may be able to spare for the assistance of the Imperial Government a portion of the increment in their revenues, or, on the other hand, whether in consequence of additional burdens being undertaken they require any further help.

589. And when you say that one object was to lessen the chance of the Provincial Governments being called upon to render abnormal assistance to the Imperial Government, I presume you mean that by increasing the Imperial Revenue there was less chance of the Provincial Governments being required to contribute a part of the sums assigned to them?—More careful collection of the Revenue made it less likely that there would be a deficiency.

590. In fact you looked to an improvement of the Revenue from it?—Yes.

591. Is the revision of which you spoke conducted by a Commission, or how is it made?—It is conducted by the Government of India in the Finance Department in correspondence with each Provincial Government. On at least one occasion the Finance Minister has gone round to the head-quarters of the several Provincial Governments, and personally communicated with the authorities, but I do not think that that step has often been taken?—(*Mr. Jacob.*) In 1886 the Finance Committee took up the revision of the provincial arrangements then pending.

592. What do you mean by the Finance Committee?—A special finance committee that was appointed to consider any possible reduction of the expenditure.

593. And did they undertake this executive function of ascertaining what ought to be the shares of the Imperial and Provincial Governments?—They examined the provincial expenditure to see whether any reductions were possible in it, and with reference to such reductions they proposed a reduction in the assignments of revenue.

594. They were a Commission inquiring into finance, and they offered advice to the Finance Minister on those points which affected the result of the revision?—Yes, they were expressly instructed to consider the provincial arrangements, as well as any other possible reduction in expenditure.

595. (*Sir Andrew Scoble.*) But their function was only to advise the Finance Minister?—Yes, to advise him.

596. Not to act on their own responsibility in regard to any arrangements?—Merely to advise.

597. (*Sir James Peile.*) They made suggestions which were referred to the Provincial Governments for their opinion?—Yes.

598. (*Mr. Courtney.*) Do the same proportions apply to all Provincial Governments?—(*Sir Henry Waterfield.*) No, they did not in past times, but now they have been made very nearly uniform, I think, excepting as regards the provincial railways and the division of the land revenue. Otherwise, I think that the proportion fixed under any given head is the same in each province.

599. (*Chairman.*) That is to say, that supposing half of certain heads of revenue were given to the Provincial Governments, half will be given alike in Burma and Bombay?—Just so. It is only in the later revisions of 1887 and 1892 that they have come to this uniformity.

600. (*Mr. Courtney.*) And the revision is made simultaneously throughout all the provinces?—Yes.

601. (*Chairman.*) This revision takes place before the expiration of the quinquennial period?—Inquiries are made a few months before the beginning of the coming year.

602. (*Mr. Courtney.*) Practically each Finance Minister will make a new revision?—It will usually happen that it would come under a fresh Minister on each occasion.

603. It would not come before the same man twice?—Probably not.

604. (*Chairman.*) The revision now in force lasts till 1897, does it not?—Yes.

605. Are the Provincial Governments allowed to impose any local duties for their own local use, and have they done so?—Such of the Provincial Governments as have legislative councils have, with the consent of the Government of India, imposed provincial or local rates since the alteration of the system made in 1877.

606. How would you describe those provincial rates?—They are rates or cesses on the land, collected generally with the land revenue, and applied either exclusively to local purposes, or under certain rules to the general purposes of the province. A proportion not exceeding 10 per cent. may be taken for public works in the province generally, but not necessarily for the district in which it is collected. The bulk of it is entirely for local purposes.

607. Are they at all analogous to what they call in France *centimes additionels?*—I do not know the French system.

608. Under that system, as I understand it, there is a certain rate of tax, and then for local purposes there is levied in addition, we will say, to every five francs, five centimes, which they call *centimes additionels.* Would it resemble that, or would it be an

entirely fresh tax upon the land?—In the first inception of these local rates it was very much of the nature that you have described. There was a 3 per cent. levied for general purposes, and then 1 per cent. more for local public works, but I do not think now that it is levied in the same fixed manner; it varies according to the province, and according to the Act that is in force in the province.

609. But it is a percentage on the land tax?—It is a percentage on the land.

610. On the land tax?—I see your point.

611. (*Mr. Courtney.*) Does it run throughout the whole province, or is it attached to districts or municipalities?—I think the local rate is the same for each district throughout the province. I think there is no variation in that, but it is levied on the land. (*Mr. Jacob.*) In some cases it is an actual percentage on the land revenue, and in some provinces before legislation was undertaken it was levied under the settlement arrangements; as a part of the settlement arrangement the land revenue was fixed, and then a percentage upon that of so many annas in the rupee, as we put it generally in India, was fixed for education, roads, and schools.

612. Education and schools?—(*Sir Henry Waterfield.*) Yes, and hospitals.

613. (*Sir James Peile.*) In Bombay it is one anna on the rupee of land revenue?—Yes.

614. (*Chairman.*) That is the common practice?—That is the ordinary practice, I think.

615. And I presume what you were describing as a variation is only a variation because the Land Tax varies in its nature in different parts of India, is not that so?—Yes.

616. Then when you say in some parts of India it is not a percentage on Land Tax, it is so generally?—Well, I was thinking specially of Bengal, where in many parts a permanent settlement is in force, and there the local rate is fixed independently of the Land Revenue.

617. By way of not appearing to be a disturbance of the settlement, I suppose?—Hardly so, but it is a matter not coming within my department.

618. (*Mr. Jackson.*) In such cases where the contribution to the Provincial Government is a percentage of the land revenue, if the land revenue tax—if that is the proper term—was increased, that would increase the contribution to the Provincial Government?—(*Mr. Jacob.*) Yes.

619. But in the case where the contribution is in the nature of a separate and an additional tax, the land tax might be raised and the other left as it was before; and in such case, although the revenue for Imperial purposes would be increased, the contribution to the Provincial Government would remain the same?—Before the Provincial Governments received a proportion of the land revenue, they did not derive any benefit from its increase.

620. And it is now altered, is it?—They now get a fixed proportion of the land revenue, but, where settlements are imminent which are likely to increase the revenue very much, allowance is generally made, when the agreements are under revision, for the probable increase under those settlements.

621. I see, they are adjusted?—Yes.

622. (*Chairman.*) May I put it in this way to you, that, taking the land revenue in a province, the Provincial Government is now allowed usually a fourth of what it collects, is it not?—Yes.

623. Therefore, whatever the rate of the land revenue may be, they gain one quarter of the produce?—Yes.

624. Besides that they levy on this land tax provincial rates which are, in one form or another, an extra percentage, the whole of which extra percentage goes to the Provincial Government?—I did not understand Mr. Jackson's question to relate to the provincial rates. I thought it was rather——

625. (*Mr. Jackson.*) My point was that I understand there is a contribution to the Provincial Government out of the sum collected for the Imperial Government?—Yes.

626. I wanted to know whether the result was the same in the case where the contribution is a percentage of the amount collected for the Imperial Government, as in the case where it is assessed and collected as a separate and additional tax to the Imperial tax. I am not sure that I am using terms that make themselves intelligible to you, but let me put it in this way. Supposing that for every rupee collected for Land Tax the Provincial Government is allowed to retain one per cent. If you increase the amount of the Land Tax, the contribution to the Provincial Government is increased?—Yes.

627. But supposing the one per cent. were assessed as an additional tax and remained the same, the contribution to the Provincial Government would remain the same although the tax itself might have been raised?—Where additional taxation is imposed, there is always a special arrangement made as to the distribution of that between Imperial and Provincial.

628. (*Sir Andrew Scoble.*) In point of fact it is a Provincial cess. This Provincial cess is in addition to the land revenue proper?—(*Sir Henry Waterfield.*) It is an assessment on the land in addition to the Land Revenue proper.

629. And this Provincial cess is independent of the proportion of Land Revenue assigned to the Provincial Government at the quinquennial settlement?—Yes.

630. So that the Provincial Government gets the whole of its proper amount of Land Revenue *plus* the cess that is collected for local purposes?—Yes. (*Mr. Jacob.*) As a matter of fact the Provincial rates are not all entirely provincial. (*Sir Henry Waterfield.*) Those rates are almost entirely provincial and local, but not Imperial. They are granted almost entirely in aid of provincial and local purposes, not for the Imperial Government. Mr. Jacob's point is that technically there is a difference sometimes between provincial purposes and local purposes; "Provincial" has a wider significance.

631. (*Chairman.*) Municipalities and subordinate local authorities have distinct powers given to them of collecting certain revenues, have they not?—Yes. That is quite different from what we are speaking of now as provincial rates.

632. Quite so; but we shall come to that, I think, afterwards?—Yes.

633. I think Mr. Laing, when Financial Member of Council in 1861, first mooted the idea of giving to Provincial Governments a certain control over their own finance, and allowing them to provide funds by levying local duties. As a specimen duty he suggested local tobacco taxes?—Yes. Mr. Laing found it necessary, in order to cover a deficit, to curtail the expenditure on public works; and, feeling the objection to such a course, he suggested that such works, of a minor character, might be entrusted to Provincial Governments to execute, with the aid of locally raised funds, for which purpose he thought that a tax on tobacco or an octroi would be suitable.

634. Are such local taxes levied?—No, not by the Provincial Governments. Octroi duties, house tax, &c., are levied by the municipalities, for municipal objects.

635. Was it found on consideration that a local tobacco tax would not answer the purpose intended?—Objections to a tobacco tax have been found almost invariably on several occasions when inquiry has been made, owing to the plentiful growth of the plant throughout the country. There is no tax on tobacco except a customs duty.

636. (*Mr. Courtney.*) Has that been investigated with reference to Imperial or local taxation?—There is a very celebrated note by Sir John Strachey on the whole question, in which he looked upon it from every point of view, and then came to the conclusion——

637. But the main purport of the inquiry was what?—For an Imperial tax, I think, mainly.

638. (*Chairman.*) Is there no kind of tobacco duty, no licence, for instance, on the sale of tobacco?—There is a Customs' duty; I do not think there is any internal duty on it, though an octroi duty may have to be paid. (*Mr. Jacob.*) In Bombay city they have a local tax on tobacco for municipal purposes.

639. That is like an octroi duty?—Yes, something of that kind. It is called a municipal duty, but collected by the Customs officers; in Madras it was tried,

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but the authorities found that they were obliged to abolish it.

640. Effect was not given to the idea of decentralisation in finance, suggested by Mr. Laing in 1861, until Lord Mayo's time in 1871?—(*Sir Henry Waterfield.*) No, it was revived by Mr. Massey in 1866, and worked out by Colonel Richard Strachey with especial reference to public works. I think that he developed it generally, but, being in the Irrigation Department at that time, he paid special attention to the manner in which it would apply to public works. It was afterwards supported by Sir John Strachey as applicable generally, and brought into operation in 1871.

641. Could you state, or could you put in a paper showing for each Province the different branches and amounts of revenue which are collected by officers of the Provincial Governments, and the proportion of each such branch of revenue which those Governments are allowed to retain for provincial services?—With the exception of the Salt Revenue in Northern India, and some departmental receipts, such as those of the Army and Military Works, it may be said that the whole of the revenue is collected by provincial officers. The proportion assigned to the Provincial Governments is shown in the table which I hand in (*paper put in*).* The further adjustments made under the head of Land Revenue are as follows, in the agreements of 1892:—Central Provinces + Rs. 22,05,000, Lower Burma + Rs. 41,43,000, Assam — Rs. 11,27,000, Bengal — Rs 14,39,000, North-western Provinces and Oudh — Rs. 25,06,000, Punjab + Rs. 34,85,000, Madras + Rs. 32,54,000, Bombay + Rs. 77,14,000.

642. Can you tell us upon what principle such adjustments are made in the amount which the Provincial Government is allowed to retain out of the Land Tax?—It is the principle of approximate equilibrium of revenue and expenditure. It is found on examining the circumstances of each Province, that the proportion of revenue which is assigned to it set against the proportion of expenditure which is debited to it leaves it either in a surplus or a deficit at the beginning of the quinquennial period. The Government of India then fix this addition to, or subtraction from, the 25 per cent. Land Revenue which is assigned in all provinces.

643. Quite so?—And thereby they bring about an approximate equilibrium.

644. Therefore the Provincial Government may get out of the Land Revenue these different sums. First of all it gets its 25 per cent. of the amount collected, then it may get under a provincial rate a certain extra sum; and, thirdly, if, when the revision takes place, there is not an equilibrium upon the estimate formed by the Finance Minister for the Province between income and expenditure, a certain further sum is allotted to them out of Land Revenue?—Yes, only I would rather say out of the produce of the land, because provincial rates are not part of the Land Revenue. Technically it is a different head of account altogether.

645. But it really comes at the same time and from the same source?—It is levied on the land, but it is not part of what we call the Land Revenue.

646. But still, as I understood you before, it generally takes the form of a certain percentage upon that revenue?—Upon the land, rather than upon the Land Revenue, I should say.

647. Then it is not like the *centimes additionels* that I have been describing to you; the provincial rate bears a certain percentage to the revenue, but it is a separate cess?—It is sometimes one and sometimes the other, according to the local Act.

648. (*Mr. Courtney.*) They bear a relation to one another, similar to what we should call rent and rate?—The Provincial Rates are a rate, the Land Revenue is a rent.

649. What do you mean by the assignment of expenditure to the provinces?—When an agreement is made with the Provincial Governments, as will be seen by the paper which I have just handed in, they engage to meet a certain proportion of the expenditure under each head, on condition that they should receive a certain assignment of revenue under each head.

650. Is the expenditure so assigned Imperial expenditure?—It is the total expenditure which is incurred, excluding certain large heads such as the Army, and the Military Works, which are entirely Imperial.

651–55. (*Chairman.*) In pursuance of Mr. Courtney's question, I have before me the Bengal Provincial Service Budget for 1894–5, and in that I find that in the estimate for 1894–5 there is put down for the salaries and expenses of civil departments a sum of 24,000,000 rupees; and I understand that that is the whole expenditure upon these services—Law and Justice (Courts of Law and Gaols), Police, Marine, Education, Medical, Political, Scientific, and other minor departments, and general administration within the province. The Imperial Government has no charge whatever for any one of those services within the province?—I think that paper will explain it. (*Mr. Jacob.*) The table will show it. (*Sir Henry Waterfield.*) The general administration is entirely Provincial, with the exception of the civil offices of the account and audit, the cost of which is mainly Imperial, and the general establishment of Local Funds, which is Local. All other charges coming under the head of general administration are Provincial.

656. Does the Central or Imperial Government of India keep the collection of any branches of revenue in its own hands?—The departments of Salt in Northern India, Post Office, Telegraph, Mint, Army, and Military Works, account directly to the Government of India.

657. And I suppose it is quite a separate method of collecting revenue. Would you not add that the Provincial Governments have nothing to do with the Opium revenue?—In the case of Opium, the officers are provincial in Bengal and the North-West Provinces, but the revenue is taken as entirely Imperial.

658. Why is there a difference in the method of collecting the Salt revenue? I think you said just now that the department of Salt in Northern India is an Imperial branch of revenue?—I think it is a matter of administrative convenience. In Madras it is collected on a different system; and in Bombay, again, the system is different from that of Northern India; at the time that the Customs barrier throughout Northern India was abolished, the collection of the Salt revenue in that territory remained under one large department called the Salt Department of Northern India; and in Madras and Bombay the collection went on as before, under the provincial Governments.

659. What is your definition of Northern India?—In that connexion it includes the Punjab, the North-Western Provinces, the Central Provinces, and Bengal.

660. (*Sir James Peile.*) And Rajpootana?—And Rajpootana.

661. (*Mr. Courtney.*) Has it anything to do with the salt lake?—The salt lakes are in Rajpootana, as Sir James Peile mentioned. The great salt source is in Rajpootana, in the Northern India salt area.

662. Is it more convenient that the Salt revenue should be collected or administered by an Imperial officer rather than by a Provincial officer?—I think so; in dealing with the Native States it is rather desirable.

663. (*Sir James Peile.*) There is no Provincial Government there?—No. Rajpootana is an aggregation of Native States.

664. (*Chairman.*) But does it not come to this, that the salt duty in Bombay and Madras is collected by the Provincial Government, and in the rest of India practically by Imperial officers?—They are not officers of the Provincial Government in whose territory they are serving.

665. By Imperial officers?—Yes; they are Imperial officers.

666. That is perhaps the remnant of an old arrangement, Bombay and Madras having been for a long time governments more or less independent, or with greater independence than other parts of India?—I think it very possibly may be; but I think also it is mainly from local considerations that the Governments of Bombay and Madras are better able to apply the rules and control the arrangements than the Central Government would be.

667. (*Sir Andrew Scoble.*) Is it not the fact, that in Bombay and Madras salt pans are frequently the property of individuals, while in Northern India they are the property of the Government?—Yes, that is so; that is what I referred to when when I said there were different systems.

* *See* Appendix 7.

668. (*Chairman.*) In cases where the Central or Imperial Government of India keeps the collection of any branches of revenue in its own hands, are the collecting officers a separate staff appointed and paid by the Central Government, or are they officers of the Provincial Governments acting as agents of the Imperial Government for the collection of their Imperial duties?—In the case of those departments, the staff is under the Central Government, and is not subordinate to the Provincial Governments.

669. And is paid by the Central Government?—It is paid by the Central Government. It draws its pay from the treasury at the place where it is stationed, but in the accounts the charge is brought against the Imperial Government.

670. It does not come anywhere into that list, which, in this provincial budget of Bengal, I found charged to the expenditure of the province?—No, it would not be there.

671. In the case of the taxes which the Provincial Governments collect, do those Governments pay out of the revenue which they collect, (1) the whole cost of collection; (2) all the charges of civil Government within the province, including public works?—At some of the large cities the payments are made by the Accountants-General, who are Imperial officers; in some cases, and generally in provincial towns, the payments are made by Treasury officers, who are under the Provincial Governments; in all cases the charges are debited in the specified proportions to Imperial or provincial account.

672. That is to say, the payment is made out of the cash balances of the Government in the most convenient manner; but afterwards an adjustment is made in bringing it to account as between the Provincial and the Imperial Government?—Yes.

673. Does the Central or Imperial Government leave the Provincial Governments a free hand in the methods which they may think fit to adopt for the collection of the revenue entrusted to them?—No change can be made in any existing system of revenue management without the approval of the Supreme Government.

674. For instance, a Provincial Government could not, if it thought it more convenient, transfer a duty from one head of revenue to another?—No, not without the sanction of the Imperial Government.

675. For instance, they could not levy an Excise duty by means of a stamp?—No, nothing of that kind can be done without the sanction of the Supreme Government.

676. Would the Central or Imperial Treasury be held responsible for exercising an intelligent supervision over the results of collection in the different provinces, *e.g.*, if one province were especially successful in the results it obtained, would the Central Treasury call the attention of the other Governments to those results, and to the methods by which they are attained?—Yes; the Financial Department of the Government of India takes notice of any successful method of collection adopted by one province, and calls the attention of other Governments thereto, possibly going so far as to give orders accordingly.

677. And I presume that the Imperial Government would always be ready to receive and examine into complaints or remonstrances against methods of collection adopted by the Provincial Governments?—Certainly.

678. That, then, means that though the Imperial Government delegates very considerable powers to the Provincial Governments, yet, at the same time, for the purpose of uniformity, for good government, and in the interests of the governed, it is always ready to hear and receive remonstrances?—Yes.

679. The memorandum says that up to 1877 the Provincial Governments had no interest in collecting the full revenue. The excise was notoriously evaded, and the Government suffered, through careless collection of the revenue, a loss of which the amount was unknown, but which was, in the opinion of the Finance Minister, very large. Can you give us any idea of the extent or manner in which the revenue has benefited by the decentralisation policy, or any facts illustrating the change?—As illustrations, I may refer to the increase that has taken place since 1880–81 under the following heads:—

	1880–81.	1890–94.	Percentage of Increase.*
	Rx.	Rx.	
Stamps - -	3,250,581	4,509,351	33
Excise - -	3,135,229	5,838,573	85
Provincial rates -	2,776,370	3,514,571	21
Registration -	281,230	416,146	46

This percentage is very much larger than can be attributed to the increase of population.

680. But it may have been affected, may it not, by a change in the duties?—I do not think that those heads have been affected, with the exception of the provincial rates, by any change that has taken place since that. More careful collection has brought it about; but I do not think that the taxation has been altered since in any way that can be said to have caused increase of revenue. There have been variations.

681. That is an important point. The figures you state are very striking, and most satisfactory if you are able to say that there has not been any alteration of taxation, which would invalidate the conclusion to be drawn from them?—I looked with reference to this point into the report of Mr. Baines, which was a very careful one, as to the decennial progress which has taken place. It was written for 1893–4, and I found that he there attributed nothing to increased taxation under these heads; there had been an increase of taxation for Imperial purposes, but not apparently for provincial purposes.

682. Now, taking the case of Stamps, of which I think half the profits goes to the Provincial Government—if the Imperial Government increase the stamp duties for Imperial purposes, does not half the increase produced go to the Provincial Government?—That would be the case if it had done so. (*Mr. Jacob.*) No, they would make an adjustment. I mean that if the Imperial Government imposed additional taxation, it would take the whole of that addition.

683. That is to say, supposing the stamp duty was increased by 100 per cent., and supposing the Provincial Government had up to that time taken 50 per cent. of the produce, practically it would only take 25 per cent. of the increased tax?—Yes, it would receive 50 per cent. of the whole; but it would give back to the Imperial Government whatever was estimated as the additional taxation at the beginning.

684. (*Sir Andrew Scoble.*) Do you happen to remember the date of the Stamp Act?—1879.

685. Has there been any material alteration, or any alteration at all in the Stamp Duties so far as you can remember?—Only very petty alterations, so far as I can remember. I believe the Stamp Act has been amended.

686. Not materially?—Not with a view to any general alteration of the taxation.

687. Then the figures which you have been giving would apply to the duties collected under the Stamp Act, which has been in force during the whole period during which those figures apply?—(*Sir Henry Waterfield.*) Yes, that is so.

688. (*Chairman.*) Speaking just now of the Stamp Duty, I said that the Imperial Government and the Provincial Government took half, and I think you accepted that. From this paper it appears the Imperial Government only take one-fourth?—Yes; I was not attending to that point; in the Stamps it is so.

689–90. Now, the next head—Excise. On that you show that in the 13 years the increase has been enormous—85 per cent., without increase in taxation?—Yes.

* NOTE.—These percentages of increase are not correct for the years given in the table. The increase per cent. in 1893-4 is as follows:—

	Over 1879–80.	Over 1880–81.	Over 1881–82.
Stamps - -	41	39	38
Excise - -	90	72	57
Provincial rates -	22	26	21
Registration - -	55	49	46

85 per cent., which is not far from the mean between 90 and 72, may therefore be taken as the increase under Excise in 13½, not 13, years. The other percentages in the table are the increase in 12 years.—H. W. *See also* Q. 2155 *et seq.*

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691. In that case, also, you feel convinced that there has been no appreciable addition to the duties?—That is my belief. I am not prepared to say that in no case has there been an alteration where the existing law admitted of a higher rate. The law did permit certain variations of the duties, and in some cases they have been raised; in some cases they may have been lowered, but, as far as I know, there has not been any alteration of the law which has affected the scale of taxation.

692. (*Mr. Caine.*) But are not the Excise rates based upon getting the maximum of revenue from the minimum of consumption?—Yes, that is so.

693. Surely there must have been a considerable increase of the rates of taxation to have carried out that policy?—Yes, the rates are altered according to circumstances. There may have been higher rates put on, but in other cases it may have been found necessary to reduce them, and, so far as I am able to speak, the growth of the provincial revenue is not to be attributed to increase of taxation. But I ought, perhaps, to tell the Commission that that is not my special province. The Revenue Secretary is the officer who deals with this; therefore I am not so competent, as Sir Charles Bernard would be, to give you an opinion upon that point. (*Mr. Jacob.*) I think, to a large extent, the increased revenue has been due to taxing liquor and other exciseable articles that previously escaped taxation.

694. (*Chairman.*) That would be a new tax?—No; they were liable to taxation before, but through more careful administration a larger amount has been taxed.

695. (*Mr. Caine.*) You mean by the suppression of illicit distillation and the transfer of the trade in illicit articles to licit?—Yes.

696. (*Chairman.*) Upon that head the increase is fairly attributable to an improved method of collecting?—Yes.

697. But if the Commission wish further information upon this, you suggest that they might call Sir Charles Bernard?—(*Sir Henry Waterfield.*) I think it would be more satisfactory to have him called.

698. Then, with regard to increase in provincial rates, I suppose that your opinion that the improvement is due to better collection would not apply?—No; I excepted provincial rates. But Mr. Jacob reminds me that, when we were compiling this table, we took the year 1881 in order to eliminate increase of taxation. The provincial rates were put on in 1878, after the famine of 1877-8; and we took 1880-81 as a year in which those new rates would probably be in full force.

699. In fact, you have chosen the years which were as free as possible from disturbing causes, such as increases of taxation?—Quite so; that was my intention.

700. The memorandum states that the Revenue of the Provincial Governments for the period 1882-87 was made up to Rx. 42,000,000, that their expenditure on heads of administration wholly under their control amounted to Rx. 15,000,000, and to Rx. 4,000,000 on heads of administration partly under their control. May we take this to mean that during that period the Provincial Governments were responsible for collecting a revenue of Rx. 42,000,000 out of which they retained Rx. 19,000,000 for provincial uses, accounting for the balance of Rx. 23,000,000 to the Central Government?—I think there is a little misunderstanding as to that sentence. The passage in paragraph 6 to which your Lordship refers is a quotation from Major Baring's Financial Statement in 1882; and the meaning is not exactly what you infer, as the expenditure administered by the Provincial Governments includes under certain heads expenditure charged to the Imperial as well as that charged to the Provincial Governments. The Provincial Governments had an interest, more or less direct, under the agreements of 1882, in the collection of revenue amounting to 42 crores of rupees, and in the administration of 19 crores of expenditure, for which the total revenue assigned was 15 crores for heads entirely provincial, and four crores for heads partly provincial but mainly Imperial.

701. But that would mean, would it not, that having collected 42 crores, and spending 19, they would hand over the remaining 23 to the Central Government?—The 23,000,000 is, mainly, the land revenue, and they had a certain proportion, larger or smaller, under those heads; but the whole 23,000,000 was not given to the Imperial Government—part of that was provincial. If you would allow me to refer to the passage—it says: "The general result of the arrangements of 1882 was, that the revenue of the local governments was, for the five years from that time made up of the whole of the revenue under heads producing about Rx. 4,000,000"—that would give the provincial governments Rx. 4,000,000; "half of the revenue under heads producing Rx. 8,000,000"—that would give them Rx. 4,000,000 more; "a larger or smaller proportion under heads (chiefly land revenue) producing Rx. 23,000,000;" I do not know the proportion of that Rx. 23,000,000 that they would receive; and then, "an almost nominal share under heads producing Rx. 7,000,000," which, perhaps, we might set down at only Rx. 1,000,000. "Thus, the local Governments had a direct interest in the collection of revenue to the amount of Rx. 42,000,000." But they only received Rx. 19,000,000 of that.

702. Therefore, the remainder?—The remainder was Imperial. No, I was mistaken; they did not receive Rx. 19,000,000. They received Rx. 15,000,000 under the heads for which the grant at the time of making the agreement was assigned to them; and then they had a very small amount under the other heads, producing Rx. 7,000,000. Altogether they only received about Rx. 16,000,000.

703. I ask the question because I cannot quite reconcile that statement with the description which follows of the fresh arrangement made in 1887. The memorandum says that the revenue estimated to arise from the revenues assigned to the Provincial Governments in the years 1882-87 had been estimated at Rx. 16,376,020, and the expenditure at Rx. 16,812,340, while the actual revenue had been Rx. 17,352,966, and the expenditure Rx. 17,399,398. Can you explain the apparent difference?—As I have explained, the figures in paragraph 6 relating to 1882 do not imply that the Provincial Governments were then receiving and administering 19 crores. The amount actually was about 16 crores; but, during the currency of the earlier agreements, many adjustments were made, by transfers of charges from Imperial to Provincial (or *vice versâ*), together with the revenue granted for the purpose of meeting those charges. In Table I., appended to the Memorandum, it is shown that the initial assignments in 1882 amounted to Rx. 16,376,020 towards an expenditure of Rx. 16,812,340; and that the actual figures for the five years gave an average of Rx. 17,352,966 revenue, and Rx. 17,399,398 expenditure, the revenue available having largely increased in the later years.

704. I gather from the memorandum that, on the principle laid down at the commencement of the new system, the Central Government has taken at each revision a large part of the net increase of the provincial revenue as estimated, or rather ascertained, at the time of revision. Thus in 1887—setting aside Burma—the seven Provincial Governments showed a surplus of Rx. 686,300, and under the revised arrangement the Central Government was to take Rx. 655,200, leaving a bonus of Rx. 31,100 to the Punjab and North-West Provinces?—The Government of India practically took the whole of the net increase (that is, increased surplus of revenue over expenditure), though for special reasons they had to forego a certain sum in one or two cases; it cannot be described as a bonus, it was a remission in consequence of the Provincial Governments having lost the revenue through the failure of an aqueduct and other causes. There were special circumstances in those two provinces.

705. In fact, the principle is that the Imperial Government takes the whole of the increase?—Yes.

706. There was a deficit in Burma. How was that met?—The agreement of 1882 with Burma was a failure, and the Government of India was obliged to meet the annual deficit, till the abnormal condition of the province passed away, and it was found practicable to make a new arrangement.

707. And is the arrangement with Burma now one that runs on all fours with those in other provinces?—Yes; the arrangement of 1892 is on a similar footing in all provinces.

708. In the next revision, viz., 1892, the Central Government proposed to take an increased revenue of Rx. 466,300, leaving the Provincial Governments a revenue and expenditure estimated in equilibrium at Rx. 18,852,100?—Yes.

709. Then in 1882 the Provincial revenue was estimated at Rx. 16,376,020; in 1892, Rx. 18,852,100; or an increase of somewhat under Rx. 2,500,000, an

increase exceeding 15 per cent. in 10 years; and the Central Government had added to its own revenue on the two revisions of 1887 and 1892 Rx. 655,200 and Rx. 466,300, or a total sum of Rx. 1,121,500, making a total increase of over Rx. 3,500,000 on a revenue calculated at something less than Rx. 16,500,000?—The initial assignment of revenue to the Provincial Governments in 1882 was Rx. 16,376,020. The increase in 1892 was, therefore, Rx. 2,476,030, or more than 15 per cent. in the 10 years; and, adding the amount of Rx. 1,121,500, by which the Imperial revenues were benefited, the increase is Rx. 3,597,580, over a former revenue of Rx. 16,376,020, or 22 per cent. in the 10 years.

710. Had there been any increase of taxation in that period?—In 1886 the income tax was substituted for a license tax, adding at that time some Rx. 350,000 to the Provincial revenues. I do not think that those revenues were affected by any legislation imposing further taxation during that period.

711. Therefore on that basis you would say that on these duties there had been no increase except to the extent of Rx. 350,000, which we must take into consideration when we say that the revenues concerned had increased 22 per cent. in 10 years?—Yes. Perhaps I ought there to mention a point which may be viewed in different ways. The increase, by adding the income tax, was Rx. 350,000 in the first year, and perhaps Rx. 450,000 or Rx. 500,000 at the end of five years. I should hold that the increase of taxation was Rx. 350,000 only, and that the rest was from more careful collection or the improvement of the condition of the people. Some people might say that Rx. 500,000 had been put on; I do not know which way the Commission would view it.

712–3. You look on it in this way; we are dealing with an increase of revenue not affected by legislation, and therefore, in deducting from the increase which appears upon the figures the one item upon which taxation has been increased, you take the initial sum laid on, attributing the balance to increased prosperity?—That is my view, although, of course, if you take off the income tax, you take off much more than that Rx. 350,000.

714. (*Mr. Jackson.*) And if you had not put on the income tax, taxation would not have increased by that amount?—That is true also. At the same time it appears to me that the burden which you put on the people was the initial charge, and that, if I may use the expression, they put the further amount on themselves; it arose from their prosperity, which enabled them to pay more.

715. (*Mr. Naoroji.*) Would it not be desirable to ask Sir Henry Waterfield to supply us with a statement of all the additions to rates and taxes, of new taxation, and the enhancements of land assessments and consequent enhancement of provincial rates during 30 years?—I suppose you are talking now of the increase of the revenue arising therefrom, both Imperial and provincial.

715*a*. If we have a direct statement of the increase—of the increase of rates, assessments, and so on—we will be able to judge much better than merely by an assertion?—I am afraid it would be impossible in this country to give you a statement of the increase of revenue arising from new settlements.

716. You can get it from India by next year?—I do not know what means the Government of India would have of compiling such a statement. In every province there is a re-settlement constantly going on, and in 30 years every district will be re-settled.

717. What I want is a statement of increase by the mere increase of prosperity and of increase by taking more from the people?—Yes, such a statement might show whether the Government is taking more from the people.

718. It is very desirable that the Commission should be able to come to a correct judgment upon the point, because mention has just now been two or three times made of the margin that is owing to increased prosperity. (*Sir William Wedderburn.*) Is it not the case that the increases in Bombay, for example, have been very large in the revision of the settlements?—I am afraid again I must say that this is a matter for the Revenue Secretary. I could answer from my own belief, but it would not be authoritative; I think it would be better if the Commission would allow me not to answer questions dealing with the Revenue Department specially.

719–20. My question only referred to the portion of the provincial rates which depend directly upon the increase in the land revenue. I think that you are aware generally that the rate of increase has been, especially of late years, larger than in former times, and that the limits have been relaxed which kept the increase down? I think you are aware that that has taken place in Bombay?—I cannot answer those questions, I am afraid.

721. (*Chairman.*) With reference to the point Mr. Naoroji has just taken, I will ask you what view you take of the effect of re-settlements in estimating that the whole of the increase in the land revenue is due to increased prosperity. You can hardly put the result of them down to increase in prosperity? The contract has come to an end, and that contract is revised?—You are speaking of the contract with the Provincial Governments, not the settlement of the land now?

722. I am speaking of the settlement of the land now; this large increase in income includes land income?—It includes the portion of the land revenue which the Provincial Governments receive.

723. Of course. Well then, so far as that is due to new arrangements, would you consider that to be a proof of increased prosperity, or is it not rather an increase of the tax?—I think in all re-settlements of the land revenues the Government did not take the full proportion that they might; I should say they never took the full increase which might be attributed to the improved prosperity of the land.

724. Quite so, but still they do take an increase?—They may take it.

725. And is not that practically an increase in the duty, rather than a sum attributable to increase of prosperity?—No. Take an estate through which a railway has come; that has greatly improved its prosperity, and the Government take a proportion of the improvement. Surely that is attributable to prosperity rather than to increase of a tax.

726. You reckon it, that the Government in making their addition simply take into consideration whether the land in question is more valuable than it was before?—Certainly.

727. And they take on that improved value rather a smaller proportion than they would be justified in taking if they were to act on an exact calculation?—I think so. So far as my knowledge of the settlements goes, that is so.

728. (*Mr. Courtney.*) That is true of the past as well as of the present; you would say that it has always been the policy of the officer who fixes the re-settlement to do so?—Yes.

729. Your position is, that increased rental—increased land tax—does not mean increase of rack renting, but increased agricultural prosperity?—Yes.

730. (*Sir Andrew Scoble.*) And increased land brought under cultivation?—Yes.

731. (*Sir James Peile.*) And in a great part of India the land revenue is assessed upon the rental?—Yes.

732. So that the increase of land revenue is assessed on an increase of rent?—Yes, in such cases.

733. (*Sir William Wedderburn.*) But is it not the case that by far the larger proportion of this increase is not a general increase put upon a district benefited by a railway, or by some work of the Central Government, but is a direct increase of the rate payable by the individual holder, even up to many hundred per cent. sometimes in individual cases, which are more or less upon the holder's own improvements; is not that the case? It is not a general increase upon a whole district with reference to a benefit to the Central Government?—I think it would depend upon the province and the nature of the settlement, whether, for instance, it was an increase due to a new railway or not, in such a case as that of which you were speaking. But I should not have thought that in any case some hundreds per cent. were imposed upon improvements. However, as I say, I am not qualified to speak on those points; I have no knowledge of the details of the settlements. (*Mr. Jacob.*) The improvement has been so great in some cases that Government has had to take a far lower rate than was enforced before, though, of course, the enhanced revenue is higher because of the very great improvement in the total rental; but in many parts Government has a right to take 50 per cent. of the rental of the land, but has contented itself with a smaller proportion;

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that is to say, owing to the very great improvement that has taken place, the Government has had to confine itself to 20, 25, or 30 per cent., instead of 50 per cent.

734. But my point is whether the improvement arises from any action of the Central Government, or whether it is not the improvement of the individual holding. I quite admit that if the Government have benefited a whole district they may claim equitably a general enhancement, but how does that justify heavy enhancement in individual holdings? It was with regard to the question of the railway or the general improvement of the district?—But the point I wished to bring out was that the enhancement where a railway had been introduced was entirely due to improved prosperity; that is to say, to an enhancement of the rental, because the rate taken by Government is in many cases far less than that which was taken at the previous settlement.

735. The prosperity caused by the action of Government, or by the industry of the cultivator?—The general enhancement of the rental. (*Mr. Naoroji.*) This conversation makes it clear that it is very desirable that we should have something like detailed information; that I now ask.

736. (*Chairman.*) I think that question that Mr. Naoroji raises we had better discuss when we have Sir Charles Bernard?—(*Sir Henry Waterfield.*) I think so; he will be able to tell you what can be done.

737–8. (*Mr. Courtney.*) Have you got a settlement officer at home?—I think there are sure to be some. I will inquire; I think that most likely there is someone who has recently retired, if not one on furlough.

739. (*Mr. Jackson.*) You used an expression that the Government had had to take a lower rate; I did not quite appreciate the meaning of that. Did it mean that a less rate was sufficient for the Government purpose, or that the Government had been prevented from taking a higher rate?—(*Mr. Jacob.*) I mean that, if they had taken the rate which was previously enforced, the enhancement would have been so high that it appeared to the Government impossible to enhance the revenue by that amount, and they have been obliged to content themselves with a less increase than the rate originally levied.

740. What determines the rate, the necessities of the expenditure?—No, there are detailed rules laid down. As a matter of fact, in almost every case a certain absolute limit is placed upon the enhancement of any individual rental.

741. But is it at your discretion whether you are to take 50 per cent. or whether you are to take 25 per cent.?—There is a maximum.

742–3. I am taking 50 per cent. as being the maximum. You spoke of 50 per cent., and in some cases you said they had had to take as little as 25 per cent. Is it at the discretion of some officer of the department whether he shall take anything between 25 and 50 per cent.?—The Provincial Government lays down rules for the guidance of the settlement officer, but the practical effect of these rules is that no individual enhancement exceeds a certain amount.

744. (*Mr. Courtney.*) The Settlement Officer discusses the matter on the spot with the head men?—Yes. (*Sir Henry Waterfield.*) The Secretary of State not long ago gave instructions that the enhancement should not exceed a certain amount.

745. (*Mr. Jackson.*) Ah, but a certain amount of the individual property, or a certain percentage, or what?—A certain percentage of the former assessment.

746. (*Sir William Wedderburn.*) Is it not a different percentage on the district and the individual holding?—(*Mr. Jacob.*) I think so.

747. It is higher on the individual holding; but is it not the case that not long ago the Bombay Government objected to enhancements being limited in that way, and put aside those limitations?—I am not aware of it. (*Sir Henry Waterfield.*) I did not know that.

748. (*Chairman.*) Might I ask you, Sir Henry, for the benefit of many of us present who probably are not familiar with the system of land revenue, and in order to understand what the meaning of this revision is, whether the land revenue is not levied in India under very different conditions in the different provinces?—Yes, very.

749–50. For instance, in Bengal there is what is called a permanent settlement?—Over a large part of Bengal.

751. Under what circumstances does this revision arise? Does it arise in Bengal where there is a permanent settlement, or does it only arise in places where there has been a settlement for a term?—In places where a settlement for a term of years has come to an end, and a fresh settlement has to be made

752. Where there is a permanent settlement there is no increase?—Not of that nature.

753. But where there are settlements for a term of years, it is a process constantly going on?—Yes.

754. Settlements are falling in, and they are revised?—Yes.

755. And it is then that the settlement officers discuss whether the rent does not justify an additional percentage being levied—a tax?—Yes, a portion of the rental. The Government sends an officer to see what is a fair proportion of the rental that shall be paid.

756. At the close of each settlement?—At the close of each settlement.

757. (*Mr. Naoroji.*) There is another question that arises from the suggestion about the prosperity of the country, that we should have that note of Sir David Barbour's, in which he calculates the total production or income of the country, and then if we have similar calculations from that year to this, we shall then be in the very proper position of knowing whether there is really an increase of prosperity or not.

(*Chairman.*) What do you say would be the basis of the comparison?

(*Mr. Naoroji.*) Sir David Barbour, I understand, has prepared a note in the year 1882, giving the total production of the country of British India per head, and if we have similar returns and calculations from that year to this, we shall then be able clearly to prove whether there has been really increase of prosperity or not.

757*a*. (*Mr. Naoroji.*) It would be a very important thing that that should be done?—(*Sir Henry Waterfield.*) I am afraid that question of Mr. Naoroji's has already been asked in Parliament several times. It has been referred to the Government of India who have said that it is impossible to prepare such a statement with any advantage.

758. It is not impossible, because it is done?—I said with any advantage.

759. (*Chairman.*) But, Mr. Naoroji, will not that question be best discussed with Sir David Barbour? If the Indian Government say that they cannot do it, Sir David would no doubt be ready to tell us on what basis he based his calculation?—(*Sir Henry Waterfield.*) I am afraid it is hardly a matter for Sir David Barbour. Sir David Barbour was at that time in a comparatively subordinate position. He was an Accountant-General, and was deputed on a special duty, to endeavour to ascertain the incidence of taxation. He wrote a confidential memorandum on the subject. I do not know in what way Mr. Naoroji learned that there was such a paper. Oh, yes, I do know how he knew that such a paper existed, for it was alluded to in the financial statement, but it has never been published, and when Mr. Naoroji asked in Parliament whether a similar paper could be prepared, a reference was made to India for the purpose. The Government of India said that they were not prepared to stand by this estimate, which had never been adopted by the Government, nor were they disposed to have another inquiry of the same kind, for they felt that no good results could arise from it, and they declined to prepare such a report. I do not think, therefore, that it would be of much use for the Commission now to ask for it again; the Government have thoroughly considered it, and they have said that they could not do it with advantage.

760. If we have Sir David Barbour here of course we can ask him upon what data he went when he made his former calculation, and whether he could make a similar calculation now?—Yes, but he is not the officer who would have to make it now.

761. No, but he might be able to find the same data, or similar data, now?—You will be able to put the question to him.

762. (*Mr. Naoroji.*) As to that statement not being used by Government, you remember that Lord Cromer

actually used that statement in his speech, and based certain questions and conclusions upon that statement?—You are quite right, he quoted one statement that was in it.

763. So it is better that the Commission should know what it is, in order to be able to judge the real prosperity; otherwise there is a great deal said of that kind—that there is increase of prosperity—but we must have the proper data?—Yes.

764. (*Sir Andrew Scoble.*) Before we quite leave this question of the settlements, I want to ask, is it not the fact that the recommendations of the settlement officer as to a new assessment, are merely recommendations, and must have the sanction of the Provincial Government before they are brought into operation?—Certainly; the point occurred to me, only I did not wish to interrupt Mr. Jacob in what he was saying. It is so.

765. It is not the mere view of the settlement officer, but it is the view of whole series of officers, culminating in the Provincial Government?—Culminating in the Secretary of State.

766. (*Mr. Jackson.*) First approved by the Provincial Government?—First approved by the Provincial Government, then in many cases by the Government of India, and then by the Secretary of State.

767. (*Sir William Wedderburn.*) With reference to the levy, I would ask whether the person interested has any opportunity of putting forward his case during those various stages, or does not much practically depend upon the recommendation of the first officer? Has the person whose rate is raised any opportunity of protesting before any of these authorities referred to?—He has the opportunity of putting his case before the settlement officer. I do not suppose that it is as you suggest.

768. Because he does not know what the recommendation is. (*Mr. Caine.*) He has no right of appeal, has he?—(*Mr. Jacob.*) I think he does know.

769. (*Sir James Peile.*) Is it not the case that in Bombay at any rate, and I believe elsewhere, anyone who objects to the revised assessment put upon him is invited to appeal to the Bombay Government, who consider his appeal before they finally sanction the revised settlement?—(*Sir Henry Waterfield.*) I have no knowledge of it, but I think what you say is much more likely to be the case than the other view.

770. (*Chairman.*) Had the Provincial Governments to pay over the Rx. 655,000 spoken of in a former question (704) to the Central Government, even if the revenue collected did not come up to the estimate, making in that event the deficiency good out of their reserve balance?—The Provincial agreements are balanced by a certain transfer of land revenue between the Imperial Government and the several Provincial Governments; and this amount is in each case so calculated as to give to the Imperial Government the improvement determined upon, after a consideration of all the circumstances. Any deficiency during the currency of an agreement must be met by the Provincial Government reducing its expenditure or drawing on its balance.

771. The increase would, I presume, arise in this way, that the Provincial Government being allowed a certain percentage of duties, if the proceeds exceeded the estimate upon which the arrangement was based, the Provincial Government would get more; if it fell off, they would get less?—Yes.

772. Apart from the effect of increased taxation, is not this the result, whether due to increase of prosperity or better collection of revenue, that the revenue assigned to the Provincial Governments has increased 22 per cent. in 10 years; that the Provincial Governments have taken two-thirds of that increase; the Central Government about one-third; and that the Provincial Governments will get the further benefit of any increase of revenue over that taken as the basis in 1892, during the five years to 1897?—Yes; but the chief gain to the Imperial Government during the period has consisted in its annual share of the improvement of revenue due to the management of the Provincial Governments.

773. That is a very remarkable result?—I think it is.

774. You know of no qualifying circumstances which may fairly be set against it, except those that you have mentioned?—No; I have put them before the Commission to the best of my ability.

775. Therefore, as it stands, according to the best of your belief, that is a fair statement of the case—that apart from a comparatively small increase in taxation, these revenues have increased in 13 years by 22 per cent.?—Yes. Perhaps I ought again to mention, as to some of the questions put to me, that I did not attribute it all to the prosperity of the country. It is no doubt largely due to better collection.

776. Would you adduce as a proof of the success of the decentralisation policy, that the increase is probably due to the better collection of the revenue owing to the Provincial Governments being given an interest in what they collect?—I think that is so.

777. Of course also allowing a share for increased prosperity?—Undoubtedly.

778. Passing to expenditure, I observe it stated that formerly the Provincial Governments had in preparing the provincial budget no rules as to the limits within which their expenditure must be kept; and they asked, therefore, vaguely for the sums which they thought could be usefully spent in administration. The Supreme Government, on the other hand, had not the local knowledge to enable it to check efficiently their demands. This, I suppose, was one of the main reasons which led to the adoption of a system of local or provincial finance?—Yes.

779. The expenditure on the services transferred by Lord Mayo to the Provincial Governments was, in 1868–9, Rx. 6,030,000; in 1870–1, Rx. 5,197,000. What is the cost of those services now?—The cost of such services as were provincial in 1870–71 is now about Rx. 7,700,000.

780. Did not a very great revision of expenditure take place about 1870; I observe that between 1868, 1869, 1870, and 1871, there was a considerable falling off in the expenditure?—I think it was by transfers from the Provincial to the Imperial Government. You must remember that the scheme of Provincial decentralisation only grew up gradually, and that during the earlier years there were continual transfers of some head which it was found more convenient to make Provincial, or to transfer back to the Imperial.

781. At present the Army, the Post Office, Telegraphs, the Account Offices, Political Services, and the movement of Funds, are the only branches of expenditure which the Imperial Government keeps in its own hands?—The foot-note from which your Lordship is quoting, at page 5 of the Memorandum, refers only to Burma and Assam in 1879 As applied to the whole of India, I would add Salt in Northern India, Debt, Mint and Paper Currency, Ecclesiastical, Survey of India, Geological and Archæological Survey, and Census.

782. The Imperial Government concedes a certain discretion to Provincial Governments, but does it not at the same time retain a complete control over the local expenditure?—Yes, subject to its allowing the Provincial Governments as much freedom as possible in regard to details.

783. The principle which guides the Imperial Government is that laid down in the Financial Resolution of 22nd March 1871, that the Governor-General in Council will not relinquish his general power of supervision and control in any department, but that he will, as far as possible, avoid interference with the details of the administration of the transferred revenue and services, and any embarrassment of local finance?—Yes, that general principle has been maintained, while the tendency has been to enlarge the powers of the Provincial Governments.

784. Would you state the powers which the Imperial Government reserves to itself?—The Imperial Government maintains a general supervision and control over the Provincial Governments in the exercise of their powers; without its previous sanction, no additional taxation may be imposed, no change be made in the management of the revenue, no new general service or duty be undertaken, no alteration be made in appointments of which the emoluments exceed Rs. 250 a month, no class or grade or the pay thereof be altered, no change be made in the excise rates which would affect another province, no money be removed from the public treasury for deposit elsewhere, no alteration be made in the form of the accounts, and no main roads be abandoned. The Imperial Government also reserves to itself a right of control over any proposal causing an excess over the total Budget grant.

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785. You said that no change could be made in the Excise rates which would affect another province. What is the meaning of that qualification?—The alteration of the rate of excise on the borders of one province might make it very difficult for the Government of another province to maintain the same rate of duty that it had before. If a Provincial Government thought it desirable that any such alteration should be made, a reference would be made to the Governor-General in Council, who would consider the circumstances of the two or three provinces concerned, and would endeavour to adopt a system applicable to all.

786. But the Provincial Government would be able to alter rates of excise within its own province if no objection were offered?—In so far as the law permits it to do so, and if the Imperial Government sees no objection to it.

787. Then, in any case, if the Provincial Government desires to make a variation in the Excise rates within the province, application must be made to the Imperial Government?—I think they are permitted by the law to vary the rates on their own authority. Certain rates are prescribed. It does not follow that they should levy up to the maximum at first, but if they thought fit to raise the rate afterwards, they could.

788. The Imperial Government prescribes from time to time certain rates, with discretion to the Provincial Government as to levying those rates?—Yes.

789. If in so doing it does not interfere with the neighbouring provinces?—I think that is so.

790. Then you say that a power of granting or increasing salaries, up to 200*l.* or 300*l.* a year, is given to the Provincial Governments, provided always that the total of the Budget is not exceeded?—Yes, the limit is Rs. 3.000 a year, the same amount as that up to which the Government of India can act in regard to new appointments without the sanction of the Secretary of State.

791. Then the Imperial Government simply delegates to the Provincial Government its own power?—Exactly so.

792. This is rather going outside the Provincial arrangements, which we are dealing with now; but may I ask, does the necessity for referring home about sums so small as salaries just exceeding 200*l.* or 300*l.* a year, ever arise?—It is an old rule which was prescribed I think in the year 1864, and it has always been maintained, that no increase of salary beyond that limit shall be permitted without the sanction of the Secretary of State. It is very much mixed up, no doubt, with the question of the power of appointing European officers in India. The amount of 3,000 Rupees is such as a Native, or a Eurasian, or European in India, might receive in a subordinate capacity; such appointments are left to the Government of India, but, if they wish to appoint an officer of a higher standing, they would be obliged to have the sanction of the Secretary of State.

793. Then you look at it that it is rather to enable the Secretary of State to keep within his own hands, and within his own knowledge, the extent to which English-born people are employed?—Yes. I think 30 years ago it was thought necessary, in order to prevent nepotism on the part of the Provincial Governments.

794. (*Mr. Courtney.*) Has not the value of the limit very much changed in the 30 years?—Not in India, I believe. In England it has very much, no doubt.

795. (*Chairman.*) What power have the Provincial Governments of increasing casual and contingent expenditure?—Complete power, within the limits of the total budget grant.

796. The memorandum states that no new general service or duty may be undertaken without the assent of the Imperial Government. Is that rule absolute? If the Provincial Government wish to institute an inquiry, which would cost Rx. 100, Rx. 200, or Rx. 500, and they can do it within the limits of their budget, must they still get the sanction of the Imperial Government?—The rule is absolute, but the term "general "service or duty" is not intended to cover an inquiry of a purely temporary character. As a matter of fact, Provincial Governments institute such inquiries on their own responsibility.

797. The Memorandum states at the same time, that each Provincial Government can distribute at its own discretion its own budget receipts among the Departments for which it is responsible. Would you explain more fully the extent of this discretion, because the limitations previously described, seem to reduce the powers of the Provincial Government to little more than the duty of paying certain fixed exponses, with a very limited power in minor details?—The estimate of budget receipts and expenditure is prepared by the Provincial Government; and, even after its acceptance by the Government of India, the Provincial Government may re-distribute the amounts, provided that the total grant for expenditure is not exceeded.

798. My difficulty is to reconcile the extremely limited discretion which is permitted to the Provincial Governments, if the powers reserved to the Imperial Government are exercised, with such a statement as that on page 2 of the Memorandum. The Provincial Government may sanction an increase of charge in a fixed establishment, if met by an immediate equivalent reduction in the same establishment or a similar one in the same department. That would imply, would it not, a larger discretion than is compatible with the limitations described?—This refers to the power of a Provincial Government with respect to an Imperial charge. It has a much greater freedom in regard to provincial charges, though necessarily restricted in many ways by rules also restricting the Imperial Government.

799. Such as that relating to salaries of 3,000 rupees?—Such as that relating to the salaries which I have just mentioned.

800. In order that we may understand the point correctly, could you describe or show us an example of a provincial Budget? Is it divided into chapters and sub-heads? May a saving on a sub-head within a chapter be transferred to meet expenditure on another sub-head within the same chapter, or may savings on one chapter be transferred to another chapter, on the authority of the Provincial Government? or must the assent of the Imperial Government be obtained?—I hand in the Bengal Budget for 1894-95, as laid before the Legislative Council.* It is divided into major and minor heads. The major heads are such of the 33 of Revenue and 49 of Expenditure shown on pages 76 to 80 of the Financial Statement (laid before Parliament in 1895) as deal with figures included in the Provincial Budget. Minor heads are sub-heads of the major heads, which are prescribed in the Civil Account Code. I have a list here which I can give the Commission if they wish. A saving on any head (whether major or minor) in the provincial Budget may be transferred to meet expenditure on any other head, on the authority of the Provincial Government, the only condition being that the total budget grant shall not be exceeded. In the case of heads which are divided between Imperial and Provincial, the requisite transfer must be effected in regard to both branches of the expenditure. The Provincial Government is not allowed to make a transfer which would affect the Imperial Government, unless it makes a corresponding saving somewhere under a head which is Imperial also.

801-2. Could you point out to us in the local Budget where the major and minor heads are given?—Yes. I will compare the local Budget with the finance accounts. There you will see the major heads.

803. And that corresponds, I think, with the headings in the Bengal Budget which I have before me?—Yes, in the first part Is there any particular head which you would like me to illustrate?

804. Take Law and Justice No. 19?—Law and Justice is divided into "A" and "B"; "Courts of Law" is 19A, and "Jails" is 19B. "Courts of Law" has the following minor heads:—"High Court," "Law Officers," "Coroner's Court," "Presidency Magistrates, &c.," "Civil and Sessions Courts," "Courts of Small Causes," "Criminal Courts," "Pleadership examination charges," and "Refunds."

805. Those are all minor heads?—Yes, under the major head of "Law and Justice (Courts of Law)." Then under "Law and Justice—(Jails)" are the minor heads, "Superintendence," "Presidency Jail," "Central Jails," "District Jails," "Lock-ups," "Reformatory Schools," "Jail Manufactures," and "Refunds."

* "Abstract of the proceedings of the Council of the Lieut. Governor "of Bengal assembled for the purpose of making laws and regulations "under the provisions of the Indian Councils Acts, 1861 and 1892," 31st March 1894. pp. 122-139.

806-7. I observe, from a paper which you have handed in, that in certain cases of distress and pressure, the Imperial Government admits a claim on the part of the Provincial Government for extraordinary relief. Would you state what are the conditions on which such a claim can be entertained?—In case of severe distress from famine, a Provincial Government must not expect to receive aid from the Imperial Government until its current income is exhausted, and two-thirds of its accumulated savings in excess of the ordinary working balance have been spent. It is further provided that, after the pressure has passed away, the margin of normal income over normal expenditure shall be applied to the completion of the undertakings begun as relief works during the famine, or in some degree to the payment of interest on the loans that may have been raised in consequence of the famine in the province.

808. What would happen if a Provincial Government, transgressing its authority, incurred expenditure without the assent of the Imperial Government, and exceeded in consequence its budget?—It is the Accountant-General's duty at once to warn the Provincial Government of the probability of an excess in the expenditure, and, if its reply be not satisfactory, he can require that his report be sent to the Government of India. Unless a re-appropriation be effected, the Provincial Government must obtain the Supreme Government's sanction for the excess. In any case the excess would have to be met from the provincial balances.

809. That is to say, if the Provincial Government were to transgress the regulations under which it is bound to act, the only penalty upon it would be that the excess would have to be met out of its balance, which it has to keep at a certain minimum, and in the following year its powers of spending would be restricted in consequence?—That is the penalty if the Government of India condones the excess, and agrees that the excess may be allowed; but it is conceivable that the excess may be disallowed.

810. And then?—If it is a payment to an officer he may have to refund. If it is a payment which cannot be paid back, the Provincial Government would have to take it out of its balances.

811. Supposing it was a real difference of opinion between the Imperial Government and the Provincial Government, and the Provincial Government had knowingly disobeyed the Imperial Government; in that case would it simply be a question of the excess being taken out of the provincial balances?—That is the penalty; but I have here a case that has very lately occurred which will, perhaps, illustrate the point. It attracted my attention when I was looking at this volume of Proceedings. It happened only in January last. This is a letter to the Government of Bengal:—

"I am directed to acknowledge the receipt of your letter, No. 6656 F., dated the 15th December, 1894, requesting sanction to additional grants of Rs. 3,64,000 (distributed under nine major heads) for provincial expenditure, and Rs. 1,57,000 for local expenditure in Bengal during the year 1894-5.

"2. The increase in the grant for provincial services is made up of an excess of Rs. 5,74,000 likely to occur under certain heads of expenditure, and a saving of Rs. 2,10,000 under certain other heads. The largest items of excess expenditure are stated to be:—

"(*a.*) Rs. 1,68,000 on account of exchange compensation allowance.

"(*b*) Rs. 17,000 on account of the cost of cess revaluation in the Patna District.

"(*c.*) Rs. 20,000 due to the opening of new registration offices.

"(*d*) Rs. 35,000 for clearing the Gaighatta Khal and the Balighai Drain.

"(*e.*) Rs. 20,000 for contract contingencies under Police.

"(*f.*) About Rs. 14,000 for additions and alterations to the Sibpur workshops.

"(*g.*) Rs. 41,000 for improvements at Hastings.

"(*h.*) Rs. 50,000 on account of contribution towards the cost of acquiring land for a recreation ground for young men.

"3. In reply, I am to convey sanction to the additional grants asked for. I am at the same time to point out that in some cases—notably in those classed as (*d*) to (*h*) above—the extra expenditure appears to have been sanctioned by the local Government, although it was known at the time when the expenditure was incurred that no funds were available in the Budget. In the same way the local Government has passed Rs. 1,57,000 of additional local expenditure without objection, although the amount was not provided for in the Budget.

"4. The Government of India are obliged to raise strong objection to this procedure, and request that, whatever be the state of the balances, or the prospects as to the closing Provincial or Local balances, the Local Government will recognise its obligation to keep its expenditure during the year within the amounts granted in the Budget orders for the service of the year. The principle is one of the greatest importance, which has been repeatedly declared, and lies at the foundation of all Budget control." So that you will see the Government of India had no choice but to sanction it, but they coupled their sanction with those remarks.

812. There is no resource except to sanction. If it were a case of an officer deliberately paying a sum which he ought not to have paid, I understand that it would be recovered from him. If it were an act of repeated disobedience, it would, no doubt, be dealt with by the dismissal of the officer?—Probably, if it were a very serious matter.

813. (*Mr. Jackson.*) You spoke of a penalty. Supposing the balance were exhausted, how would the balance be re-established?—Each Provincial Government is required to keep, according to its Budget, a minimum balance which is proportionate to the circumstances of the Province, and it is a considerable sum of money. In the case of the Bengal Government it is 20 lacs of rupees, Rx. 200,000. It is not probable that any depletion of that balance could take place without it being soon discovered what was going on.

814. Yes, but that does not go quite far enough. Does it mean that additional taxation would have to be levied in order to recreate the balance?—No, probably what would be done is akin to what is provided in the case of a famine, in the case of a severe scarcity which exhausts the minimum balance. The Government of India will replace the balance after a time, but it requires that the Provincial Government shall pay interest on any debt that may have been incurred in consequence, or shall repay such sums as may be thought right, and the Provincial Government would not be allowed its spare revenues until such replacement had taken place.

815. (*Chairman.*) Then it would not be replaced by penalising the province by stopping its public works in the following year, until the balance was recouped? Even in the case of such disobedience as I have spoken of, the Central Government would find the money, merely charging interest upon it until such time as the Provincial Government found it convenient to repay the money?—I think so; there is no regulation exactly for such a case. I suppose it has never been contemplated, but undoubtedly the money would be found by the Central Government. I do not think it would be a case of putting on taxation.

816. (*Mr. Caine.*) It would be treated as an overdraft, I suppose?—It would be treated as an overdraft, and probably replaced, if it was a very great amount, by a loan, I think.

817. (*Mr. Buchanan.*) Has any case occurred in which a Provincial Government has reduced its balance below the minimum?—Yes, there have been some cases, and I think in one of the papers laid before the Commission I have given instances of it, but it has been replaced after a short time.

818. By the Government of India, in the way you have mentioned?—In the case of Burma the Government of India replaced it. This was because the agreement was found not to be based on a satisfactory footing. Bengal had considerably less than the minimum when that was first prescribed, and the Provincial Government had to be careful for the next year or two until they brought it up to the amount fixed.

819. Then, practically, sometimes the penalty is after this form: "Now, there is so much less for you to "spend, because you have to bring your balance "back?"—Yes, that is it.

820. (*Mr. Jackson.*) The penalty rather takes the form of having less money to spend than of increasing the revenue to be raised?—Yes.

821. (*Chairman.*) I observe two rules laid down which are thought in this country essential to sound finance, (1) that in absence of strict necessity, new expenditure should begin with the new financial year, and (2) that the mere insertion in the Budget of a charge requiring

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special authority, is not a sanction for the incurring of that charge without the special authority?—That is so.

822. Those are rules as to which the Home and the Indian Government are entirely in accord?—The Indian Budget system was set on foot by Mr. Wilson, who was very well acquainted with English finance.

823. An arrangement was made in 1877-8 with the Government of the North-West Provinces, whereby that Government undertook the charge of the canals of the province. The Imperial Government were at that time taking the profits of the canals reckoned at Rx. 256,300; and paying the interest on the capital expenditure, Rx. 244,000, thus making a net profit of Rx. 12,300. Under the new arrangement the Imperial Government freed itself from any charge on account of the canals, and took a net profit of Rx. 112,000, while the Provincial Government on its side had to provide Rx. 100,000 extra by increase of local taxation, until, by increasing the canal revenue or economy of management, the deficit was filled up. That seems rather a one-sided bargain, does it not, more profitable for the Imperial than for the Provincial Government? Where was the compensating advantage to the Provincial Government for the extra charge?—By the Local Rates Act of 1871, the whole of the revenue raised under the Act had to be spent on works of public utility in the district in which it was raised. In 1877 an Act was passed authorising the Provincial Government to allot 10 per cent. of that revenue for canals and railways in the province generally, irrespective of the particular district. This enabled the Provincial Government to accept the interest charge for the canals, relieving the Imperial Government of an amount corresponding to the 10 per cent. so assigned to them. Therefore, the measure, though adopted for Imperial purposes, did not injure the Provincial Government, but enabled it to spend part of its local rates in a more satisfactory manner. Moreover, the canals being thus provincialised, the Provincial Government was granted one-half of any saving which it could effect thereon.

824. You say that in 1877 an Act was passed authorising the Provincial Government to allot 10 per cent. of the revenue?—That is of the local rates.

825. Of the local revenue for canals and railways in the province generally; and no extra funds were given it to enable it to meet this charge. It had only a power of allotting to these services a portion of the revenue which had already been assigned to it?—It had the power of applying to one purpose what before was limited to another.

826. But no fresh funds were given it for that purpose, it was out of existing funds?—It was out of existing funds.

827. So far as it went, there is no doubt that the Imperial Government were the gainers?—The Imperial Government were the gainers by that change.

828. In the Bengal Budget of 1894-5, which you have handed in as a sample of one of these local budgets, I will take one item, "Public Works Irrigation." Irrigation receipts placed at the disposal of the Bengal Government amount to 243,000 rupees. On the other hand the expenditure is 550,000 rupees, and therefore, so far, the Provincial Government taking over the irrigation works, took them over at very considerable loss?—Yes, it may; under the head of "Irrigation" there may be a large deficit.

829. You would not be surprised to find that that was the case?—No, it is one of the points which would be considered in aiming at the equilibrium at the beginning of the agreement.

830. Is there any benefit that the Government gets out of these irrigation works that would lessen that apparent loss, because on those figures more than 50 per cent. is lost; the Government does not get back 50 per cent. of the charge on the canals?—No, the canals in Bengal are not remunerative. Some of them involve a very heavy charge, and the revenue for paying that deficiency has to be provided from other sources.

831. It does not surprise you that that should be the case?—No. I suppose under most of the heads you would find that there is not an equilibrium, that there is either a surplus of revenue over expenditure, or else the expenditure exceeds the revenue.

832. I see, as a matter of fact, taking State railways and irrigation together, they produce just about the total cost of the irrigation. You may almost put them one against the other; 553,000 rupees?—It is a coincidence, I think.

833. It is a coincidence, of course, but that only occurs because the Provincial Government receive a considerable sum on account of railways, while they pay nothing?—Yes. (*Mr. Jacob.*) That is merely a matter of adjustment. The Provincial Government in Bengal is allowed a certain proportion of the railway revenue.

834. Though it pays none of the expense?—It is allowed that amount under revenue, without any charge; it is a matter of account. The whole of the expenses are charged to the Imperial Government, but the Provincial Government gets its share of the net revenue.

835. Practically you may say that if you take public works in Bengal, the receipts and expenditure are almost the same. That is a coincidence; but as a fact the Provincial Government makes no profit out of them?—(*Sir Henry Waterfield.*) It is only a coincidence. The extent to which the railway receipts would be allowed to the Provincial Government varies in each case.

836. Do I understand that when this arrangement is made it is a question of arrangement; it is a question of equilibrium?—Yes.

837. Do you know the *present* financial result to the Provincial Government of the arrangement regarding the Canals in the North-West Provinces?—It is impossible, I think, to give the present financial result, owing to the great changes made in subsequent revisions of the provincial agreement. I find, however, that in 1881-2, the last year of the then existing quinquennial arrangement, out of a total revenue from the canals of Rx. 467,429, the Imperial Government received as its share of profit Rx. 49,053, which seems to show that under the new system the revenue of the canals must have been considerably developed. You will observe that the Imperial Government was to receive a share of the profit, and, when the charge was made over, they could not have received any portion, unless the whole arrangement had resulted in a profit to the Provincial Government.

838. I have had a paper put in my hands which you will put in.* It states the balances, and from that one can arrive at the meaning of two-thirds of "accumulated savings"—I suppose you mean by these "accumulated savings" the excess over the minimum balance required, in Bengal, for instance, over Rx. 200,000?—Yes.

839. The actual balance, we will take it in 1894-95, for Bengal, was Rx. 262,000, and I suppose you would call Rx. 62,000, that is the excess of the balance above the minimum balance, the "accumulated savings"?—Yes.

840. The arrangement, in fact, secures the Provincial Government a normal income, if the Revenue answers to the estimate. The Imperial Government takes the risk of war, and fall in exchange. The Imperial Government, further, in certain conditions of distress admits the claim of the Provincial Government to special assistance?—Yes, but, with reference to your words the fall in exchange, I may say that Provincial Governments have now to bear a part of the special allowance given as compensation for the fall in exchange.

841. That appears in the Budget of Bengal. Out of the share of land revenues assigned to the Provincial Government, I see that there is a deduction made for a sum which the Imperial Government has called upon the Provincial Government to find towards that charge?—I have not the figures before me, but I think probably that is only what is paid to the officers concerned in the collection of the land revenue. The compensation comes in respect of salaries under each head of expenditure.

842. That is what I am referring to. The Bengal share of the land revenue, was nearly Rx. 1,000,000. This total is subject to a further deduction which is made up of three items, and one of them is "Special "contribution during 1894-5 under the orders of the "Government of India, Rx. 300,000"?—No. That is a different thing altogether. That is a contribution to the Imperial Government, not compensation to the officers.

843. Why was it asked for?—That was owing to difficulties which the Government of India fell into in that particular year.

* *See* Appendix 8.

844. It was not to enable them to pay this particular compensation?—No, it had nothing to do with exchange compensation. I may, perhaps, explain, as my answer does not seem to be sufficiently clear, the meaning of that compensation for the fall in exchange. Under the rules passed in 1893 every officer who is a European or Eurasian, not domiciled in India, is allowed to receive, in addition to his salary, a certain percentage, which is quarterly fixed, as compensation for the fall in exchange. That compensation, if it is added to a salary paid by the Provincial Government, is charged against the Provincial Government, and the Imperial Government will not bear the charge.

845. And that, therefore, means an increase of the expenditure?—It is an increase of the expenditure charged to the Provincial Government which it has incurred through the fall in exchange.

846. But it is kept separate because, if the exchange rose, it would cease?—It is altered every three months, so that if the exchange rose to 1*s.* 6*d.* the rupee, it would disappear altogether.

847. On the other hand, the Imperial Government reserves to itself the right of calling on the Provincial Government to contribute to the Imperial expenditure in case of abnormal disaster?—Yes, I would rather say in case of abnormal pressure. My meaning is that, although you have quoted the word disaster quite accurately from the resolution of the 30th December 1891, I think it is hardly applicable in all cases. It was there said that the Imperial Government would make no demand on the Provincial Governments, "except in the case of disaster so abnormal as to ex- "haust the Imperial reserves and resources, and to "necessitate a suspension of the entire machinery of "public improvement throughout the Empire." Lord Hartington thought it undesirable that the Government of India should be pledged to place itself in the position of proving that such a state of matters existed, before it could require assistance from the Provincial Governments, and that it would be sufficient to state that they would not be called upon to surrender any portion of their revenues, unless the Government of India saw no alternative between such a course and the imposition of taxation, which it was not considered expedient to undertake. That is the reason why I preferred speaking of abnormal pressure.

848. And it is that claim for contribution under pressure of which we find an actual instance in this local Budget?—That is so.

849. (*Mr. Courtney.*) How often has that been levied?—On the occasion of the Afghan War, two amounts of Rx. 335,000 each were contributed by the Provincial Governments in 1879-80 and 1880-81, but the whole sum of Rx. 670,000 was restored in 1882-83. In 1886-7 there were contributions amounting to Rx. 400,000, owing to the deficit which arose through the fall in exchange and the military operations in Upper Burma; in 1890-91 from similar causes contributions of Rx. 490 000 were required; and in 1894-5 there were contributions of Rx. 405,000, in consequence of the heavy fall in exchange.

850. (*Chairman.*) That was rather a big transaction, that first one, was it not? In consequence of the Afghan War, first of all, the Provincial Governments were told they must not carry on certain works. Were moneys which would have gone to those works—moneys assigned to them—really taken back? Were not the moneys left in their power but not to be spent?—The contributions were withdrawn during the Afghan War, and then subsequently refunded.

851. Out of Imperial revenue?—Yes, the Imperial share of the land revenue was reduced by the total sum.

852. Then that contribution of 1894-95 is quite a separate matter from the increase of local expenditure, which arose from the compensation allowances given for a fall in exchange?—It is quite apart from that. The Imperial Government found itself in deficit, and it said, "rather than impose taxation to meet this "deficit, we must call on the Provincial Govern- "ments, according to their ability, to contribute to our "assistance"; the amount so taken was, altogether, Rx. 405,000.

853. I gather from the memorandum that, in the Afghan War, the Provincial Governments were told not to spend the whole of the sums advanced to them; but it would appear that the Imperial Government did not actually take the sums so unspent; these moneys remained in the hands of the Provincial Governments, and constituted what subsequently became the working balances of the Provincial Governments. Can you explain the transaction to which I refer? The Government temporarily checked Provincial expenditure, and withdrew Rx. 670,000 from the Provincial Budgets, which they later restored?—The contributions were withdrawn during the Afghan War, and subsequently refunded. The amounts do not, except in one or two instances, coincide with the minimum balance prescribed. It may, of course, be said, seeing that the total balances in India amount to 1,000 to 1,500 lakhs, that the 67 lakhs were not actually spent; but they were not at the credit of the Provincial Governments during those two or three years.

854. Exactly, but when they were eventually put back, the Provincial Governments were not allowed to spend them, but they formed the basis of that minimum working balance, did they not?—No. As a matter of fact they increased the balance so largely that the Provincial Governments spent very freely during the next few years.

855. (*Mr. Jackson.*) But they were placed at their disposal?—The sums refunded were placed at their disposal, and the Provincial Governments spent money on public works very freely.

856. (*Chairman.*) There is a question that occurs to one here. The words are constantly used, "the Provincial Government." What is exactly meant by the Provincial Government? Is it the Governor or Lieutenant-Governor in his Council? Take, for instance, the Punjab. Is it the Lieutenant-Governor of the Punjab in his Council who submits the Provincial Budget to the Imperial Government; and, if so, does he submit it to the Governor-General in Council, who refers it to the Central Treasury?—There is no Council in the Punjab. The Provincial Government means the Governor and Executive Council in the case of Madras and Bombay; the Lieutenant-Governor or Chief Commissioner, without a Council, in the other Provinces. In Madras, Bombay, Bengal, and the North-West Provinces, there are Legislative Councils, before which the Budget is laid for information, but the Budget is submitted to the Imperial Government by the Executive Authority. It is approved by the Governor-General in Council in the Financial Department.

857. That is to say, that the Governor in Council in Bombay sends the Budget to the Governor-General in Council in Calcutta?—In Calcutta, in the Financial Department.

858. And when you say in the Financial Department, that means that the Governor-General refers it to the Financial Department?—It is received in the Financial Department of the Government of India; that is the office to which it is addressed. Of course it is sent with a Secretary's letter.

859. And it is forwarded by the chief financial authority in the province, corresponding in the province to the Financial Member of Council in Calcutta?—In Madras and Bombay by the Governor in Council in the Finance Department, in other provinces the Lieutenant-Governor, would communicate with the Financial Department of the Government of India through one of his secretaries.

860. In the latter case is the secretary only a means of communication?—The distribution of work varies in the different provinces. In most cases the secretary in charge of the Finance Department has other departments under him.

861. Does he correspond directly with the Financial Member of Council about financial measures generally, or does he do so through the Lieutenant-Governor?—The Secretaries of the respective Governments correspond with the Financial Secretary to the Government of India.

862. On financial questions?—Yes.

863. The Accountant-General of the province, I suppose, communicates on questions of account with the Comptroller-General, but does he do so directly or through the Governor in Council or the Lieutenant-Governor as the case may be? Does he give to the Governor or Lieutenant-Governor copies of the financial returns which I understand he makes to the Comptroller-General?—He communicates directly with the Comptroller-General, informing the Provincial Government of his action when necessary, and giving it copies of such returns as are requisite for its information.

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864. Therefore, it comes to this, that the Accountant-General being an officer of the Central Government, has a discretion as to what financial information he communicates to the head of the Provincial Government?—He has the discretion, but is bound to use it in such a way as to give the Provincial Government such information as it needs.

865. That is to say, if he were to refuse that information, the Central Government would censure him?—Certainly.

866. But he would not communicate directly with the Comptroller-General on reforms, or reduction of salaries, or alteration of duties?—The Accountant-General would correspond with the Comptroller-General on a question of account or audit; as a rule, in questions relating to the reduction of salaries, alteration of duties, &c., he would act as adviser to the Provincial Government, who would give such orders as seemed requisite, or refer, if necessary, to the Government of India.

867. Then I think my question to you was put rather under a misapprehension. From what you have said in answer to a previous question, I think I may bear in mind that the Accountant-General is purely an account officer under and subordinate to the Comptroller-General. With his considerable knowledge of finance and his considerable command over financial information, he is naturally an adviser to the Provincial Government; but he has nothing to do, I think, except in his own Department, with salaries, or duties, or rates?—Quite so; he is the adviser of the Provincial Government, but he is not their financial officer.

868-9. And except as regards officers in the Account Department, he has no interest in the provincial salaries, or rates of pay?—No. Only that the Provincial Government is accustomed always to refer a question to the Accountant-General in case of any proposed increase of salary or of establishment, to make sure that they have stated the case rightly, both as to the existing cost and the proposed increase. (*Mr. Jacob.*) Might I read the orders on the subject? They run as follows: "In matters relating to the appointment "and control of the officers gazetted and non-gazetted, "working under him, and to the administration of his "office generally, the Accountant-General, as an account "and currency officer, is subject to the direct control "of the Government of India in the Finance Department. All correspondence with the Government of "India on such matters, including reports of giving "and taking charge, should be submitted through the "Comptroller-General, except in case of urgency, when "a copy of the letter or report should be sent to the "Comptroller-General with the intimation that the "original has been sent direct to the Government of "India. The Accountant-General is in immediate "subordination to the Comptroller-General in all "matters connected with audit and account, and will "refer to him all questions bearing on the classification of receipts and charges and other matters of "account: such questions should not be referred to "the Government of India at all, unless the Comptroller-"General is in doubt, or the Provisional Government "does not accept the Comptroller-General's view." And then as to the relations with the Provincial Government, "The Local Government may require special returns "to be prepared in any form it likes; and the "Accountant-General will conform with all requisitions of the Local Government, though, if any seem "opposed to specific orders of the Government of "India, he should first respectfully make a representation to that effect. But all returns, accounts, and "statements for the finance and revenue accounts, or "required by the Comptroller, must be prepared in the "form prescribed by the Comptroller-General; and in "all matters relating to the procedure of the finance "and revenue accounts, the Comptroller-General's instructions should be followed, as it is essential that "there should be uniformity in the accounts of the "several provinces. If a Local Government objects to "any part of the procedure prescribed by the Comptroller-General, it should report its objections to the "Government of India in the department of finance, "but should never of its own motion interfere with "such procedure. It is usually found convenient for "a Local Government, before passing orders, to obtain "the advice of the Local Accountant-General as to any "particular application of financial rules or orders "concerning which there may be doubt. Also whenever an Accountant-General is of opinion that any "proceeding of a Local Government transgresses any "such rule or order, it is his duty respectfully to advise "the Local Government accordingly. In either case "the Local Government may follow or disregard the "advice of the Accountant-General as may seem to it "right. But if the Accountant-General does not "finally acquiesce in the correctness of the decision of "the Local Government, it is his duty respectfully to "request the Local Government to submit the question "for the orders of the Supreme Government. The "Supreme Government does not usually receive any "communications upon such matters from an Accountant-General except through the Local Government; but a Local Government must not withhold "any such representation made by an Accountant-General unless it yields thereto."

870-1. What is that quoted from?—That is from the Civil Account Code, Articles 1630, 1631, 1632, 1633.

872. I am anxious in dealing with this provincial finance that we should clearly understand the extent to which the Provincial Governments have independent powers of action, and the character and channels of communication between the Provincial and Central Governments; and therefore I will ask you whether on questions of military finance, the Military Controllers in the three provinces correspond directly with the Military Accountant-General, and, if so, whether they communicate copies to the Provincial Government to which they belong?—(*Sir Henry Waterfield.*) The Military Account Department is not provincial. There is a Controller for each of the four commands (Bengal, Punjab, Madras, and Bombay), who corresponds directly with the Military Accountant-General He would not now be in direct relation with the Government of the province in which he is stationed.

873. Therefore the Governor of Bombay, as far as ordinary routine business transactions go, is quite unaware of military movements and military expenditure within his province?—I hardly know what the recent orders are as to military movements; a change has recently been made by the abolition of the post of the Commander-in-Chief and his replacement by a Lieutenant-General in command; but as to military expenditure, correspondence would go to the Imperial Government; the Provincial Government would not have to deal with that.

874. Again, do the Public Works Departments in the Provincial Governments communicate directly with the Central Public Works Office in Calcutta, or is the correspondence with the Central Government conducted through the Lieutenant-Governors?—There is a Secretary to Government in the Public Works Department in each province, who corresponds with the Secretary to the Government of India in the Public Works Department, under the orders of the chief local authority.

875. Therefore, so far as public works are concerned, the Provincial Government is fully informed of what is going on?—Yes.

876. But still have we not gathered from you that the Public Works Department is an Imperial Department?—The civil buildings and roads are under the Provincial Government; the construction of a railway is generally kept entirely in the hands of the Imperial Government; it would depend very much on whether it ran through more than one province or not.

877. I meant to ask, are not the officers Imperial officers?—No. The officers are provincial, though they may be told off to an Imperial work.

878. While in the province they belong to the Provincial Government?—Yes.

879. Do any other heads of local Departments communicate directly with authorities in Calcutta?—Heads of local Departments in all cases report to and receive orders directly from the chief local authority, who corresponds through his secretaries with the Supreme Government.

880. But I think I have heard from you that there are certain services that the Imperial Government keeps entirely in its own hands. There are scientific services such as the Survey Department, for instance, and various others; I was rather speaking of those services?—I must have misunderstood the question then; they are called Imperial Departments, and they are directly under the particular Department of the Government of India which supervises their operations.

881. And act independently in Bombay, we will say, of the Governor of Bombay and the Provincial Government?—The Survey of India would not be under the Governor of Bombay at all.

882. The scientific services would not?—The scientific services generally would not be under the Provincial Government.

883. Does any friction arise from the fact that there are services within a province of which the Governor knows nothing?—I should think the duties are so distinct that there is no difficulty arising from it. I am not aware of any.

884. The powers of control which the Central Government reserves to itself are very large. Does not this mean a very large amount of correspondence between the Provincial Governments and the Central Government?—No doubt it does.

885. But so far as your experience goes you have no reason to think that that is in excess of what is necessary?—No; I think relatively it must have been very much diminished by the decentralization system. No doubt the correspondence that goes on in India now must be much larger than it was 25 years ago; but it would have been very much greater had not the Provincial Government the independent powers which they have.

886. Can you in any way illustrate the diminution that you think has resulted from the decentralization system?—The power that I have mentioned of rearranging the Budget (within the total grant), on its own responsibility, enables a Provincial Government to dispense with a vast amount of correspondence on details. It also has practically the same independent powers as to sanctioning new appointments and carrying out details of administration, so far as provincial expenditure is concerned, that the Imperial Government has with reference to Imperial expenditure, and thereby much correspondence on such matters is avoided.

887. Would you describe to us how the Budget of each province is prepared; that is to say, what officer prepares the draft of it, and by what officers is the draft corrected?—The method of compiling the Budget is at the discretion of the Provincial Governments, but the following is the usual course. The estimates for each office are prepared by the head of the office; they are revised and collected by the head of the Department, who usually sends the Departmental Budget to the Accountant-General. After examination to see that the expenditure has been sanctioned, he passes them on to the Provincial Government. That Government makes any alteration it thinks fit, and returns them to the Accountant-General for compilation. He submits the compiled Budget to the Provincial Government, with any observations necessary if expenditure not sanctioned has been proposed beyond the power of that Government; and at the same time he forwards a copy to the Comptroller-General. The Provincial Government then submits the Budget to the Government of India in the Financial Department.

888. By what date must it be forwarded to the Central Government, and what time does that leave for consideration then, and for correspondence with the Provincial Government upon disputed items before the time comes when the Central Budget must be completed and adopted?—The Budget must be despatched by the 15th of January, which allows about two months for correspondence with the Accountant-General, and, if necessary, with the Provincial Governments, before the final figures are accepted by the Government of India.

889. The Central Government requires the Provincial Governments, does it not, to keep a normal cash balance or reserve, in order to guard against fluctuations in the finances of those governments? When was this measure adopted?—It was laid down in 1883–4 that the budgets of the Provincial Governments should be so prepared as to show, at the close of the year, cash balances not below a certain amount, varying in each case.

890. How was this balance originally formed?—Excluding money held for purely local purposes, the Provincial Governments had balances at the commencement of 1870–71, amounting to Rx. 118,749. The Government of India then gave them grants aggregating Rx. 200,000, for a working balance to start the provincial service scheme. The following is a statement of the amounts held by them at the commencement of each year:—April 1, 1870, Rx. 118,749; 1871, Rx. 341,631; 1872, Rx. 808,692; 1873, Rx. 1,033,095; 1874, Rx. 541,353; 1875, Rx. 717,184; 1876, Rx. 324,719; 1877, Rx. 398,595; 1878, Rx. 721,182; 1879, Rx. 1,216,631; 1880, Rx. 1,740,374; 1881, Rx. 1,950,056 1882, Rx. 3,705,046; 1883, Rx. 2,648,626.

891. Was the tremendous increase in 1882 owing to the Provincial contributions being refunded by the Imperial Government?—I think it was partly due to that, and partly due to the fact that some of the Governments, especially the North-West Provinces, did not spend so freely, and they had accumulated large balances. It was at this time that the rule was laid down that minimum balances should be maintained, proportionate to the size of each province, and to its liability to famine, amounting in the aggregate to Rx. 1,090,000, which was well within the total of Rx. 1,254,000, with which the year had been estimated to close. The provincial balances actually, however, amounted on the 1st of April 1884 to Rx. 2,115,095. Perhaps I may mention here that the actual balance is almost always largely in excess of the Budget. The Provincial Governments are accustomed to prepare their estimates of revenue cautiously, and also to estimate for free expenditure on public works; and they very often found at the close of the year that they were not able to spend so much as they expected, and therefore their balances, as given on the 1st of April, were much larger than the balance which they had put in their Budget as the estimate for the close of the preceding year.

892. Could you give us a list of these normal balances, and of the actual balances kept during a series of years, compared with the estimated expenditure of each Provincial Government?—Yes; I hand in the Table.*

893. Does it occur to you that these are not very large sums as a reserve on which to draw in times of difficulty?—I think it must be remembered what a very large country India is, and how very unlikely it is that a difficulty such as these balances are meant to meet, namely, famine, or scarcity, or any local emergency, would arise in all the provinces at the same time. These balances were not prescribed to meet contingencies of Imperial necessity, such as war, or a fall in exchange, but rather for local emergency.

894. Under what conditions can the normal balance be drawn upon?—There are no conditions, except that no Provincial Government may estimate to reduce its balance below the prescribed minimum without the special sanction of the Government of India.

895. That is to say, it is possible that a Provincial Government might send in a Budget in which the expenditure exceeds the income, telling the Government of India that they propose to draw to a certain extent on their balance?—They might make a proposal to that effect beforehand, and, if it were sanctioned, they might place it in the Budget; but they would not be allowed to send up the Budget in that state without having previously obtained the sanction of the Government of India.

896. Where is the normal balance kept, and how is it employed?—The balances of the Provincial Governments are not earmarked, but form part of the general balances, for the location and management of which the Government of India is responsible.

897. Is any part of those balances which is not wanted invested?—Only by the Government of India; it was one of the conditions that I read, that the Provincial Governments must not remove the balances for deposit elsewhere.

898. If the Government of India think that the balance in the hands of a Provincial Government is larger than necessary, would they invest a portion of it?—It is one of the duties of the Comptroller-General to keep a proper balance, and, of course, not more than is wanted, at the various stations.

899. As a rule do you invest?—(*Mr. Jacob.*) We do not invest, if you mean an investment which would bring in interest.

900. (*Sir Edward Hamilton.*) Do bankers allow any rate on deposits?—Yes, they do on small deposits.

901. (*Chairman.*) In the case of this Provincial expenditure, what is the process of audit?—(*Sir Henry Waterfield.*) I think I had better read to the Commission an extract from my note on the system of account and audit.†

* *See* Appendix 8. † *See* Appendix 1.

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902. This is applicable to the Provincial audit?—Yes. The system of audit applies equally whether to Provincial or Imperial expenditure.

903. Well, we have already inquired as to what I may call the central audit, the Imperial audit, and the central expenditure and the local expenditure is so much intermingled that a good deal of what applied to the one would apply to the other: but I wish to arrive at the process of audit as it touches the Provincial expenditure?—It would be audited in the same way and by the same officers. In the accounts the expenditure would be distributed between Imperial and Provincial.

904. Perhaps you will read the passage?—The passage I was going to read relates to the process of audit generally. I do not know whether you would wish to have that read.

905. It would merely be a repetition of the process of audit?—Yes.

906. Perhaps I might ask you then, in order to keep this branch of our inquiry together, to tell us shortly who are the auditing officers of the Provincial expenditure?—(*Mr. Jacob.*) They are the Civil Accountants-General and Comptrollers of the Provinces.

907. They are Imperial officers, are they not?—They are entirely Imperial.

908. And they audit the Provincial expenditure?—Yes.

909. And so far, in this case, the auditor is an officer entirely independent of the Provincial Government to which he belongs?—Yes, he is quite independent.

910. And in addition to his audit functions he discharges no executive functions?—No, I should say not.

911. Perhaps you would make a qualification there, because you would say the Accountant-General is considered the adviser?—Yes, he advises the Provincial Government.

912. But he has not got the same executive functions, if I may so describe them, as the Comptroller-General has under the Central Government—management of the debt and so forth?—No. I do not know whether the preparation of the Budget is considered an executive function.

913. Oh, yes; the preparation of the Budget is considered an executive function; but I did not gather that he had anything to do with the preparation of the budget. I thought that in the provinces the different departments prepared the local budgets which are then made up, and it is the Provincial Governments which send them up to the Viceroy and the Finance Department?—But they go to the Provincial Governments through the Accountant-General.

914. Oh, it is through the Accountant-General?—The Accountant-General actually compiles the Budget.

915. (*Mr. Courtney.*) They do not appear among the officers of the Province in the official list of the Province?—No, they are not under the Provincial Government in that sense—(*Sir Henry Waterfield.*) I think you will find them under the Financial Department of the Government of India.

916. There is a Financial Department in each Province apparently?—Yes, that shows their local distribution.

917. (*Chairman.*) If the audit officer objects to a charge to whom does he report his objection and what action is taken on such an objection?—(*Mr. Jacob.*) If the Accountant-General sees reason in audit to object to a charge, he does not *report* the objection, but *orders* the recovery, at the same time communicating with the officer to whom the erroneous payment has been made. The Treasury Officer is bound to enforce the recovery. If the officer concerned should appeal to the Provincial Government, and that Government should support his view, the recovery may be temporarily suspended pending a reference to the Government of India, who alone overrule the Accountant-General.

918. Therefore the Accountant-General, or it may be an officer of the Accountant-General, as I gathered, has the power to disallow a direct order, say, of the Governor of Bombay?—Yes.

919. Absolutely disallow it?—He would object to it.

920. And he might disallow it?—Yes.

921. And in case the Governor objected, his only method is to appeal. The Governor must appeal to the Supreme Government?—Yes, and of course the Accountant-General would temporarily suspend any action if the Provincial Government informed him that it was desired to obtain the orders of the Government of India.

922. That is to say the Central Government would probably not back up its officer in rigidly exercising his powers in case a higher functionary was concerned?—There is an absolute order that, if the Provincial Government so directs, the enforcement of the disallowance should be suspended pending a reference to the Government of India. (*Sir Henry Waterfield.*) That is only a temporary suspension.

923. Oh, yes, quite so?—(*Mr. Jacob.*) Only temporary.

924. (*Sir Andrew Scoble.*) But it is a fact, is it not, that the Government of India frequently supports the Accountant-General in disallowing?—Yes, very frequently.

925. Even in very small amounts as well as large ones?—Yes.

926. (*Chairman.*) It appears to me rather a strong measure that a subordinate officer should have the final power of disallowing against the Governor of a province what is supposed to be an irregularity?—Of course the Accountant-General exercises no discretion in a matter of that kind, it is a matter of absolute rule. I might mention, perhaps, that the Accountants-General are not very subordinate officers; the highest Accountant-General gets 3,000 rupees a month.

927. The Accountant-General of the Province I look upon as a very high officer from your description of him, but I gathered that the officers under him have the power of disallowance?—The original order of disallowance might be issued by a subordinate officer, but, if it were disputed in any way, it would come before the Accountant-General at once.

928. Apparently the subordinate officer of the Accountant-General of a Province has authority to disallow an order of the Governor of a Province. That appears to me to be an arrangement which, though, no doubt, it works without friction in the hands of anyone understanding how to work it, yet, at the same time, is rather a strong measure since it permits a subordinate officer to have the final power of disallowance?—(*Sir Henry Waterfield.*) It shows that there is an independent audit in India.

929. But, I should say generally that the independent auditor ought not to have the final power of disallowance; it puts him in an awkward position, and, therefore, he should have only the power of reporting to a higher authority, and I should have thought in a case of this kind the natural course would have been, that the charge should not be disallowed, but reported for disallowance to the Supreme Government?—It is so, unless the Provincial Government accepts the disallowance.

930. The memorandum states that the Provincial Governments are invited to delegate part of their authority to local authorities, and boards, just as the Imperial Government has delegated part of its authority to them. Has this been done to any extent, and can you give us any instances of such decentralisation?—I am prepared to read a short note which Sir Charles Bernard gave me on this subject; but I do not know, if you are going to call him, whether you would not prefer putting the questions to him? If you would like to hear it read, it will not take two minutes.

931. Perhaps you might read it if it is not a long note?—No, only two pages: "Previous to 1881–82, "municipal bodies had existed under specific laws, and "these bodies administered municipal revenues and "municipal affairs; in rural tracts local committees "discharged similar duties with more restricted powers. "Since 1881–1882 this system has been carried much "further. Municipal Acts and Local Self-Government "Acts have been passed for nearly every province; and "everywhere, save in very backward parts, elected town "committees administer municipal affairs, and elected "district boards administer local rural affairs. These "bodies cannot impose fresh taxation without the "previous sanction of the local government, and can do "so only within the limitations laid down by law. But, "subject to supervision and report, they manage all "local and municipal affairs, even to a greater extent "than similar bodies do in the United Kingdom. The "scope of the local bodies' powers and responsibilities

" is not always the same in all provinces and cities; " for instance, in the Punjab and Burma, municipal " bodies manage schools and hospitals; in Bengal, " district boards manage primary schools; in the " North-West Provinces school management has not " been made over to municipal bodies. For their roads, " streets, drains, scavenging, water supply, and such " like matters, towns and districts have to depend on " their local rates and taxes; though on occasions, as " for instance, when new water supply schemes were " undertaken at Nagpore, Benares, Lucknow, Delhi, " and elsewhere, the local government contributed a " special grant. But, wherever schools or hospitals " were made over to local bodies, the local government " makes to each municipal or district body a permanent " yearly grant from Provincial funds; such grant bears " some proportion to the sums the local government " used previously to spend yearly on the departments " or undertakings transferred to such bodies." As to the progress of the measure, the following are the statistics :—

———	1881-2.	1893-4.
Population within municipal limits.	14,201,962	15,666,903
	Rx.	Rx.
Total income - -	2,906,242	4,598,705
„ expenditure - -	2,318,793	4,527,231

932. Then how is that income raised—to a certain extent by octroi duties?—Yes, and house tax.

933. And tolls?—Tolls, and carriage tax. Various local taxes of that kind.

934. Are these given over by the Provincial Government to the Municipal Government under general conditions laid down by the Supreme Government?—I should say that the power to levy the tax is given over; they raise it themselves.

935. On that point Sir Charles Bernard, perhaps, had better speak?—I think he would be a better authority.

936. That finishes my questions to you, Sir Henry, but I should like, having this Bengal budget before me, just to run through one or two of the items. I see that the Provincial budget first of all deals with the principal heads of revenue, and under that head there is a certain sum assigned out of land revenue subject to a deduction on account of adjustment?—Yes, that is so.

937. Those adjustments really mean in most cases a return to the Imperial Government of certain sums, do they not?—It is so; it is a portion of the land revenue that is taken by the Imperial Government beyond the three-fourths that it would otherwise receive. The adjustment might in some provinces take the form of an addition to the Provincial Government's share, but I am speaking now of Bengal.

938. Well, then comes the head of interest; how would that arise; what are the Provincial Governments' investments bearing interest?—It is interest on advances to municipalities and other local bodies, interest on advances to cultivators, interest on advances to land holders, &c., interest on drainage and embankment advances.

939. They are public loans?—Yes, and advances.

940. Then I have already called your attention to and had from you an explanation about the irrigation and the railways, public works in Bengal not being a paying business: and the last entry I find is " buildings and roads, civil works " by Public Works Department. I gather from that that there are certain receipts, but they are only on minor heads of public works. I think I understood you to say they are local?—The receipts on civil works are chiefly from tolls or ferries.

941. But those are only for minor works, are they not. Did I understand from you that the greater works are kept in the hands of the Imperial Government?—I thought you were speaking of the revenue head.

942. I am speaking of the revenue head. The Provincial Government only derives a revenue from the heads of services which it undertakes?—Yes. (*Mr. Jacob.*)—Almost entirely tolls on ferries. (*Sir Henry Waterfield.*)—It is entirely provincial and local, and almost entirely from ferries.

943. Yet I see that the expenditure by the Public Works Department is a very large one. Here it is between 200,000*l.* and 300,000*l.*?—You are speaking of civil buildings and roads?

944. Public Works Department buildings and roads?—Yes, buildings and roads, civil works.

945. On works in charge of the Public Works Department I have got 2,636,000 rupees as spent, and by the Civil Department 138,000 rupees?—Besides the expenditure which is carried on by the engineers in the Public Works Department, there is also an expenditure in each district of a petty character under the civil officers.

946. (*Sir William Wedderburn.*) I should like to ask a few questions with regard to this printed correspondence regarding financial control and appropriation audit.* I think it will be found that the Secretary of State has on several occasions—(I would refer specially to page 32 and page 44 of the correspondence), expressed an opinion that an appropriation audit analogous to that made by the Auditor-General in this country to the House of Commons would be advantageous. I would just read at the top of page 32. He says, " This question was discussed by the Committee which " was appointed by me in 1880 to report on the system " of military accounts. They were unanimous in " recommending that the detailed audit with vouchers " which is effected by the local Accountants-General, " and the results which are monthly reported to the " Comptroller-General should be supplemented by an " appropriation audit, which would be embodied in a " comparison and report for the year, analogous to that " made by the Auditor-General in this country to the " House of Commons"?—Yes.

947. That is in 1882. Then afterwards in 1888 he again returns to the subject, and in paragraph 6 of that despatch, at page 44, he says: " It has " been found, as a matter of experience, that most " important public advantages have been secured " by the operation of the system which I have de- " scribed. The independent auditor, far from encroach- " ing upon or hampering the action of the Chancellor " of the Exchequer, has become his most valuable ally. " Through the auditor alone he learns that his own " regulations are observed, and by the aid of the " auditor alone he is able to enforce the financial " order for which he is responsible to Parliament." What I should like to ask you is whether there is at present any system of audit that can be called analogous to the system which is here referred to under which the action of the highest executive is brought under the revision of the ultimate authority of Parliament?—No, I think there is no such at present.

948. There at present exists, I think, an appropriation audit?—Yes, there is an appropriation audit as Mr. Jacob explained yesterday.

949. I should like to know what is the exact advantage that is obtained by the existing appropriation audit at the end of the year as separate from the detailed audit that goes on from day to day?—Perhaps Mr. Jacob, as he has written such reports, had better answer that question or give an opinion thereon. (*Mr. Jacob.*) It brings to the notice of the Government of India, which has made the grants, that the grants have not been exceeded.

950. But that is brought to notice, I think, from day to day. As you explained to the Chairman, there can be no continuing irregularity. It would be at once checked. So that at the end of the year if that check had been effective, there is nothing to report except that the expenditure has been in accordance with the Budget?—There might be something that would come to the notice of the Government of India for the first time in the appropriation report. (*Sir Henry Waterfield.*) The appropriation report brings to the notice of the Government of India any excess that has occurred over the Budget, even though it has been sanctioned.

951. Is there any advantage? I notice that is the advantage stated by the Government of India from the present appropriation audit, but is there any practical advantage from that, seeing that the authority that sanctions the Budget is the same authority who spends the money? All the effect of that is to let the Government of India know whether at the end of the year they have been of the same mind as they have been at the beginning of the year, but it is the same authority that frames the Budget and afterwards spends the money? (*Mr. Jacob.*) As regards Imperial expenditure, that is so, but not as regards Provincial expenditure. (*Sir Henry Waterfield.*) Perhaps I may also read to you a

* *See* Appendix 2.

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passage of Lord Hartington's despatch from the same page, 32, from which you quoted. He referred to the opinion of certain members of the Committee of 1880, which you read, but he went on in paragraph 4 of his despatch to explain the difference between the positions of England and India. He said: "The "case of India is not to be governed by the rules "laid down in European countries. In the United "Kingdom the supplies are annually voted by Parlia- "ment, which exercises a very jealous control over "the Executive Government in the disposal of those "supplies, and requires that an officer independent of "the Government shall report to it whether the law "has been in all cases observed, and the moneys dis- "tributed according to the intention of the House of "Commons. In India the case is different; although "the taxes are only imposed by the authority of the "Council for making laws and regulations, the allot- "ment of the supplies is made by the Governor- "General in Council; and it is, therefore, primarily "for his satisfaction that an appropriation audit is "needed, in order that he may have brought before him "in a clear and precise manner any deviations which "have occurred in the expenditure of the year from "the original intentions of the Budget." That, I think, is the effect of the appropriation audit as it is now carried out.

952. Is that the whole advantage that is obtained from the present arrangement?—Yes, I should think that comprises all.

953. Is it not very small? It is only a sort of review by the same authority of what they have done themselves, practically, because the Government of India both prepared the Budget and had the ultimate control of the whole of the expenditure?—It corresponds in that respect to the action of the House of Commons. The House of Commons votes the grants, and has a report placed before it, to enable it to see whether the expenditure has been in accordance with these grants. The Governor-General in Council makes the grants out of the revenue of India for specific purposes, and has an audit report placed before him to see whether these orders have been carried out.

954. But is not the case of the House of Commons that they vote the Budget and they do not have any detailed information regarding the progress of the expenditure, and therefore at the end of the year they want an annual report which will put them in possession of the fact as to whether the money has been spent in accordance with the object?—Yes, in accordance with the votes that have been passed.

955. But it seems to me that there is no analogy at all between that and this Appropriation Report, which is only a summary of the daily proceedings of the Financial Department?—Yes, I think you are right, but it is a summary for the authorities who have made the grants, of the action taken.

956. But there is no fresh check or fresh security caused by that. Is it not the case that this annual appropriation audit, so far from being a most important thing, is practically of no use at all after the daily audit has been thoroughly well carried out during the year?—I think that probably the detailed appropriation reports are only of use as enabling the Comptroller-General to prepare his review for the Government; but I should not say that the review by the Comptroller-General, which is called an Appropriation Report, and the review by the Secretary of State afterwards, are of no use; I think they are very important checks on the expenditure.

957. I do not mean to say that there is not immense value in the review by the Comptroller-General and Auditor-General of India of the whole financial arrangements, but it appears to me to be entirely foreign to the purpose of the British system, and will not carry out that object even in that small degree?—I think it has sprung from the British system, and I think that it meets Lord Hartington's intention as expressed when it was initiated.

958. I think that it has been suggested by the Government of India that as regards this Audit the Governor-General in Council in the Financial Department takes the place of Parliament?—They make the grants out of the revenues in very much the same way as the House of Commons passes votes for expenditure.

959. But is not the whole object of the Auditor-General's report to bring to the notice of the highest ultimate authority, how the Executive, however high, has carried out the orders of that ultimate authority?—Yes, if you mean by the ultimate authority the authority which makes the grants. It is intended for that purpose, I think.

960. Well, I mean the ultimate authority, the master. You say in the British system Parliament is the master, the officials or executive are the servants, and that the auditor is an independent authority which brings to the notice of the master whether the servant has carried out his instructions. That is the analogy of the thing. Now, what I want to know is, in what way the Government of India, in the Financial Department, can claim to be the ultimate authority to which the ultimate report is to be made by the independent auditor?—No, I do not think it is the ultimate authority, but, I think, as the authority which makes the grants, it is the final authority that can review the expenditure in detail on an Appropriation Report. Parliament has delegated to the Secretary of State in Council, as you are aware, the control of all expenditure out of the revenues of India, and the Secretary of State in Council necessarily delegates the detailed appropriation of the revenues to the Governor-General in Council. It is to him that the Appropriation Audit Report is made.

961. So that the Governor-General in Council is distinctly not the ultimate authority?—No, undoubtedly Parliament has an authority over India; the Secretary of State is responsible to Parliament.

962. He is only acting with delegated authority from the Secretary of State, who is responsible to Parliament, as I understand?—Yes.

963. Therefore, so far as an audit is useful in bringing the acts of the executive to the notice, and under the control of the ultimate authority, the present system is not effective in any way—does not touch that at all?—No, the Comptroller-General's report is not laid before Parliament, and, therefore, you may say that Parliament is not cognisant of it.

964. I think you mentioned that there would be a great difficulty in detailed interference by Parliament, or any authority here, with the details of administration in India?—Yes.

965. But would not detailed interference be made, in many respects, unnecessary if there were some formal annual review, general review, of the administration, especially the financial administration of India by the ultimate authority, that is, by Parliament? Would not that obviate a good deal of the detailed interpellation and questions which are made necessary under the existing system?—The Secretary of State has always accepted the responsibility of explaining to Parliament the financial position; he does so in his statement every year. I should not have thought that Parliament would wish to have the details submitted to it, or, at least, that any great advantage could arise from that.

966. My question rather pointed to the suggestion that there should be some committee of the House of Commons which would deal with a report similar to that which the Auditor-General puts before the House of Commons for British accounts?—I think the Public Accounts Committee would find very little use in the Comptroller and Auditor-General's appropriation report, if it had not the officers to come before it with explanations; and that is a very practical difficulty with regard to India.

967. A good deal has been said about the independent audit; a good deal of anxiety has been expressed as to the necessity of placing the auditor in an independent position, and suggestions have been made with regard to making him irremovable, that he may have no fear, and that he should be provided with certain definite promotion, independently of the Government of India, so that he might not look for any favour. Is there any reason to think, in regard to officers whose duty it is to make such reports that there is undue pressure brought to bear upon them, that such precautions are necessary?—I should have thought it was quite certain that they are absolutely independent; but, perhaps, Mr. Jacob, who must have performed that duty in several capacities, can answer the question better.

968. There is rather a peculiar reason given ultimately for expecting independence. It says that the position of the Comptroller and Auditor-General is such as to put him beyond such influences. I think you find it in Lord Hartington's despatch of the 23rd March 1882?—I think the passage to which you refer is in

the summary of the Government of India's view, given on page 32, paragraph 3, clause 4.

969. Does it not say, with regard to the Comptroller-General, that his position in the service is so high as to render him a thoroughly independent officer, who can be trusted to do his duty conscientiously and fearlessly. I have made note of it, paragraph 6, page 33. It says:—"In my opinion, the Comptroller-General is the proper "officer to conduct the appropriation audit. His "position in the service is so high as to render him a "thoroughly independent officer, who can be trusted "to do his duty conscientiously and fearlessly." Is not that a reflection upon the officers who are not so highly placed?—I do not think it was intended so at all; I think that there was no such insinuation and that all that was meant was that there could be no ground for supposing that either anticipation of favour or fear of disfavour would affect the auditor's report.

970. But as far as I can make out, this is the only reason which is given ultimately for the adoption of the present system?—I think that passage was rather in reply to the suggestion that the auditor should be irremovable, save with the sanction of the Secretary of State in Council.

971. These were the precautions proposed to put him beyond the reach of pressure?—Yes.

972. But the Secretary of State thinks that his high position will have that effect?—Yes.

973. And I would rather point out that officials who have never reached those high positions would think that this was a reflection upon them, to suppose that it is only the height that the Comptroller-General has reached that makes the security?—I do not think that it was intended as any reflection upon the lower officers, but that it was merely a way of stating that the Government might be assured that they would have a true report.

974. What I wanted to lead up to was the nature of the sanction which the Comptroller and Auditor-General requires in order to pass the different items of expenditure. I think there was a correspondence in which the Secretary of State asked that he should certify, not only whether the Governor General in Council had given his sanction, but also, in cases where the additional sanction of the Secretary of State was necessary, whether that sanction was obtained?—(*Mr. Jacob.*) Yes.

975. I think that is the present state of the thing?—Yes, that is so.

976. Now, is it also within his duty, supposing that the Secretary of State in his belief is exceeding his authority, to represent that in his report?—I cannot conceive a case in which the Secretary of State could exceed his authority.

977. But that is not the point. If, under an Act of Parliament, the power of the Secretary of State to apply the revenues of India is limited, and if outside those limits he were expending the revenues of India, would it be within the functions and of the control of the Auditor-General to report that defect of authority?—No, I should say not.

978. You are no doubt aware that under the Government of India Act of 1858, the Secretary of State is not entitled to employ the revenues of India, without special sanction, beyond the frontiers of India?—Yes.

979. It would not be within the present functions of the Comptroller and Auditor-General to check amounts that would be expended out of the revenues of India contrary to that Act of Parliament?—No, I should say not.

980. Then in that respect the audit fails as regards the ultimate authority of the House of Commons—of Parliament?—(*Sir Henry Waterfield.*) The Secretary of State is directly responsible, and is amenable to the House of Commons, before whom he must justify himself, but the Comptroller-General's report would not bring that to notice.

981. No, and he would not check at the time, because, as I understand, the main and effective check is when the first sum of money is spent. In the ordinary course of administration the check is applied at the first few rupees that are spent wrong?—(*Mr. Jacob.*) Yes.

982. So that large sums are not spent; but unless that daily check is applied in the case of a Secretary of State, many lakhs of rupees might be spent beyond the frontier without their being checked in any way or brought to notice?

983. (*Chairman.*) May I ask whether, under the Act of Parliament, the Council of India is not the body which has to check the Secretary of State under the circumstances that Sir William Wedderburn suggests?—(*Sir Henry Waterfield.*) It is the Secretary of State in Council, undoubtedly.

984. He must have the consent of the majority of his Council?—Yes.

985. (*Sir William Wedderburn.*) But when I was speaking of the Secretary of State, I was meaning the Secretary of State in Council acting as such. I wanted to know whether that check was there employed. Then there is another point I should like to clear up, and that is with reference to the special funds. I think it is mentioned as one of the particular objects of the audit to see that the special funds are properly appropriated. That is at page 33 in Lord Hartington's despatch; but it is also stated in Lord Ripon's despatch of the 1st October 1881?—I think there is no doubt that they would be duly audited.

986. That is an important part of the duty of the Auditor-General, I think? (*Mr. Jacob.*) Each Accountant-General has to submit an annual report reviewing the expenditure from local funds.

987. And it will be part of his duty to prevent or to put in a protest?—To report, certainly.

988. Against any wrongful appropriation of these funds?—Yes. I will just read the order:—"The "Accountant-General will submit, through the Local "Government, a yearly statement of the total income, "total expenditure, and balance of every local or other "independent fund upon his books, with a few brief "remarks upon the finance of each, with the object of "showing—first, that each fund is solvent; secondly, "that it is applied to the purposes for which it is "intended; thirdly, that it is not overlooked, but is "being fully utilised; fourthly, that its continuance "is expedient. In submitting these statements to the "Government of India, the Local Governments should "add their own remarks."

989. Is there any check or any means of preventing these special funds being appropriated by the Government of India to itself? Would it be within the duty of the Comptroller-General to point out that these funds were not available for general purposes?—The Government of India would be the ultimate authority to decide whether they were being applied properly or not.

990. But as far as check or audit goes, have you, as Comptroller and Auditor-General, any means of preventing the whole fund being taken by the Government of India?—The order of the Government of India would certainly be final upon that point, and would be so accepted.

991. There would be no means of checking or protesting. The particular case I wished to refer to is what is commonly called the Famine Insurance Fund. There are differences of opinion as to what the nature of that particular assignment was, but that is what it is generally called, and I think you will remember that special taxes were raised for the purpose of forming that particular fund?—(*Sir Henry Waterfield.*) Not for forming a particular fund; it was an appropriation for a particular purpose.

992. Well, as I say, there is a difference of opinion as to the real position of it; but considering there is a general feeling—a very considerable feeling—that there were particular taxes raised for that particular purpose, I would ask, taking this as an example, whether there was any sort of protest, or whether there was any means of making a protest to prevent this fund being taken by the Government of India?—(*Mr. Jacob.*) The Famine Relief Appropriation was never treated as a fund in any account of the Government of India.

993. Did not Sir John Strachey say that no separate fund was established because of convenience in the accounts?—I am not aware of its ever having been treated as a fund of any kind, in the technical sense of a fund appropriated for a particular object.

994. (*Chairman.*) And the auditors will not report upon it?—Not upon that fund; no, not upon any such fund.

995. I think, Sir Henry, Sir William Wedderburn has drawn a distinction between the ordinary day-to-

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day audit and the appropriation audit. The idea of the appropriation audit is doubtless borrowed from the home system?—(*Sir Henry Waterfield.*) Yes.

996. Before the appropriation audit was introduced here in its full extent in 1866 there was an audit of almost all Government expenditure by the Audit Office, which examined the vouchers and saw that payments were regular, but did not report to Parliament whether the necessary authority for the payment had been obtained. That is the business of an ordinary auditor, is it not? He goes through the payments, and he sees there is a voucher for each payment?—Yes.

997-8. When the necessity comes for an appropriation audit the extra duty is imposed upon the auditor of ascertaining whether each payment is not only duly vouched, but duly sanctioned. I would go further and say (following the strict analogy, which you have pointed out, Sir Henry) that as Parliament votes the supplies. naturally the report is made to Parliament to show that those supplies have been devoted to the objects for which they were voted; and in the same way the strict analogy is that, as the Governor-General in Council appropriates the supplies, it is to the Governor-General in Council that the reports should be made, showing whether his officers have applied the money in the manner in which he in Council has granted it?—Yes.

999. The analogy so far is perfectly strict. It becomes a further question as to whether, in the case of India, a further check is wanted; but I think, as far as it goes, the exact analogy is correct?—I think a report is made to the authority which granted the supplies; the audit does much more than merely see that a voucher is obtained; it is for the purpose of appropriation.

1000. (*Sir W. Wedderburn.*) But is the analogy complete when, in the one case, the authority is simply reporting to itself, and the whole essence of the other is to let the granting authority know whether its orders have been carried out?

(*Chairman.*) What I meant was that — whether, rightly or wrongly, I am not entering upon that—in the one case the Governor-General in Council is the granting authority, and a report is made to him; in the other case Parliament is the granting authority, and a report is made to it. So far the analogy is complete. That does not touch the further question. whether Parliament, as the supreme authority, has any communication made to it. Then, again, with regard to the independence of officers in this position, probably the correct way of putting it is this. What is sought by the arrangement in England is to get an officer in a position independent of pressure. That is done by assimilating the position of the Comptroller and Auditor-General to that of a Judge. You may say he has practically nothing to look for beyond; he has arrived at the summit of the official hierarchy. He is also irremovable, except by an address from the two Houses of Parliament. In the same way what I suppose is meant by the mention of the high position of the Indian Comptroller-General is that it is so high that he has very little more to look to.

(*Sir W. Wedderburn.*) I do not think so.

(*Chairman.*) I think that the meaning that would be attached to the statement that the high officer is independent, is that he has not got much to look to. Whether he has or not, is, of course, a question of opinion, but that is the meaning of saying that a high officer is more independent than an officer in a lower place, that a lower officer has much more to look to in the way of promotion that could be given to him?—(*Sir H. Waterfield.*) Perhaps I may, with reference to Sir W. Wedderburn's position, quote from page 47 of the papers, in which the Government of India said: "An efficient system of audit must be such "as to insure (1) audit against vouchers; (2) audit "against Budget grant; (3) audit against appli- "cation of grant; (4) audit against sanction; (5) "audit against the powers of sanction of the sanctioning "authority; (6) that all irregular and unauthorised "expenditure is brought to notice," and then they go on to say in the next paragraph, "We may point out "that the system of audit which is now in force in "India certainly aims at the attainment of all these "objects," and I think there is no doubt that it succeeds in attaining them.

1001. (*Mr. Naoroji.*) When, on account of the error in the estimates owing to the Afghan War, a committee was appointed here, it recommended a certain scheme, and with regard to that scheme of a complete audit and so on, the Government of India said: "The "organisation would certainly be far more perfect if "the Auditor-General and his subordinates exercised "no executive or administrative functions whatsoever. "The question is mainly one of money. It is obvious "that, if the Auditor-General and his subordinates "were to carry out annually in detail an administra- "tive audit of the whole of the accounts in all depart- "ments, a very large establishment would be required. "The expense of such an organisation would be so "great that we think the idea may be at once set "aside." So, then, in order to have this, what would certainly have been a very great and very important improvement, has been set aside on account of want of money, has it not?—The proposal was put aside on account of the expense.

1002. Then the Government of India proposed a certain reduced scheme instead, costing about a lakh and 53,000 rupees?—Yes.

1003. That, again, the Secretary of State did not allow?—Yes.

1004. He asked the Government of India to reduce that as well?—He asked them to reconsider it.

1005. The Government of India then proposed 55,000 rupees?—Yes.

1006. Even to that the Secretary of State for India objected, to a certain extent, and sanctioned 51,000 rupees, allowing Sir J. Westland a special allowance?—Yes.

1007. Well, all this means, then, that, if there were means, an improvement of this kind would have been very great, and it was only the want of means that induced the Government of India to ask that proposal to be set aside?—I do not think that the Secretary of State ever expressed the opinion that the proposal for an independent auditor would necessarily be a great improvement. The Government of India having accepted the view of the minority of the Committee that it would be a great improvement, the Secretary of State said that he thought the expense prevented its being carried out, and they then considered what could be done.

1008. I am giving actually the words of the Government of India that it regarded it as important?—The Government of India did accept it.

1009. And had they had means, they would have been glad to have carried it out?—That was the view of the Government of India of that day.

1010. In this memorandum, at page 48, there is a table giving the number of officers and clerks, and the annual cost comes to about 60 lacs of rupees?—Yes.

1011. Now, suppose, Mr. Jacob, the Government gave you a free hand to devise a perfect scheme, so that, without any difficulty about means, you might go to all necessary expense, what do you think would be the cost of such a scheme over and above this 60 lacs of rupees, just approximately?—(*Mr. Jacob.*) I should find it very difficult to give any idea offhand.

1012. 50 per cent., 100 per cent., or anything like it?—I think the present audit is quite sufficient.

1013. The opinion of the Government of India, as I read just now, showed that, had there been more money, there would have been so much improvement and a more perfect audit would have been organised. As the want of money prevented them from doing that, still they have shown that, if you had more money, you would be able to devise a more perfect scheme, according to the view of the Government of India?—(*Sir Henry Waterfield.*) I have already said that I am not at all sure that that was accepted by the Secretary of State.

1014. I am not saying that it was accepted by the Secretary of State; I am only saying that, as the Government of India gave us to understand that if such a thing could be done, it would be desirable, but that want of money would prevent it; therefore let such a scheme be put in theoretically. Suppose the Government of India could have supplied and found the money, how much more would have been necessary, and instead of going to a matter of 55,000 rupees as a small addition, how much more would have been required to carry out what the Government of India thought a thorough organisation?—They gave what would probably be the cost of the

original scheme. I think that is the lac and the 50,000 that you quote. They said that was the most that could be done. I think that is on page 18,—1,53,168 rupees. That is the estimate that they made at the time, of the cost of carrying out the suggestion for an independent appropriation audit.

1015. In fact, they put the suggestion altogether aside, and suggested that a modest scheme to the extent of a lac and 50,000 rupees would do for the present; that is what they would recommend?—Yes, they said that the expense of such an audit in full detail would be so great that they thought the idea must be at once set aside. The plan they proposed was a reduced scheme costing a lac and 50,000 rupees. Therefore, it is quite clear that, if the Government of India had desired a more effective audit, it would have been very much more expensive.

1016. I am only giving the views of the Government of India myself?—Of the Government of India of that day.

1017. I can only speak from what is put before me. Can you tell us how much of this 60 lacs of rupees is paid to Europeans?—Mr. Jacob may know. (*Mr. Jacob.*) I could not say off-hand.

1018. We will have an approximation. Perhaps to-morrow some figures may be put in which will enable us to come to some approximate amount, whatever that is, be it 20 lacs, or 30 lacs, or whatever it may be?—(*Sir Henry Waterfield.*) I will see if I can give you any figures to-morrow. I will make a note and see about that.*

1019. Now, in a despatch of the Secretary of State for India, dated the 17th July 1879 (I do not think it will be necessary for me to refer to it at length) in the little extract which I read, the Secretary of State said:—"I "have already expressed my decided opinion that the "salaries to be appropriated to native gentlemen "serving in their own country must in justice to the "taxpayer of India, be fixed at a lower rate than those "which have been found necessary to attract the "members of the existing Civil Service to leave their "homes, and I think it desirable at once to lay down "a clear rule on the subject. After mature considera-"tion Her Majesty's Government has decided that the "salaries to all native gentlemen appointed under the "new rules, except probationers, shall not exceed two-"thirds of the salaries assigned to English civilians." That is the Secretary of State's despatch. Now, supposing that the Government thought it desirable to increase that Indian contingent, there would be immediately a saving of 33⅓ per cent., would there not?—No.

1020. That is to say, for the same number of native officials appointed in place of the Europeans. Supposing Indians were appointed, and their salaries were two-thirds what was being paid to English civilians, there would be a saving of 33⅓ per cent. in their salaries?—If appointed when vacancies occurred.

1021. If appointed when opportunities should be made; I do not say, to appoint immediately?—I thought you said, immediately.

1022. Without any prejudice to existing interests, if the Government of India carried a scheme by which the English Civil Servants were displaced and their places taken by native gentlemen, according to this standard (which might still be further reduced) there would then be a saving of 33⅓ per cent. in money, so the Government of India would have at its disposal 50 per cent. more servants than it has at present, would it not?—If the officers were appointed on two-thirds of the existing salaries, and were equally efficient, there would be a saving of one-third.

1023. Then there would be this other effect of it, that whatever is paid to the Indian servants remains entirely in the country, and in point of fact does not affect the total wealth of the country. Is it not so, just as it is here? 2*l.* 11*s.* 8*d.* are drawn per head from the people here for the purposes of State, but all that returns to the people, and therefore the fund from which the State can derive its wants is always full, as it were—the ocean kept filled by rain or river—so that the Government is able to draw as much as may be absolutely necessary. That would be the effect if the Indian Civil Service was so much Indian?—If the money is spent in the country it remains in the country, and it is conceivable that it might be taxed.

1024. That would therefore increase, or rather preserve and enable the people to increase, the fund from which the Government has to draw for its own purposes; of course any waste or extravagance is quite a different thing. Now there is another question. Can the administration and management of the expenditure of any individual or of any people be more satisfactory, or can it be effected in a more responsible manner than by that individual or that people? Supposing they had the administration and management, or at least a potent voice in the administration and management, of that expenditure?—It depends very much on the character of the people, I should say.

1025. If I am to spend my own money, I shall certainly be more careful how I spend it than if I spend for somebody else, to whom I am entirely irresponsible, and have also an interest in the expenditure; and I will not give the same anxiety to see that the expenditure for another person is not more, or not unnecessary, or that it is as much as is absolutely necessary. That is only natural?—I do not think I can admit that. Many a man cannot be trusted with his own money; someone else will look after it better for him.

1026. (*Mr. Ryder.*) I should like to ask you, Mr. Jacob, whether, when you apply your test audit to the accounts that have been already audited, by your officers and the Provincial Accountants-General, you do that on behalf of any different authority from that on whose behalf the auditors of the Accountant-General's Department acted?—(*Mr. Jacob.*) No, not on behalf of any other authority.

1027. You all audit on behalf of one and the same authority, viz., I suppose, the Governor-General in Council?—Yes.

1028. Therefore we cannot say that you introduce any new element into the audit by your action. You regard the accounts from just the same standpoint as the immediate auditors do?—Yes.

1029. You do not audit the accounts in any different way from the other auditors?—No.

1030. All that you do is to apply a test which sees that they have done that which they ought to have done?—Yes.

1031. And then you compile the results of what they have done? Am I not right in saying so?—Yes.

1032. You summarise the results and show them to the Governor-General in Council?—Yes.

1033. Would it make any difference whatever if you acted on behalf of the Secretary of State in Council, and not on behalf of the Governor-General in Council?—I do not see that it would.

1034. That would not put you in any more independent position?—No. I have been Accountant-General and Comptroller-General for 8 or 10 years; and I cannot remember a single instance in which any pressure has been put upon me which could in any way be considered as improper.

1035. No. Nevertheless, when once you are satisfied that anything has been sanctioned deliberately by the Governor-General in Council, you drop the matter?—No. If it requires the Secretary of State's sanction, I require proof that this sanction has been obtained.

1036. So far, therefore, you may be said to be a controller of the action of the Governor-General in Council?—To that extent.

1037. And, so far, you do act on behalf of the Secretary of State here in England?—Yes. That duty has only been laid on the auditors in India for the last three or four years. Before that, we never went behind the order of the Governor-General in Council.

1038. But even in that respect you only do what the Provincial Accountants-General do?—Yes; certainly.

1039-40. There is no special function that belongs to you in the matter of auditing which does not belong to them?—No.

1041. Your report is always sent to the Secretary of State in Council?—Yes, it always goes to the Secretary of State.

1042. But you do not address your report to him?—No; I address it to the Government of India.

1043. Could you insist upon its being sent to the Secretary of State if the Government of India did not send it to him?—I do not think that the question has

* *See* Q. 2638.

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ever arisen. It goes to him as a matter of course. It is published in the "Gazette" too.

1044. You do not audit home expenditure, do you?—No.

1045. That is done here?—Yes.

1046. (*Chairman.*) May I ask this question: Your report is published, you say, in the "Gazette"?—Yes.

1047. Is that by a Parliamentary Order, or is it by a Standing Order of the Government of India?—It is by a Standing Order.

1048. And, therefore, as a matter of course, it is published in the "Gazette"?—Yes.

1049. That is secured?—Yes.

1050. It is not laid before Parliament here, is it?—(*Sir Henry Waterfield.*) No, it is not.

1051. (*Sir Ralph Knox.*) The treasury officers who make payments in the first instance are auditors, I suppose, as to the authority of all the payments they have to make?—(*Mr. Jacob.*) To a certain extent; the Government has laid upon the drawing officers the responsibility for everything they draw except salaries and establishment charges.

1052. Then the treasury officer does not examine the bills that are presented to him except in respect of some order directing payment to be made?—Yes, that is all.

1053. He does not go into the details of the charges to see that they are in accordance with any code of regulations, but only that they are approved by an authorised officer to be paid?—You are referring to charges other than salaries and establishment?

1054. Yes?—The salary charge he would never pay without the order of the Accountant-General naming the fixed salary of the particular officer.

1055. And that authority would be obtained every month for that payment?—No, it remains in force until the Accountant-General withdraws it.

1056. Therefore, he, in that case, examines the document which is presented to him to see whether it is in accordance with the Accountant-General's authority?—Yes, as regards salaries, certainly he does.

1057. As regards other payments, he only sees that they are ordered for payment by an authorised person?—Yes, that is, generally. There are a few conditions that are laid down—certain charges may only be drawn on the countersignature of a superior officer, and so on; but ultimately it does depend upon the authority of an officer who either signs or countersigns.

1058. The paying officer does not then go into the details of the charges; he does not see that a payment to a contractor is in accordance with the contract, or anything of that kind?—No, not at all.

1059. But with regard to salaries, or lists of salaries, he does examine these, because he has been authorised by the Accountant-General of the district to pass certain salaries until the authority is withdrawn?—Yes.

1060. Therefore, as regards salaries, he may be regarded as an auditor?—Yes, with reference to this definite order of the Accountant-General.

1061. He does not go into any question of rules or regulations, but he just sees he has an order from the Accountant-General to pay a definite specified salary to a certain specified officer; and when the salary of that officer would be increased there would be necessarily the order of the Accountant-General to increase it?—Yes; he would not pay him any increase until he received the order of the Accountant-General.

1062. Then the examination of the Accountant-General subsequently is in complete detail of every voucher?—Yes.

1063. Does not he accept the examination of the treasury officer in any way?—No.

1064. And he goes through every item of charge, and checks every rate and compensation and so on?—Yes.

1065. Then, subsequently to that, you apply a test examination by your officers to see that every regulation is more or less carried out?—Yes.

1066. To what extent does your test go? Is it a continuous test, overhauling all the Accountant-General's accounts, or is it only a review just at the last month of the year?—No, it is not necessarily even an annual review. The Deputy Auditor-General goes to any office that I send him to, and examines two or three months of the accounts. That comes to about a month a year on the average.

1067. But that is going on continuously throughout the year? Your officers may be in one place at one time and another place at another?—But he need not necessarily examine each office once a year; he may examine an office once every two years or once every three years, but he will take a certain period, and will examine in detail every voucher and account for that period.

1068. The responsibility that is thrown upon the treasury officer in making the payments is simply that he has a formal authority to make the payment?—Yes, on the Treasury officer.

1069. I do not know that I quite understood the new powers that have been conferred upon the provincial authorities as regards their incurring new items of expenditure as within their control. Is it possible for the provincial authorities to estimate for an increase of the expenditure, so as to be able to present an increased Budget for any particular year?—Yes; they can enter any amount in the Budget, within the revenue, without any further sanction, provided the expenditure is within their general powers.

1070. Can they estimate an increased revenue and then propose increased expenditure as against that? If it was the opinion of the provincial authorities that the revenue would come up a lac or so in the next year, could they, as against that, propose increased expenditure, and would it be accepted?—Generally, I should say it would not be accepted, unless there was some specific cause to be assigned for the increase of the revenue. The general rule is as regards the principal heads of revenue, that we take, for the following year, the nearest estimate we can make of the probable revenue during the current year.

1071. Then, so far as their increased powers are concerned, it really depends on the revenue which has already been received, whether they can propose increased expenditure, or not?—Yes, practically; unless the expenditure is to be out of balances.

1072. Then really the power of provincial authorities is limited in this way, that they must have obtained the increased revenue before they can propose an increase of expenditure?—Yes, practically, that is what it comes to.

1073. But then, when they have ascertained the revenue that is in existence, supposing they make proposals within that to the Central Government, those proposals are, of necessity, accepted?—Yes; they are accepted as a matter of course, subject to the special limitations.

1074. They always require the special sanction of the Government for an increase of salary, and so on?—Yes.

1075. But the actual revenue must have been received during the previous year, must it not, and ascertained by fact to be a provincial revenue, before any proposals for increased expenditure are allowed?—Yes.

1076. As against that revenue they may add something on account of the improved balances of the previous year?—Yes, if they have obtained the sanction of the Government of India beforehand for it.

1077. They have not a discretion as regards that; they must get special sanction to spend that money, which is already in their coffers, before they can set down expenditure against it?—Yes. The order with regard to any considerable expenditure from balances, is that the sanction of the Government of India must be obtained to it beforehand. No objection would be taken to a small excess.

1078. (*Chairman.*) Sir Ralph Knox put it to you, that the Provincial Government make an estimate of increased revenue. That, I suppose, is a point on which the Treasury, the Financial Member of Council, exercises a very distinct and immediate financial check; that is to say, he would at once refuse anything like a speculative estimate of revenue?—Certainly.

1079. Then again, I think you spoke as if the expenditure asked by the Provincial Government would be accepted—I think Sir Ralph Knox's words were "as "of course,"—but I suppose the Central Government would exercise a very distinct control and decide whether

certain public works were necessary or not? Though they would give all due weight to the recommendation of the Provincial Government it would not be at all matter of course that it would be adopted?—The Government of India would not enter into any detail as regards any particular public work in the province, if it were to be executed provincially.

1080. Is that left entirely to the Provincial Government?—Entirely to the Provincial Government.

1081. (*Sir James Peile.*) The appropriation audit was introduced in India in 1882, I think?—Yes.

1082. There had been a very great breakdown in the financial system just before then, had there not?—There had been a serious mistake in the estimates.

1083. For the Afghan War?—Yes.

1084. A Committee was appointed in England which made certain proposals?—Yes.

1085. Those proposals were:—first, an independent audit in India; second, that there should be a final review of the Indian accounts in England under the direction of the Secretary of State for India in Council, by a committee composed in great part of members of the Indian Council or officers of the India Office, supplemented by one or two persons altogether independent of India. It was a minority of the committee that recommended that? There never has been any proposal for review or audit by a Parliamentary Committee?—Not that I know of. (*Sir Henry Waterfield.*) No; it was not proposed.

1086. The Government of India adopted, I think, the first suggestion for an independent auditor?—Yes.

1087. And said, "If the proposals we now make are "adopted, your Lordship will no doubt consider that "any further audit in England will not be necessary"?—Yes.

1088. In reply to that, Lord Hartington did not entertain the proposal for an independent auditor?—No.

1089. He said, "In my opinion, the Comptroller-"General is the proper officer to conduct the appropria-"tion audit; his position in the service is so high as "to render him a thoroughly independent officer, who "can be trusted to do his duty conscientiously and "fearlessly"?—That is so; yes.

1090. He did not put it on the Government of India having no money to do it with?—He considered it unnecessary to do it, and that it was a needless expense.

1091. Then, on that, the Government of India submitted a scheme to carry out Lord Hartington's views?—Yes.

1092-3. They said, "By the scheme which we now "submit for your Lordship's approval the essential "objects of an appropriation audit will be secured, and "the office of Comptroller-General finally placed on a "sound footing, and we trust that our proposals may "receive your Lordship's sanction." The proposal then to have an audit in England had been dropped?—Completely.

1094. And the Government of India did not revive it on that occasion?—No.

1095. Then substantially that scheme was sanctioned and adopted with some little reduction?—With a slight reduction of salary it was.

1096. Then these questions were revived later by Lord Cross in 1888?—Yes, not precisely the same questions.

1097. No, but substantially. He compares, for instance, the English system?—Yes, he raised the question whether the Secretary of State had sufficient cognizance of the expenditure.

1098. And he desired in the first place that the auditors in all departments should be required to assure themselves that all expenditure which requires the special sanction of the Secretary of State in Council has been so sanctioned?—Yes.

1099. And he also did one thing more—he requested the Government of India to take measures in the Finance Department of their Government to ensure that in all cases of proposed outlay due attention should invariably be given to the question whether such outlay did or did not require the special sanction of the Secretary of State?—Yes.

1100. That, I think, Mr. Jacob, has been done?—(*Mr. Jacob.*) Yes, it has been done.

1101. That requirement is always satisfied?—Yes.

1102. And that is the system which is embodied in the resolution given at the end of this compilation?—Yes.

1103. Do you consider that it has worked satisfactorily?—Yes.

1104. As far as the audit is concerned, there is first the detailed audit of the auditor which checks irregularities at once?—Yes.

1105. And beyond that there is the test audit which you have told us of, which catches any irregularities which may have escaped the auditor?—It does so.

1106. And I suppose that with these two provisions there is really no irregularity left to be discovered by the Comptroller-General's Appropriation Report?—No, I think not; that is my experience.

1107. That report you have told us is published in the Gazette and becomes public property?—Yes.

1108. There is only one question I want to put about the Provincial finance, and that is what are the principal objects to which Provincial expenditure is devoted?—(*Sir Henry Waterfield.*) Mainly, Education, Medical Service, Police, Law and Justice, Roads, the Administration of the Land Revenue.

1109. Those are the principal ones?—I think I have named the principal ones.

1109*a*. Medical Service means Hospitals and Dispensaries?—And there is a considerable charge under Superannuation.

1110. That I am not going into. The objects, then, are such as in a progressive civilisation would naturally be the objects on which an increase of revenue would be spent?—Yes.

1111. Directly for the public benefit?—Yes.

1112. (*Sir Andrew Scoble.*) Mr. Jacob, you have been questioned as if your audit merely had relation to the orders of the Government of India. Sir James Peile has just asked you whether under some recent regulations it does not also refer to the orders of the Secretary of State?—(*Mr. Jacob.*) Yes.

1113. That being so, do you not audit these accounts as much for the Secretary of State as for the Government of India?—Yes, I should say so.

1114. Well, now with regard to Parliamentary control, you are aware, of course, that the Indian Budget, after receiving the sanction of the Government of India and the Secretary of State, is submitted to the House of Commons?—Yes.

1115. And up to this time I believe it has been invariably adopted by the House of Commons without alteration?—(*Sir Henry Waterfield.*) It is not quite correct to say it is adopted. The resolution is a formal one, and it passes.

1116. Well, resolutions are passed which enable the Government of India to spend money for which provision is made in the Budget?—No, the resolution which the House of Commons passes is merely a statement of the facts which appear from the accounts; it does not deal with the Budget at all.

1117. Practically, it comes to this, that the House of Commons accepts the accounts on which the Budget is framed?—Yes, it accepts the accounts.

1118. Therefore it sanctions the Budgets?—It does not sanction the Budget of the year in which the statement is made.

1119. Is not that included in the financial statement which is submitted to the House of Commons?—Yes. The statement made by the Secretary of State explains the Budget, but the resolution which the House of Commons passes does not touch the Budget; and I hardly think it would be right to say that the House of Commons accepts or sanctions the Budget *sub silentio*; it finds no fault.

1120. Silence gives consent?—Yes.

1121. Would you think it part of your duty as Auditor-General to take into consideration a vote in the House of Commons varying these proposals, and to give effect to such a resolution?—(*Mr. Jacob.*) If a resolution were passed altering the Budget?

1122. Yes; what would be your position in relation to such a state of things?—I hardly know how to answer that. (*Sir Henry Waterfield.*) I think the answer that I should give would be that the action of

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the House of Commons must be communicated to the Government of India by the Secretary of State, and the Comptroller-General would act under the orders of the Secretary of State and the Government of India in regard to any alteration Parliament had made.

1123. That was the answer I expected. Then, in point of fact, in auditing these accounts for the Government of India you also audit them for the Secretary of State, and, also as a result, for the information of the House of Commons?—The Auditor's report is not communicated to the House of Commons; it could be, of course.

1124. It is a public document?—Yes, it is a public document.

1125. It is published in the "Gazette," and could be laid on the table of the House of Commons on the motion of any member of that assembly?—Certainly.

1126. Now you were asked about the opinion of the Government of India in 1882 with regard to improvements in the system of control; let us see what its opinion was in 1889. Will you look at page 50 of this compilation, Sir Henry Waterfield—paragraph 17. The Government of India states of the existing system of audit that it is well adapted to secure all the objects for which it is suggested that the appointment of an independent auditor might be advantageous; and further, at the end of the same paragraph, after pointing out the particulars in which the existing audit answers all the purposes which the appointment of an independent auditor might be expected to effect, it goes on to say, with regard to the question of cost, that the increased cost involved in such an arrangement, that is of an independent audit, would be "out of all proportion to the advantage " gained, and the financial position of India is not such " that we can recommend the undertaking of a service " of which the usefulness is doubtful"?—Yes.

1127. Was that opinion concurred in by the Secretary of State?—Yes.

1128. There is a further opinion to which I wish to call your attention and that is at paragraph 7 on page 57. Lord Cross, the Secretary of State, says, after recognising the efforts made by the Government of India in the matter, "In the hope that the more stringent rules now " laid down will, to a great extent, obviate laxity, and " that, if errors should occur, they will be promptly " brought to the notice of the Government, both in India " and in England, through the report of the Comptroller " and Auditor-General, I concur in your Excellency's " view that it will be better, for the present, at any " rate, to allow the existing system, as recently " modified, to continue, in order that I may learn by " experience whether the orders that I have given are " sufficient to secure to the Secretary of State in " Council the power of efficient control which it was " intended by Parliament that he should exercise." That was in November 1889. After the experience of six years, are you able to say whether or not the system of audit then introduced has proved successful for the purpose which Lord Cross had in view?—I think it certainly has. I gave the Commission yesterday a list of the instances which I have found after careful search, in which it appeared necessary for the audit officers to report that the Secretary of State's sanction had not been sufficiently obtained; in most cases it was merely a question of discretion, of interpretation; but in all such cases the Government of India at once reported it, and the Secretary of State was made cognizant of the facts immediately.

1129. Then I take it that (in your opinion) the present system of audit is sufficient and successful?—I think it gives the Secretary of State full knowledge, and is sufficient and successful.

1130. (*Mr. Naoroji.*) Can any member of the House of Commons propose any motion to reduce any item in a budget when that budget is brought forward, or is it simply a form that such and such has been the budget adopted? Can any member propose a motion that a certain item, say the salary of the Viceroy, should be reduced by 5,000*l.*?—The motion which is proposed is simply a formal record of the accounts. A member can bring forward a motion that some expenses in India ought not to be allowed, but that would be a distinct motion.

1131. That is when the Speaker leaves the chair to go into Committee?—On the motion to go into Committee.

1132. But on the Budget itself we cannot propose any amendment to any item in the Budget itself; it is simply a record of a fact, that such and such are the accounts?—The resolution which is finally proposed is simply a record of facts.

1133. Then I may ask another question. I think I understood you to say that the proposal made in 1882, or the suggestion made in 1882, was somewhat different from that which was ultimately regarded by the Government of India as satisfactory; that there was a difference between the proposal made in 1882 and 1888?—Certainly, the Government of India in 1889 thought the proposal made in 1882 too expensive.

1134. (*Sir Donald Stewart.*) In respect to the mistakes made with regard to the expenses during the Afghan War, can you explain whether the mistake was due to the system of accounts then in force, or to any want of vigilance on the part of the audit officers; and whether a similar mistake could occur again under the existing rules?—(*Mr. Jacob.*) I should say it could not occur under the existing rules.

1135. Can you explain how the mistake occurred then?—The chief mistake was that the finally audited accounts were taken as the first intimation of the progress of the military expenditure, instead of the preliminary accounts which are now submitted to the Government of India, and which show the issues to the Military Department at once.

1135*a*. (*Chairman.*) I think, Sir Henry, that the resolution of the House of Commons is put in this form:—" That it appears by the accounts laid before " this House that the total revenue of India for the " year ending the 31st day of March 1893 was " Rx. 90,172,438; that the total expenditure in India " and in England charged against the revenue was " Rx. 91,005,850; that there was an excess of expendi- " ture over revenue of Rx. 833,412, and that the capital " outlay on railways and irrigation works was " Rx. 3,986,290." Therefore, I suppose, first of all, there would be a power of making a motion on going into Committee on the Accounts of India, which might be carried; and next, I suppose, when the resolution is put, it would be in the power of a member of the House of Commons to submit, instead of that, another resolution; (*Sir William Wedderburn.*) It has been ruled by the Chairman of Committees that an amendment must be something that negatives the correctness of the resolution, and last year the Chairman allowed an amendment which I moved to the effect that, in a certain respect, the accounts were incorrect and misleading. (*Chairman.*) Therefore the only amendment that could be moved would be on going into Committee on the accounts of India.—(*Sir Henry Waterfield.*) I think you are reading from Hansard. That relates to the accounts of the closed year, and not to the Budget for the year then current.

1136. Quite so. Well, I suppose in that case, if there had been an error, it might be made the subject of censure?—If there was an error in the statement of accounts, if, in drawing up that resolution for the Secretary of State, I was to make an error in the statement of facts, any member might correct it.

1137. But then that would not apply to the mistake of 1880, because when the accounts were finally audited then they were correct?—Oh, no, it would not have affected that at all.

1138. In the case of pensions, your officers in auditing them see that the pension has been duly authorised; and then, I suppose, they require proof that the person who comes before them is the person to whom the pension ought to be paid?—(*Mr. Jacob.*) Yes; the Accountant-General actually reports the amount of the pension permissible.

1139. I mean there is no difficulty?—No, not as regards identification.

1140. (*Mr. Buchanan.*) There is no control as to whether the pension is granted in conformity with the terms of the Pension or Superannuation Act under which you act?—Oh, yes; we should certainly object to any pension which is granted outside the rules, and should require the Secretary of State's sanction to be obtained to it.

1141. Where and by whom would your objection be taken?—By any auditing officer.

1142. I understood from your answer to Mr. Ryder, that the local auditors simply acted upon your instructions as to paying *A.B.* so much money, whether

for salary or for pension?—That was to Sir Ralph Knox, I think. The Treasury officer acts upon the authority of the Accountant-General, but the Accountant-General is an auditing Officer, and he would be entitled to take objection, and would take objection to any pension which was sanctioned outside the rules.

1143. He does so?—Yes, he does.

1144. And such irregularities are dealt with?—Yes.

1145. (*Mr. Naoroji.*) I understood Sir Henry Waterfield to mean that it depends upon the character of the person to whom you entrust the expenditure, though the party himself concerned may not have a voice in it. Am I right? I said where an individual or a people have the expenditure not in their own control it cannot be well administered or managed, and then you said it would depend on the character of the person?—(*Sir Henry Waterfield.*) Yes.

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1146. I suppose the character of the Government of this country is certainly above any cavil, quite high enough to be entrusted with the expenditure; and yet the people of this country will not have anything to do with things of that kind, unless the Budget of the whole thing is under their very control; is it not so?—Yes.

The witness withdrew.

Adjourned till to-morrow at 11 a.m.

At the India Office.

THIRD DAY.

Thursday, 7th November 1895.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN), PRESIDING.

THE RIGHT HON. LEONARD COURTNEY, M.P.
THE RIGHT HON. W. L. JACKSON, M.P.
SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart., G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR DADABHAI NAOROJI.

MR. COLIN G. CAMPBELL, *Secretary.*

MAJOR-GENERAL SIR OLIVER NEWMARCH, K.C.S.I., called and examined.

Major-Gen. Sir O. Newmarch, K.C.S.I.

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1147. (*Chairman.*) What position did you hold in India?—I was Military Accountant-General and subsequently Secretary to the Government of India.

1148. Military Secretary?—Yes.

1149. The high military officers of the Government of India being, first of all, the Military Members of the Council, and next the Military Secretary?—Yes.

1150. Next comes the Military Accountant-General?—Yes. He is a Deputy-Secretary in the Military Department. He has two offices—he is the Military Accountant-General and he is also Deputy-Secretary of the Military Department.

1151. Therefore he is second officer in the Military Department?—Yes.

1152. For how long did you hold those offices, and when did you cease to hold them?—I was Military Accountant-General from 1878 to 1885, and I was secretary, acting and permanent, from 1885 to the end of 1886.

1153. And at the end of 1886 you came home?—Yes.

1154. Therefore your knowledge of the military regulations, and the military law, of India is limited, at all events in detail, to that time?—Yes. There have been a great many changes in the system since then.

1155. But from subsequent connexion with the India Office, are you acquainted generally with the changes which have taken place?—Yes.

1156. That is to say you would be able to tell us if regulations which were in force when you were in India have been so far modified since as to require some further explanation?—To some extent, I should, no doubt.

1157. Do you hold any position in the India Office now?—I am Military Secretary there.

1158. May I ask, first of all, as to the position of the Military Member of Council compared with that of the Commander-in-Chief; as I understand, the Military Member of Council roughly corresponds to the War Minister here?—Quite so.

1159. And—very roughly, of course — the Commander-in-Chief would correspond to the Commander-in-Chief here?—Certainly. The Military Member deals with the Departments and the financial side of the army, and the Commander-in-Chief deals with the *personnel* and the executive side.

1160. They are never the same?—No, never.

1161. And the Commander-in-Chief is *ex-officio* a member of Council, is he not?—Yes.

1162. Therefore the Military Department may be said to have two representatives on the Viceroy's Council?—Yes.

1163. Of course here the Secretary of State for War is responsible to Parliament, and therefore, I think, it has been ruled that his authority, within the whole Department, is paramount inasmuch as he is responsible to Parliament?—Yes, certainly.

1164. Does the Military Member of Council occupy the same position in India—is he the superior officer—or are the Commander-in-Chief and the Military Member absolutely independent of each other?—No, the Commander-in-Chief, as regards all finance matters, is subordinate, not to the Military Member in Council, but to the Government of India.

1165. In the Military Department, I suppose?—The Government of India as a whole—the Governor-General in Council delegates to the Military Member the power of dealing with military expenditure, within certain limits; anything beyond those limits would be referred to the Governor-General in Council.

1166. Of course we are only dealing with finance; and on a financial question, supposing there to be a difference of opinion between the Commander-in-Chief and the Military Member of the Council, would the Commander-in-Chief have to give way to the Military Member of Council, or is that a matter in which their authority is exactly equal, and therefore the Governor-General would have to decide?—The Military Member of Council has no authority to over-rule the Commander-in-Chief on any important matter without going to the Governor-General.

1167. We have heard from Sir Henry Waterfield and Mr. Jacob a general concise description of the financial administration of the War Office in India; but the Commission desire to hear from an officer of the War

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Office itself, his view of that administration and of its relations to the Finance Department. I think you have had the opportunity of looking through the evidence that has been taken?—Yes; I have seen that. I have very little to add to what Sir Henry Waterfield has recorded in that; I think in this army circular, which was published on the re-organisation of the army in India the other day the whole military system of finance is laid down.

1168. Is that a recent document?—It was published in October 1894, and came into effect from the 1st of April 1895.

1169-70. Is it a long document?—That is the paper. It gives the whole system of military finance.

(*Chairman.*) Of course this document could not be put in or appended to the Report of the Commissioners, but I dare say two or three copies would be obtainable by such of the Commissioners as might desire to consult it, would not they?—Yes.

1171. (*Sir Ralph Knox.*) It is a public document, is it not?—Yes; a public document.

I think if copies were obtainable here in the Commission it would be useful.

1171*a*. (*Mr. Buchanan.*) Was that circular issued in view of the new arrangements of the commands?—Yes. Some of the rules are old, but they are adapted to the new system of four commands, on the abolition of the Commands-in-Chief in Madras and Bombay.

1172. (*Chairman.*) That is, as it were, a new code consequent on the abolition of those commands?—Yes; quite so.

1172*a*. I use the "War Office" as a convenient term. Of course, I understand it is the Governor-General in the Military Department. We understand that the War Office is administered by the Military member of Council; that under him comes the Military Secretary and the Military Accountant-General; under the latter come again the four Military Controllers attached to the four military commands, and under them the Military Disbursing Officers?—Yes; that is correct.

1173. Could you tell us what is the strength of the establishment of the Military Accountant-General at Calcutta?—There are three officers; the Accountant-General, the Deputy Accountant-General, and the Assistant Accountant-General.

1174. And under them have you a large staff of clerks?—Yes. I cannot say exactly how many, but a staff of clerks which is part of the office establishment of the Military Department.

1175. It is a separate branch?—It is a section of the Military Department Office.

1176. I wish to understand what is the kind of business that comes there. The Military Accountant-General is actually responsible for the collection of a great number of returns, or for the compilation of them, and for the keeping of the very extensive accounts which the military establishment of India involves?—Yes; that is so, but he is more a consolidating officer; he gets no direct accounts himself, he simply gets the compiled accounts from the Controllers.

1177. And, therefore, his function is really summarising and digesting into one set of accounts, those accounts which come to him already reduced to order?—Yes, he is more, if I may say so, a Deputy Financial Secretary in the Military Department of the Government of India.

1178. But at the same time I suppose he is responsible for seeing that the finance of the War Department in India is conducted regularly and in accordance with authority?—Certainly.

1179. And, therefore, he must receive and judge a number of reports in order to satisfy himself on that point?—Yes.

1180. Then in each of the four commands there is a Controller; has each of these Controllers a large staff under him?—Yes; each Controller has an Examiner of Commissariat, Remount, and Medical Accounts, a Pay Examiner, and an Examiner of Ordnance and Clothing Accounts.

1181. That makes four or five examiners?—That makes three, really, because the Ordnance Accounts are examined by the same examiner as the clothing accounts. One examiner does those two—ordnance and clothing.

1182. And those officers are purely audit officers?—They are purely audit officers, but the Pay Examiner also pays Staff and departmental officers.

1183. We shall come afterwards to their functions, but first of all I should like to take the disbursing officers?—Yes.

1184. Of course the Controller has a considerable number of disbursing officers at the place where he is stationed, which must be the central office?—No; only the Pay Examiner, as explained above.

1185. But under him there are disbursing officers at the different stations, are there not?—Yes, a great many, but they are not directly under the Controller; they are not part of his establishment.

1186. Are they under the Controller?—No, not as part of his establishment. The Regimental Paymaster, for instance, is a Disbursing Officer, under the Controller to a certain extent, but not part of his establishment.

1187. They would not in fact be paid through him?—No.

1188. And he would not be responsible for increases of salary to them, or reductions or increases in their number?—No.

1189. Therefore we may take it that the disbursing officers whom you have described are officers of the War Department not immediately under the Controllers and are stationed wherever troops are stationed?—Yes speaking generally, wherever troops are stationed. I can tell you who they are.

1190. Have you got anything to show us the particulars of one command, the number of officers, and the number of stations?—For instance, every Commissariat Officer of a large station is a disbursing officer; every Regimental Paymaster, or Commanding Officer of a native regiment or battery, is a pay officer; the Superintendent of Family Pensions is a disbursing officer; the Pension Pay Officer, Poona, is a disbursing officer; the Military Paymasters at Bombay and Rangoon are disbursing officers; and the Remount Officers and the Clothing Officers—they are disbursing officers. I think that is about all the disbursing officers.

1191-2. Would they come under one head of the Budget?—No, they come under all the grants.

1193. Can you show us in the Budget one place where any number of them occur?—Well, Grant 4, for instance. commissariat.

1194. I have got commissariat accounts. Do you mean on page 36?—No; if you look at page 50.

1195. Are we dealing with the same estimates?—I think so.

1196. 1895-96?—Yes.

1197. Page 50?—Commissariat establishments.

1198. Yes?—Commissariat officers of large central stations are disbursing officers.

1199. Going down to the Assistant-Commissaries General, I suppose?—Yes.

1200. Or lower than that?—Yes.

1201. Exactly; they are put under the commands here. And all those officers in the course of their duties have payments to make, and are entitled to draw for money on the district treasury?—They get a cash assignment at the beginning of the year.

1202-4. Could you give us the number of Disbursing Officers and the number of stations?—The number of Military Disbursing Officers is 582, and of stations at which they are located, 191.

1205. (*Sir Ralph Knox.*) Does a Commissariat Disbursing Officer discharge any other duties besides that of merely making those disbursements?—Yes. The arrangements for the commissariat supplies and service are conducted by the principal officer and his subordinates, one of whom makes payments and submits accounts.

1206. He is not only a Disbursing Officer?—No.

1207-8. (*Chairman.*) I suppose the duties of Disbursing Officers in districts which are very large, at great centres, would be heavy, and at small centres, where there is a small number of troops they would be very light?—Yes; at some stations there would be no Commissariat Officer at all. In that case the only Disbursing Officer at that station would be the officer commanding the regiment or battery there; they are Disbursing Officers.

1209. I think, perhaps, it would be convenient if, following out the manner in which money is appropriated and spent, we first of all were to take briefly the method of preparing the estimates; then pass on to the method in which money is issued under the budget; and lastly, the manner in which the audit is conducted. Would you tell us the manner in which the military estimates are prepared? But, in the first place, I should like to ask as a general question whether there is any regular consultation, before the estimates are prepared, in which the financial circumstances of the time are considered and the amount that is available for army expenditure is discussed, so that there may be an opportunity for ascertaining early whether reductions are necessary or possible?—Yes, that always takes place every year. The Commander-in-Chief is present. He confers with the Military Member of Council, and subsequently the Military Member of Council confers with the Financial Member.

1210. And that is before the estimates are set on foot?—No, before they are finally settled; that is after the estimates have come into the Military Department.

1211. But the point is, whether any general consultation takes place before the estimates are finally settled, in which the financial position is taken into consideration?—Certainly.

1212. Is that consultation confined to those two or three officers, the Commander-in-Chief, the Military Member, and the Finance Member?—Yes.

1213. Or does it take place in Council?—No, it does not take place in Council, but of course in any very important case the matter might be discussed in Council.

1214. That is to say, when the Finance Member comes into consultation and differs from the Commander-in-Chief and the Military Member of Council, then the question would go to the Governor-General, and probably to the Governor-General in Council?—It would be discussed in Council; certainly.

1215. Would you tell us how the estimates are prepared, perhaps beginning from the bottom; who are the people entrusted with the duty of compiling them?—Every Disbursing Officer sends in an estimate for the following year to the Controller of Military Accounts.

1216. That is to say, from every station there arrives an estimate of expenditure at that station under the different heads?—Not from all stations, only from Disbursing Officers. Every Disbursing Officer sends in an estimate of his requirements for the following year, and every Departmental Officer sends in a statement of his requirements for the following year, and all these are consolidated by the Controller of Military Accounts.

1217. Into one estimate for the province?—Into one estimate for the command, and then those estimates are all sent up to the Military Accountant-General, who consolidates them into one estimate for all India, very much in the form which you see here.

1218. And are those estimates, as they are originally formed, based on the maintenance of the *status quo*?—Yes, on existing facts.

1219. Is there any date by which the Disbursing Officers are bound to send in their estimate?—Oh! yes, the dates are fixed, so that they all reach the Government of India in ample time for consideration of the Budget estimates. You have had that evidence from Sir Henry Waterfield.

1220. We have had from Sir Henry Waterfield the process of the compilation of the estimates at headquarters. I want to get from you by what date they reach the Military Accountant-General, and what time he takes to consolidate them, so that he may place the Government in possession of the consolidated estimate?—He closes the Military Budget estimate on the 25th of January.

1221. The Accountant-General does?—The Accountant-General does.

1222. And then of course as soon as he has done that, the estimate is ready for the consideration of Government?—Yes.

1223. And that means that by the 25th of January he must have concluded his own discussions with the Controllers in each command?—Yes, he has got by that time all their consolidated estimates, and he consolidates them into one for the Government of India.

1224. But when he comes to look through them, I suppose he may object to certain charges which are put down by the Controllers, may he not?—Yes, certainly, and he may reduce their estimates if he thinks proper, if he thinks they have estimated too high.

1225. For instance, they may have taken the prices of stores and provisions too high: it would be for him to revise that I suppose?—Yes, or some orders of Government may have been passed intermediately between the preparation of the estimate by the Controller, and the date of its being compiled by the Accountant-General, and he takes that into account.

1226. Then he must require a certain amount of time after he has received the estimate from each command to satisfy himself that the estimate in each command is correct?—Certainly.

1227. Then immediately after the 25th of January he puts the consolidated estimate before the Military Member of Council, and in fact, before the Government of India?—Yes.

1228. After the estimates have left his hands, are there any further consultations and discussions in which he takes part?—Certainly, that is the time when the consultation between the Military Member of Council, and the Commander-in-Chief, and the Financial Member takes place, and they can then issue any orders they please as to an increase of the estimate, or any reduction, if possible, before it goes to the Financial Department formally in a final shape.

1229. We have heard from Sir Henry Waterfield, that somewhere about the last week in March is the time when everything must be concluded, and the Budget estimate of the Empire entirely completed?—Yes.

1230. Therefore, you may say that from the time the Accountant-General completes his estimate, there are about two months left for the consideration of his estimate and for checking it together with other estimates from other departments by the Comptroller-General?—Something less than two months.

1231. Then when the Budget has been passed, the money it provides is appropriated by the Governor-General in Council—in Executive Council, is it not?—It is simply passed: it is accepted by the Financial Department.

1232. Not accepted by the Council formally?—No, by the Finance Department. The Finance Department has already submitted it to the Governor-General, and possibly it has been discussed in Council, but it comes to the Military Department as formally accepted from the Financial Department.

1233. But does it ever come before the Governor-General in Council, so that the general provision for the year is discussed?—Oh, certainly.

1234. It does not come before the Legislative Council?—No, the Executive Council.

1235. As we understand, it is the Governor-General in Executive Council who appropriates the Revenues of India to the different branches of the public service?—Yes.

1236. Do you mean that the military estimates are separately before the Governor-General? Eventually the complete Budget, including Military and Civil Expenditure, would come to be considered as a whole by the Governor-General in Executive Council?—Both would go before the Governor General in Council.

1237. Then when the Budget has been accepted by the Governor-General in Council and comes back again to the Military Department from the Finance Department, how is the money assigned to the different branches entrusted with the military expenditure?—Each Controller then sends the Disbursing Officer an assignment on the Civil Treasuries for the whole amount of the year, divided into months, and the Disbursing Officer can only draw on that assignment up to the amount provided for up to that month, that is, he could not draw at the end of May more than the amount which was provided for the two months of April and May together, month by month.

1238. Does the Controller in each command inform the Treasury independently of the amount of the assignment, or does the Treasury only learn that from the Disbursing Officer of the district?—The Treasury Officer learns it from the Accountant-General of the province.

1239. The Controller, as it were, opens a general credit with him in the name of the Disbursing Officer?—For a certain amount. He communicates that credit

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to the Treasury Officer through the Accountant-General of the province and also to the Disbursing Officers.

1240. Therefore, the officer in charge of the Treasury knows that the Military Disbursing Officers are authorised to draw upon him for a certain amount during the month?—Yes.

1241. But in case of emergency, or in case of a sudden demand of any kind, there is a power on the part of the officer in command of the station to open what I may call a supplementary credit with the District Treasury, subject to reporting such a fact to head quarters, is there not?—If it was not very emergent, the Disbursing Officer would apply to the Controller for a supplementary cash assignment. If it was very emergent he would go to the officer commanding the station and get an order for the amount, and the officer commanding the station would report that the same day to the Controller of Military Accounts. The Disbursing officer would also report that he had applied for this extra assignment.

1242. The Disbursing Officers act under the Military Code do they not?—Yes.

1243. Is that Code very minute?—Yes.

1244. I ask the question because the volumes which we have seen of the Codes under which officers act in India are, quite necessarily, no doubt, numerous?—In addition to those codes there is the Pay Code which is the guide really for all Disbursing Officers as regards pay, and allowances, and so on. There are also various Departmental Codes, such as ordnance, commissariat, &c. The Disbursing Officers would not be authorised to pay anything which was not provided for by these regulations, that is, independent of the Account Code.

1245. Quite so. In the case of any payments they make for pay and allowances, they must satisfy themselves that they are in accordance with those regulations?—Yes.

1246. May I ask whether, in your view, the Military Code—the Military Account Code—is, as far as circumstances will admit, simple and intelligible?—I think so.

1247. From what you have seen?—I think so. I think it is very well understood in practice by those who have to deal with it.

1248. Exactly, that is what I mean?—I think so.

1249. The Codes, are not so complicated in their interpretation as to lead to unnecessary correspondence and friction between the Disbursing Officers and the persons who are entitled to receive money?—I should be rather sorry to express an opinion about that. There is correspondence, of course—a good deal of correspondence.

1249*a*. I am speaking on the question of the interpretation of the rules, whether the rules are of so minute and complicated character as to give rise to questions?—No, I do not think they are.

1250. You have already told us that the Disbursing Officers at a station are three or four, we will say, in number. Take an ordinary station; there are the Commissariat Officer, the Ordnance Disbursing Officer, and so forth; is an assignment made by the Controller in favour of each of these officers to a district treasury?—Yes. Each officer. The Ordnance Officer does not get a cash assignment.

1251. He does not?—No, he does not have any cash accounts of that kind.

1252. You have told us just now who the officers are. Would you mind repeating to us—take an ordinary station—who would be the Disbursing Officers?—The officers commanding native regiments.

1253. They are Disbursing Officers?—And batteries.

1254. Yes?—The Paymasters of British Regiments, the Commissariat Officers, the Circle Paymaster (Bombay and Rangoon), the Superintendent of Family Payments (Madras), the Officer in charge of Pensioners (Poona), the Remount Officers, and the Clothing Agents.

1255. And a credit is opened in favour of each of those officers?—Each one.

1256. You said just now the Ordnance Officer has no credit opened in his favour?—No.

1257. How are his payments made?—He gets for payment of temporary and extra establishments a permanent advance from the Controller, which he has to account for month by month.

1258. Therefore he has probably at times a large balance?—No, he gets a fixed permanent advance.

1259.-60 Where does he keep that advance?—He may make arrangements for a Treasure chest in his own office, or he may open an account with a bank at the station. All his bills for supplies are paid by the Commissariat Officer; he does not pay them. He gives the Commissariat Officer a bill vouched for and supported by the authority of the Inspector-General of Ordnance, and the Commissariat Officer pays that bill without further check, so that the Ordnance Officer has no cash account or cash assignments.

1261. For stores?—For stores, yes.

1262. Then the sums that are issued to him are for what kind of expenses?—The expenses of temporary establishments, and petty charges.

1263. It is comparatively small?—Comparatively small, certainly. The amount is fixed by the Inspector-General of Ordnance.

1264. Is it for contingent expenditure?—Contingent expenditure.

1265. (*Sir Ralph Knox.*) That would include some small payments for labour, I suppose?—Some small payments for labour, yes. The establishment charges are on a separate account.

1266. (*Chairman.*) Why is there a difference between him and other Disbursing Officers that he should have an advance which the other Disbursing Officers do not appear to have?—The other Disbursing Officers have a regular cash assignment for the whole of their expenditure; they do not, therefore, want any advance.

1267. The distinction, if I understand you, that you wish to draw is that the other Disbursing Officers have a cash assignment upon which they can draw for the whole of their expenditure?—Yes.

1268. Whereas the main part of the Ordnance Officer's expenditure is paid through the Commissariat Officer; therefore he only wants a small sum for contingencies?—Yes.

1269. In that respect he is like the other officers who are allowed, if they like, at the beginning of the month, to draw the whole sum assigned to them to cover their contingencies?—No, he gets one advance which is always with him, a permanent advance.

1270. He has a permanent advance of 10,000 rupees, or whatever it might be?—A permanent advance that goes on throughout the year.

1271. Is there any reason for that? It appears to be an exception to the ordinary method in which the financial business is conducted?—It saves him the trouble of keeping accounts, and to a certain extent it saves trouble to the Military Accounts Officers also, who have fewer accounts to deal with.

1272. Is not that rather an argument for doing the same to all these officers? I do not quite see why it is specially necessary that the Ordnance Officer should have a standing advance, when the others do not?—I am afraid I cannot answer that question. It was introduced very many years ago. They never have been Disbursing Officers.

1273. Is it really a very petty standing advance that is made?—I cannot state the exact amount. It is fixed in the manner already explained.

1274. (*Sir Ralph Knox.*) But he accounts for that expenditure?—Certainly.

1275. Therefore, he has to keep an account?—Just for those petty charges.

1276. (*Chairman.*) And I suppose he accounts for that monthly?—He replaces the money so spent by submitting bills for his petty charges.

1277. It does not seem to save the Ordnance Officer very much trouble in the matter?—Well, it does. He has only this one small cash account; he has not got to send in a regular cash account, like the Commissariat Officer has, going into a great many items.

1278. Now put an extreme case. Is it in the power of the Disbursing Officer to draw, we will say, on the first of the month, the whole of his assignment, or if he did so, would the Paying Officer, the Civil Treasury Officer, call attention to the fact?—Do you mean the whole of his annual assignment?

1279. No. I think you told us there was a monthly assignment?—No. The paymaster, Native troops.

draws the monthly assignment in one cheque, the regimental paymaster, British troops, draws it in four parts at four different periods of the month. The Commissariat Officer pays his various bills by cheque; he could not want to pay it all at the beginning of the month. Most, of course, of the larger items are in the earlier part of the month, but he pays them by cheques.

1280. Do I understand that his cheques are drawn on the Civil Treasury within the limits of his assignment, just as a man draws a cheque on his banker?—Yes.

1281. He does not actually draw the money himself and pay that money to the person to whom it is owing, but he gives a cheque?—He gives a cheque for sums over 10 rupees; everything under 10 rupees he pays in cash from a small cash balance which he draws from the Treasury by cheque.

1282. And that 10 rupees limit really corresponds very much, I take it, to the services for which the Ordnance Officer has a standing advance?—No; the Ordnance Officers have rather larger payments than 10 rupees.

1283. Quite so. But they are of a similar character, are they not? they are both for a contingent charge?

1284. (*Mr. Courtney.*) What we call a petty cash account?—Yes.

1285. (*Chairman.*) Now for the payment of British troops, you say the officer in charge of the payment of the troops draws four cheques monthly?—Four cheques monthly.

1286. That makes roundly one weekly payment?—Yes.

1287. Does he draw the exact sum which he has to pay or a round sum to cover that charge?—He draws, approximately, a round sum. The troops are paid weekly and so he draws this one-fourth in four weekly payments.

1288. He is entitled to draw for one-fourth of the monthly charge?—Yes.

1289. That is for regimental payments. There are other payments besides the payment of the troops, are there not? There are contingent payments of different kinds?—Very slight.

1290. Next take the officer in charge of pensions, which, of course, throughout India is a very large and heavy service. In what way is that branch of the expenditure conducted? I think you described an officer in charge of pensions?—Yes. That is in Madras and at Poona. Elsewhere the native pensioners are now paid through the Civil Treasuries.

1291. Therefore the Military Department is relieved of them?—Yes.

1292. Could you tell us in what way the Government satisfy themselves that the pensioners are really the persons who are entitled to draw the pension?—There are descriptive rolls for the guidance of the Treasury Officer who makes the payment.

1293. And does the pensioner always appear before this officer?—Yes; he appears in person, unless he is specially exempted from appearance; perhaps it is a woman, who does not appear in public and the Treasury Officer satisfies himself as to her identity before he makes the payment. But otherwise all the pensioners appear in person and draw their pension.

1294. Within your knowledge has it been found on the whole that the system is a sufficient one to prevent fraud?—The system was introduced since I left India, so I cannot speak very positively about that. When I was in India the pensioners were paid by the officers of the Military Accounts Department, who used to go on tour in the winter and in the summer, and the pensioners were collected at various stations and they then paid them in person. But that has been changed since I left India, and they are now paid through the Civil Treasuries.

1295. The officer in charge of the Civil Treasury, who has nothing whatever to do with the army, would, if I may so put it, be more easily imposed upon than a military officer?—It is possible.

1296. (*Mr. Courtney.*) But I suppose the number pensioned is very large indeed?—Very large.

1297. Would not the pensioners produce some paper bearing the signature of some military officer?—Yes, he has his pension certificate.

1298. I do not mean his original pension certificate; but would he not duly appear before a military officer before being paid?—He does not do so at present.

1299. (*Chairman.*) He merely comes and produces his original grant, and says, "I am the person entitled "under that grant," and, as I understand, the Civil Treasury Officer is not bound to go further than that?—The Treasury Officer compares his statement with the descriptive roll that he has got, asks him a few questions to satisfy himself as to his identity, takes evidence from other pensioners, and then pays him the money. I think, at home, there is a similar system of paying through the Post Office.

1300. Perhaps the Accountant-General of the Army will put one or two questions on this point?

1301. (*Sir Ralph Knox.*) All the pensions are paid through the Post Office at home. Have you many stations at which these payments are made?—Yes, a considerable number.

1302. Have the recipients to travel any long distances in order to be present at these payments?—No. They choose their own station for payment; it is somewhere near their homes—the nearest station to their home.

1303. What distance does that mean?—It might be 20 miles; it might be 50 miles.

1304. But they have to travel that distance in order to receive their pension?—Yes.

1305. Is not that complained of as being inconvenient?—Not that I am aware of.

1306. But they come from these long distances as strangers, more or less, to the stations at which they are paid; they are not known at the station, except as coming to receive their pensions?—They are generally brought up at first by old pensioners who vouch for their identity; then they come twice a year or more, and are soon well known.

1307. These payments are made only twice a year?—Twice a year or quarterly; but pensioners can be paid monthly if they wish it.

1308. For the information of the Commission, I may say that the payments of the pensioners at home—army pensioners—are paid monthly, and paid by means of postal orders practically.

1309. Do the recipients of the pensions bring with them any certificate as to their identification?—Yes; they bring their original pension certificate.

1310. But no certificate that the person named is alive, or was so within recent date?—No; the men or women themselves are present, and the Treasury Officer compares the pension certificate with the descriptive roll, which he has in his office, which notices certain distinguishing marks on the person, and so on.

1311. But does he examine the individual in that minute way?—Yes, and, if necessary, he takes evidence from other pensioners.

1312. Then that is the check which you have upon the identification of the person; you rely upon the paying officer being able to recognise the person who comes for the payment?—To recognise and identify him by the descriptive roll which he has got before him, and by other evidence as I have explained.

1313. (*Chairman.*) But the pensioner claiming the payment brings no life certificate signed by a known authority who vouches for his identity?—No.

1314. Taking the payment of bills of supply—civil bills—I think I understood you to say just now that the Disbursing Officer holds practically no balance, except for contingencies; he simply issues a cheque upon the Civil Treasury to the person entitled to payment?—Yes.

1315. Within the limits of his monthly assignment?—Yes.

1316. We have understood that the Civil Officer at the head of the District Treasury is bound to see that the drafts upon him are in accordance with regulations. In the case of military disbursements, what are the authorities which the Military Disbursing Officer produces? I suppose, first of all, the Treasury officer knows the assignment which the Disbursing Officer is allowed to draw for the month?—Yes.

1317. And that is sufficient authority for him?—Entirely.

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1318. But now when the paymaster of a regiment draws for one of these weekly payments, does the Civil Officer, who honours his cheque, look to see that the cheque is not more than one-fourth of the total assignment for the month?—No; that is a matter which does not concern him.

1319. So long as it is within the monthly assignment?—So long as it is within the monthly assignment he would pay it.

1320. But on certain occasions when cheques for bills are presented, does he examine those cheques to see whether they are in order?—No; only just as a banker would examine a cheque.

1321. Not more?—Not more than that.

1322. Therefore, when it is said that the Civil Treasury Officer has to satisfy himself that the demands upon him are in accordance with the regulations, those regulations are very simple, and ought not to give rise to any delay or friction?—There is none whatever as regards the Treasury; the Treasury simply acts as a banker.

1323. (*Mr. Jackson.*) But it would not necessarily follow because a man draws four cheques in a month that they would be necessarily of equal amounts for each week?—No, they are not.

1324. (*Chairman.*) The Military Examiners are simply auditors, are they not?—Yes, except the Pay Examiner, as I have already explained.

1325. And they are a staff entirely independent of the Disbursing Officers?—Quite.

1326. It is by them that the War Office satisfies itself that the money placed at its disposal is actually disbursed in accordance with the regulations?—Yes.

1327. I think you have told us already that the Military Examiners are stationed at the headquarters of the command, and I think you told us that they were three or four in number?—Yes, three in each command.

1328. Could you give us any idea of what the military expenditure in any one command is—perfectly roughly?—I can give it you from the estimates.

1329. Yes, if you please; that is to say, the estimates that come in from any one Controller?—See for instance, the Budget estimate for the Bengal command.

1330. What page is that?—Page 8, at the beginning. Rupees 5,13,73,570. Budget estimate for the Bengal Command.

1331. That would roughly represent something like five millions, would it not—between four and five millions of our money?—Yes.

1332. And the examination of the accounts for the whole of the expenditure is conducted by three Examiners with clerks under them?—Yes, three in each command.

1333. They always have a staff of clerks?—Yes; a large staff of clerks.

1334. Now are these Examiners the people upon whom the Military Accountant-General or the Controllers in commands would depend in case of any irregularity arising or being suspected? Are they the officers who might be sent down to examine the books and accounts on the spot?—Officers from the Military Account Department are deputed occasionally by the Controllers to visit certain regiments and Departments, and to examine their accounts, their cash and their store balances, making a test examination and inspection of those.

1335. Then you have a real system of test?—By travelling inspectors, yes.

1336. The travelling inspector is one of these Examining Officers whom you have described at head-quarters?—Probably not the Examining Officer but one of the officers attached to the Controller; it is left to the Controller.

1337. An officer attached to the Examining Branch, you mean?—Yes, it is left to the Controller to depute any officer he pleases for these inspections.

1338. That being the case, one of these officers would be the person that the Controller would choose in case there were reason for thinking that there was anything irregular going on?—It rests entirely with the Controller.

1339. Under what regulations are the accounts of the Disbursing Officer sent to them; I mean by that, are they sent at stated periods to this examining staff at head-quarters?—Statements of payments, by the Commissariat Officers are sent every 10 days, but the complete accounts are sent as soon as possible, at the end of the month.

1340. Then from each station there comes up monthly, I suppose, the amount of money which each Disbursing Officer has drawn or ordered to be paid, supported by the vouchers of payment?—Yes.

1341. Those are examined, and the vouchers of payment include, among other things the authority by which the payment is made?—Where any separate authority is necessary.

1342. Where there is a standing authority, of course, that is on register?—Quite so. I may say that more than two-thirds of the military estimates are personnel charges which are pretty fixed from year to year; there is not much doubt about these charges.

1343. When the auditing Examiner comes to deal with the payments made by a Disbursing Officer to a regiment, does he satisfy himself in detail of the correctness of the payments made; for instance, does he receive a list of the soldiers with signatures against their names to show that they have received such money? Or how does he satisfy himself that the money has been properly spent?—He gets the general state of the accounts of the regiment which is supported by the company pay-lists and rolls, and he checks that in great detail.

1344. These rolls do not contain the signatures of the men, acknowledging that they have been paid. I suppose he is satisfied with the statement of the company paymaster?—I think the company officers see to that. I will not speak positively, but I think that those do not go to the examiner—not each soldier's individual receipt.

1345. That is the case here, Sir Ralph Knox, is it not? You do not take any signature from the soldiers actually paid, do you?

1346. (*Sir Ralph Knox.*) Yes; the soldier signs his account?—But does that go to you?

1347. No?—That is what I mean. The company officer is responsible for that.

1348. (*Sir Donald Stewart.*) It is kept as a regimental record?—Yes; but it does not go to the Examiner, I mean.

1349. (*Chairman.*) He accepts the company paymaster's statement?—The company pay abstract, yes.

(*Sir Ralph Knox.*) But our Comptroller-General has asked for the actual signed accounts to be sent up to him, so that he tests them from time to time.

1350-1. (*Chairman.*) In India, is any similar test applied by the Examiner; does he occasionally see these signed accounts?—Only by one of these inspecting officers, when he goes round to a regiment or Department.

1352. Now, if these examining officers find a payment insufficiently vouched or not sanctioned by proper authority, what course do they pursue?—They issue what is called an objection statement.

1353. To whom?—To the Disbursing Officer. Then the Disbursing Officer makes his reply to that, and then the Examiner either admits his explanation or he finally disallows the charge. If he disallows it, then the Disbursing Officer is required to credit that amount in his next account.

1354. And the Examining Officer has to that extent the power of disallowance, has he?—Yes; certainly.

1355. Supposing the Disbursing Officer, objects to the disallowance and thinks that the authority for the payment is sufficient, what remedy has he?—He can appeal to the Controller; but he must first credit the disallowance. If a regimental paymaster does not get any satisfaction from the Controller, he is then at liberty to appeal to the Commander-in-Chief.

1356. The Disbursing Officer is the officer of the Commander-in-Chief?—Yes, in this case.

1357. He does not appeal to the Accountant General?—No. He goes to the Commander-in-Chief, and then if the Commander-in-Chief were not satisfied with the Controller's decision, he might refer the case to the Government for decision.

1358. If the Commander-in-Chief receives such an objection, does he lay it before the Military Member of the Council, who, I think, you said was more particularly in charge of the finance of the Military Department?—If he supported it, he would refer it to the Military Department of the Government of India.

1359. Through the Military Member of Council it would come before the Military Accountant-General?—The Military Accountant-General would probably be asked to advise on the case, and the final decision would rest with the Military Member of Council.

1360. Now supposing a case of a grave financial irregularity taking place, would it be quite certain that the notice of it would reach the Secretary of State?—It would reach the Military Department of the Government of India.

1361. I am not speaking of a mere mistake in the interpretation of a regulation, or something of that kind, but of a grave irregularity—is there any provision by which that could be brought to the notice of the Secretary of State?—The Controller of Military Accounts would be bound to bring it to the notice of the Government of India in the Military Department.

1362. And would the Government of India in the Military Department send it to the Secretary of State for information? Would the Secretary of State, as the supreme authority, be safe to know if a grave irregularity had taken place?—No; unless it was something very extreme it would not come home at all.

1363. There is no necessity for it to come home?—No; it would not come home at all unless it was something very serious indeed.

1364. Supposing the most improbable case of the Commander-in-Chief and the Government in India condoning an offence, it would be written off in the accounts, and there would be no security that the supreme authority would know it? I am putting an extreme case in order to see whether under any circumstances of gravity the Secretary of State, as the supreme authority, would be certain to know of an irregularity?—Not unless it came beyond the limits of the powers of the Government of India.

1365. To condone?—To settle, yes. They have only limited powers in financial matters. When they want to exceed those powers they have to come to the Secretary of State; but an ordinary case of an irregularity in a Disbursing Officer's accounts would not come to the Secretary of State at all.

1366. No, quite so, not an ordinary case, but the case I was thinking of was a case of defalcation. Supposing a defalcation took place by a high officer? I have not the least doubt it would never take place, but supposing that it did and that the Government of India were to condone it, would there be any security that the Secretary of State would know the fact that there had been such an irregularity, and that the Government had condoned it?—No, I do not think there would.

1367. (*Sir Donald Stewart.*) Would it not necessarily be reported, if the character of an officer was involved?—Oh, certainly. I was speaking of something which is not beyond the powers of the Government of India to condone. If an officer committed so grave an irregularity as to necessitate his removal from the service, of course it would come to the Secretary of State.

1368. (*Chairman.*) I am confining myself to the purely financial question—the power of the Government of India in allowance and disallowance of irregularities is final, and there is no necessity in any case for their decision being reported home?—No, not unless some action had to be taken with regard to the offending officer.

1369. (*Sir Ralph Knox.*) If he were acquitted, as it were, in the judgment of the Government of India, it would not come home?—No.

1370. (*Chairman.*) Would you say that the power of the Examining Officer to pass irregularities is large?—He has no power to pass anything which is not in accordance with the rules, and properly vouched.

1371. But you say, supposing he thinks the payment is not sufficiently vouched, or is not sufficiently authorised, he sends an objection paper, which the Disbursing Officer answers? Has he full power to accept that payment if he considers that it is in accordance with the regulations?—With the regulations, and properly vouched. Perhaps his objection to the statement refers to the want of some voucher; then the Disbursing Officer sends the voucher, and that removes the objection.

1372. But supposing it is a question of the interpretation of the authority—we will take a case in which the authority of the Finance Department ought to have been obtained, and it has not been obtained. In such a case, can the Examiner pass the payment if he thinks the explanation given by the Disbursing Officer is sufficient?—Certainly not.

1373. He would be bound to report a doubtful case?—He would be bound to uphold his objection.

1374. And he would be bound to report a doubtful case to the Controller. He is not authorised to exercise a discretion in doubtful cases?—No.

1375. He would be bound to report it to his superior? Yes.

1376. When the Examiner has examined the accounts of a district or station, and passed them, does he send those accounts as passed by him to the Controller?—Examiners send in to the Controller what is called a compilation statement of all the charges under the various grant heads and sub-grant heads, and the Controller consolidates that compilation into the general statement of receipts and charges which finally form the Finance and Revenue Accounts of the year.

1377. And are these accounts rendered to the Controller monthly, for each month?—Monthly, yes.

1378. Does the Examining Officer accompany these with any statement of objections he has taken?—No.

1379. Therefore the Controller has no means of judging the manner in which the Examining Officer has exercised his judgment in doubtful cases?—Yes, he has occasionally a test audit of a portion of their accounts. He deputes someone to make a test audit of some portion of the accounts which each Examiner has audited, The Comptroller-General also has the power at any time of going into the Controller's office and making a test audit of the accounts, and he does so periodically.

1380. The point that was in my mind was whether the highest account officer in the War Office has any means of judging, on the face of the accounts that are sent in, how the Examining Officer has performed his duty—that is to say, whether he has any opportunity of seeing the irregularities to which the examiner has called attention and the evidence upon which he has been satisfied that those irregularities ought to pass?—No, he does not see those objection statements unless they come to him on appeal.

1381. At the close of the year is there a military appropriation account drawn up in the Military Department for the use of the Comptroller-General?—Yes, a military appropriation account.

1382. That is drawn up by each Controller?—By each Controller.

1383. And consolidated?—Consolidated by the Accountant-General.

1384. Is his account accompanied by any remarks on irregularities? I presume not, because, if the monthly accounts did not report all irregularities there are no means of stating them, except such as may have come to the notice of the Controllers?—That is so.

1385. And would the Controllers report to the Military Accountant-General the irregularities which had been reported to them?—If they were of a grave nature they would; but as I say, they do not see these objection statements unless they come on appeal.

1386. But I mean those which do reach them; would they report them?—No, not unless they had occasion to ask the orders of the Government of India; or in the event of any dispute between the Examiner and the Disbursing Officer, if the Disbursing Officer was not satisfied with his decision—otherwise it would not come to the Accountant-General.

1387. May I ask you if, judging from the experience you acquired as Military Accountant-General, you would not consider it an advantage if you had known of the cases of irregularities that had reached the Controllers, so that you might thereby form a judgment as to the manner in which your subordinate officers and representatives performed their duty?—You can form that judgment from the cases which come up on appeal; but it would be impossible for the Accountant-General to go through all these objection statements, which are hundreds in number.

1388. But would it not be an advantage if the Controllers accompanied their yearly account with a statement of the objections which had reached them, which the Examiners had either doubts about or had not passed?—I think not. That is the Controller's duty.

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1389. You hold that the Accountant-General holds the highest place. Therefore would it not be desirable that he should know what kind of objections had been taken and had not been satisfied in the first instance?—I think not.

1390. The civil examining officers do not go into the detail of the military accounts, do they? they accept, as a rule, the examination by the military Examiners?—What civil officers are you referring to?

1391. The Civil Comptroller-General's officers who conduct the audit on the part of the Comptroller-General?—They accept the Controller's statements, subject to the test audit which the Comptroller-General can exercise at any time.

1392. There is no double or second audit on behalf of the Civil Auditor-General of the military accounts?—No, not beyond this test audit that I am referring to.

1393. Then in what form are the military accounts, so vouched by the proper Examining Officers, transmitted to the Civil Comptroller-General?—By the Controller.

1394. They send them to the Civil Comptroller-General?—Yes.

1395. And the Civil Comptroller-General, through his officers, sees that the military accounts in detail have been examined, and vouched, and tested by the signature of the proper Examining Officers?—They accept the Controller's signature; they do not go behind the Controller.

1396. But apart from that, it is a well-understood rule of Indian Finance that the Civil Comptroller-General is entitled to send auditors to make a test audit of any part he pleases of the military accounts?—Yes, certainly.

1397. At present do you think the regulations are such that the Military Accountant-General may, or is always in a position to, report at the earliest possible moment to his chiefs whether the military expenditure is running on all fours with the Budget—that no excess of expenditure is taking place?—Yes, he gets a preliminary statement on the 10th of the month of the actual issues of the previous month. Then later on, on the 20th, he gets that statement again in a little further detail. Then, on the 26th, he gets further detail, and in the meantime he has from the Civil Accountants-General their statement of issues to the Military Department, with which he can check the military statements with the receipts, so that there is no possibility of any excess of expenditure going on without his being aware of it.

1398. May I ask, with your experience of the military expenditure in India, whether you consider that the present system is a satisfactory and complete one, or are there any points upon which you think, in the interests of economy, an improvement might be effected, either in the way of simplification or in the way of modification of existing regulations?—I am not prepared at present to suggest any modifications or improvements.

1399. I am quite aware that I am asking you rather a large question, and perhaps it is hardly fair to ask for an off-hand reply?—It is rather a large question, if I may say so.

1400. (*Mr. Buchanan.*) The Military Accountant-General has no direct audit work to do?—No.

1401. These test audits that occasionally take place are by the authority of the Civil Comptroller-General?—And the Controller of Military Accounts.

1402. That is to say the Controller in each command?—Each command.

1403. He can have a test audit on any subject he pleases?—On any particular Examiner's work. He can have a test audit of the Pay Examiner, or the Commissariat Examiner; he can have a sample test audit made of any portion of their accounts for any month to see if their audit is correct or satisfactory, and the Comptroller-General can do the same, and does so periodically.

1404. From year to year does the Civil Comptroller-General in India carry on a certain number of test audits of the military accounts?—I cannot say very positively, but he has the power, and I know that he does it periodically; but under what rules exactly he does it, I cannot say. Mr. Jacob could tell you that.

1405. Then your position as Military Accountant-General was rather, as I think you said, that of an extra military secretary. You had no direct audit work?—No.

1406. Then there is one other question. You told us at the beginning of the examination about the method of preparing the regular military estimates from year to year; but, supposing there was a proposal for a considerable change, either in the way of reduction or of increase, in the military estimates, what process of consultation goes on between the military and the non-military authorities in the Governor-General's Council?—The proposal comes up to the Military Department or originates in the Military Department, or it originates with the Commander-in-Chief, and is then considered by the Military Department. If they are satisfied as to the necessity for this increase or alteration, then it goes over to the Financial Department. If it is a small matter, it goes over, as it is called, unofficially. The Financial Department see the papers and the notes on the case, and they give their concurrence or otherwise. If it is a larger matter, then it goes over officially to the Financial Department, and their decision is practically final, otherwise the matter comes up before the Governor-General in Council.

1407. But do you mean that the Finance Minister and the Finance Department would have practically a veto upon any large increase or decrease of the Military estimates of the year?—No; not any large increase or decrease. In the more important matters the Military Member, of course, could appeal to the Governor-General in Council, but he would not do so in ordinary cases unless he thought it was of sufficient importance; but the appeal would rest to the Governor-General in Council.

1408. Then where there is going to be a large change of that sort, do the Commander-in-Chief and the Military Member of Council first of all get the assent of the Financial Member to their proposals?—Yes.

1409. As a rule?—Yes; and in most cases it has to come to the Secretary of State, and then the despatch making the proposal comes not in the Military Department, but in the Finance Department.

1410. There is no obligation upon the Government of India to get the consent of the Secretary of State before the Budget is introduced with this increased or diminished Military estimate?—No; not unless there are any changes beyond their powers. The powers of the Government of India are limited; they cannot create new offices beyond a certain amount; they cannot make any changes in the organisation of the Army without the sanction of the Secretary of State. Anything of importance, in fact, has to come to the Secretary of State before it can be carried out.

1411. (*Sir William Wedderburn.*) I think you mentioned in answer to the Chairman that there were certain matters that would not necessarily become known to the Secretary of State; but is there not a monthly abstract of proceedings in the Military Department prepared which goes home regularly to the Secretary of State, in which any resolutions of the Government would appear?—Yes, and it is my business to examine that as it comes in and to submit anything which appears to require the attention of the Secretary of State; but it is not all *in extenso*, a great portion of it is merely in short abstracts, and from that you could not always tell what was being done.

1412. So that no matter of reasonable importance would fail to be detected through those?—Certainly not.

1413. (*Sir Ralph Knox.*) I am not quite sure that I understood exactly the *locale* of the Pay Examiner and his connexion with the Controller of Military Accounts—or of the Examiners, rather, of accounts. Are they only stationed at the same place where the Controller of Military Accounts is?—Yes.

1414. But they are not his officers?—Certainly.

1415. They are his officers?—Yes, subordinate to him in every way.

1416. They are the subordinate staff of the Military Accountants?—Of the Controllers.

1417. Of the Controllers I mean?—Yes.

1418. And they only exist at a station where he exists?—Yes.

1419. And that is at the head-quarters of a command?—No, they do not audit at the head-quarters in all cases.

For instance, there is one in Calcutta, which is not the head-quarters of the command.

1420. But would there be one at Bombay, and another at Madras?—There is one at Poona, there is one at Madras, and there is one at Rawal Pindi.

1421. There are only those four?—Only those four.

1422. Then these Examiners of Accounts only exist at those four stations?—Yes.

1423. And all the accounts from the Disbursing Officers are sent up to them to be audited?—Yes.

1424. Do these Examiners do anything in the way of pre-audit? — Occasionally, when a Commissariat or a Regimental Officer has any doubt as to a particular charge or claim which is made, before paying it he sends it down to the examiner with the necessary vouchers for pre-audit, and the examiner then sends him a letter authorising him to charge it, but does not send him back the vouchers or the statement; he keeps them, but he sends him a letter authorising him to pay and charge that sum. In any difficult case that is generally done.

1425. The Disbursing Officers seem to follow very much the various services which have to be administered. In connexion with the Army you have Commissariat disbursers, and Pay disbursers, and Pension disbursers, and so on?—Yes.

1426. And they all seem to disburse payments which are practically ordered or administered by themselves. That is so, is it not?—Except in the case of the Commissariat, for instance; they pay Ordnance charges, with which they have no concern whatever. Merely as a matter of convenience, they pay the Ordnance Officers' charges for supplies of tents or other stores.

1427. But so far as the Commissariat expenditure is concerned, they practically disburse under their own orders the expenditure which is thus incurred?—Yes, that is so.

1428. Therefore, they are in no respect, as it were, independent auditors of the expenditure; they examine it themselves, and send in an account of it?—Yes.

1429. As regards the Ordnance expenditure which they pay, they do not apply any audit to that, do they?—None whatever.

1430. They simply pay on the certificate of the Ordnance Officer?—Yes.

1431. In the case of the Regimental Disbursing Officer, his disbursements practically are, so far as he is concerned, issues to the company officers, I presume?—Yes.

1432. And the company officers send in their accounts of their expenditure to him?—Yes.

1433. Does he apply any audit to those accounts before he sends them in?—I think he examines them, but I cannot speak positively about that He would certainly check them to some extent; although the company officers are responsible for their pay lists, it would be his duty to point out any mistake.

1434. But would it be his duty to examine it, and see that it was all right before he sent it on?—To the above extent.

1435. So that as the payments are made, there is no immediate local audit or check, except in so far as the responsible officer feels his responsibility in making the order for the payment?—Yes.

1436. That is all?—That is all.

1437. There is no independent check?—No.

1438. (*Chairman.*) You are speaking now of the payment of the regiments?

1439. (*Sir Ralph Knox.*) And of all of the disbursements—the commissariat, and the pensions, and other charges?

1440. (*Chairman.*) But are you speaking now of payments to individuals—either pay or pension?

1441. (*Sir Ralph Knox.*) No, accounts as well. Is there any limit as to the amount which a Disbursing Officer may pay in the way of a bill?—The limit is his cash assignment.

1442. But he pays a bill however large the claim may be. He would pay a bill for 200*l.* or 300*l.* to a contractor?—Certainly.

1443. A Commissariat disburser would in his case, and the Pay disburser in his, and so forth?—Certainly.

1444. There are no direct payments made from head-quarters?—No.

1445. When the Disbursing Officer makes payment on account of several services, as you described was the case—for instance the regimental paymaster, being the only local disburser, is sometimes the officer who sends in the estimates for all those services for that station?—He does not pay any services beyond those of his own regiment.

1446. I thought in some cases the officer in charge of a battery or a regiment made the payments on account of commissariat services?—No. If I gave you that impression it was wrong. He makes no payments except those connected with his own regiment or battery.

1447. There is always, then, a Commissariat disburser at every station where payments have to be made?—No, not necessarily. The payments might be made from the Commissariat Office at another station, in which case there would be no Commissariat Officer at the particular sub-station.

1448. Who would actually make the payment?—The Commissariat Officer at the centre station.

1449. How would the claim be presented to him. Would the local tradesmen send in the claim to him although at a distant station?—Yes, and he would pay it by cheque.

1450. And then this Chief Disbursing Officer, or the officer who is in charge of the station at which the payment was to be made, would send in the estimate for the sub-stations?—Certainly.

1451. The estimates themselves furnished by these local disbursers of course only represent the state of things as they are at the time they send in those estimates, based upon their current expenditure, upon prices, and upon numbers, and pay of establishments?—Yes.

1452. And, therefore, they form simply the basis for considering the estimate; they are not accepted, as practically forming the estimate; they have to be modified very considerably?—They might have to be modified by the Controller if any changes had taken place since the estimates were prepared, which the Disbursing Officer was not aware of.

1453. But as regards new expenditure of a considerable amount, such as re-armament, or anything of that kind, that would be considered at head-quarters?—Yes; no officer would be authorised to insert anything in his estimate which had not already been sanctioned.

1454. Therefore, at head-quarters, very often the estimates, consisting of compilations of those which are sent in, are considerably modified?—Yes.

1455. On grounds of general policy or change?—Yes, reduced or increased.

1456. (*Chairman.*) In supplement to one of Sir Ralph Knox's questions about the revision and completion of the estimate at head-quarters, I wish to ask whether, a very large amount of the supplies being only procured at head-quarters, there are not, therefore, in finally completing the estimate at head-quarters, very large additions to be made? For instance, I will take Ordnance stores, which I see come to about Rs. 40,00,000 or so in the course of a year. I suppose the larger part of those are got together at the head centres, are they not, either at the headquarters of the four commands or at Calcutta?—Those would be included in the estimates of the officers in charge of the arsenals, or the superintendents of the large factories.

1457. Exactly; they would come into the estimates from the command?—In the ordinary estimates, yes.

1458. I suppose practically the larger part of these stores are ordered at the central and big towns, are they not?—No, they are ordered wherever the factories may be. There are factories at Madras, there are factories at Poona, there are factories at Cossipore, and at Ishapore near Calcutta.

1459. But those are big towns, are they not?—No, not all of them.

1460. They are big centres of command?—No; Ishapore is some miles from Calcutta; Cossipore is a few miles from Calcutta. There is a factory at Futtyghur, which is far from any centre. There are various factories and arsenals dotted about the country, in the same way; they are mostly at large stations, but they are all over the country; and all these officers send in their

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estimates of what they want for the following year, which are based on established proportions.

1461. How does the Government in Calcutta get the estimate of expenditure in England; for instance, the estimate of the services payable here?—That is all furnished from home.

1462. It is?—Yes.

1463. And furnished by a certain time, I suppose?—By a certain time.

1464. Does any criticism of that estimate take place by the Governor-General in Council?—I am not familiar with that. It is generally done in the Financial Department. There is a good deal of telegraphic communication at the last moment about those estimates.

1465. I am asking that question about the military part of the expenditure?—There are telegraphic communications as to any possible reductions or increases at the last moment.

1466. But of course the estimate is sent out from here, as it emanates from the Secretary of State; it is more or less a final estimate; the Governor-General in Council cannot over-rule it?—No, but it is very often altered on his representation.

1467. One other question. Going back again to the payment of pensions, I see the payments to native soldiers are very large indeed?—Very large.

1468-9. They amount to 72 lacs of rupees, do they not?—A little less than 72 lacs.

1470. At all events, they amount to a very large sum. Are you satisfied that the precautions, of which you have spoken, are such as to prevent, as far as possible, there being room for fraud there?—As I said, the system has been changed a good deal since I left India, so that I am not very familiar with the details of it; but I have no doubt all necessary precautions to guard against fraudulent personation are adopted, and the statistics of military pensioners are reviewed every year to see whether the actual mortality agrees with the anticipated mortality according to life tables.

The witness withdrew.

Mr. A. R. Becher.

Mr. A. R. BECHER, Deputy Accountant-General, Public Works Department of the Government of India, called in and examined.

1471. (*Chairman.*) I think you are at present engaged in the Public Works Department of the Government of India; would you say what your position is?—I am Deputy Accountant-General in the Public Works Department.

1472. That is to say you are the second officer in the Public Works Department?—Yes, in the Accounts.

1473. In the Accounts Branch?—Yes.

1474. How long have you held that post?—On and off I have held it for about seven years now.

1475. Could you give us a sketch of the manner in which the Public Works Department is organised, the branches or chief sections into which it is divided?—There is what is called the Buildings and Roads Branch of the Department, the Irrigation Branch, and the State Railway Construction Branch, and the Open Line Branch.

1476. By Open Line, do you mean those which belong to companies?—Lines which are working.

1477. Are those all the sections or branches into which the Public Works Department is divided?—That is the whole of the executive.

1478. Then besides that, there is the Accounts Branch?—Besides that, there is the Accounts Branch, which is concerned with the audit of the transactions of all these executive branches.

1479. Has the Public Works Department anything to do with the Guaranteed Railways?—Yes; it has to a certain extent. There is a consulting engineer, who is a member of the Public Works Department, attached to each guaranteed railway, and there is a Government Examiner.

1480. That is to say, questions connected with or arising out of the relations between the Government and the Guaranteed Railways are dealt with by the Public Works Department?—Yes.

1481. In which branch of those that you have named would that business come?—In the Railway Branch.

1482. I have got here the Buildings and Roads, Irrigation, State Railways Open Line Branches, and the Accounts Branch; but you mentioned a Construction Branch?—I divided the Railway Branch into two, the State Railway Construction and the State Railway Open Lines.

1483. Then the Public Works Department is divided into four branches, and the Accounts Branch?—Yes; four branches and the Accounts Branch. The two railway branches may properly be considered as one. It would be better to deal with Railways, Irrigation, Buildings and Roads, as the main divisions.

1484-5. Is that so in the Budget?—That is as in the Budget.

1486. But I see this account is divided into Telegraph, Railways, Irrigation, Buildings and Roads?—The Telegraph Department is under the Public Works Department. The Public Works Department proper consists of the Buildings and Roads, Irrigation, and Railway Branches.

1487-9. I see the total expenditure provided under these headings is somewhere about 32 crores?—This is Rx. 33,000,000. Those are "Rx."

1490. Now, taking the Accounts Branch, will you tell us what the strength of your establishment is in that branch?—I could not tell you, straight off, I think, without looking up the papers.

1491. Have you a large number?—I think the sanctioned strength is 84 officers.

1492. And you described it just now as an Audit Branch?—Yes.

1493. Is it not also the Finance Branch of the Department?—The Accountant-General and his deputies and assistants may be called the Finance Branch of it; but all the Examiners who are attached to provinces or to lines of railway are purely auditing officers.

1494. But it is by the Accounts Branch in the Public Works Department, first of all, that the Budget is made up?—It is compiled in the Accounts Branch. The details for it—for works or railways that have to be constructed—are prepared by the Executive Branch of the Department. That branch says what works have to be carried out and what money spent on them within certain limits, which have already been fixed for them by the Finance Department.

1495. They, in fact, make the first draft of the estimate for their separate Departments; that comes to the Accounts Branch—it is revised and compiled there?—It is hardly revised—it is compiled.

1496. Then, I presume, from the Accounts Branch also issue the orders for payment and orders for the supply of funds, do they not?—Orders for the supply of funds issue from the Accounts Branch, but payments are made by the executive officers themselves within certain fixed limits. They have letters of credit as has, I think, already been explained.

1497. We will come to that in a moment. I would now ask you if you would describe to us the manner in which the estimate of the Public Works Department is framed. But first of all let me ask you this: The Public Works Department is an Imperial Department, is it not? The officers of the Department, wherever they are situated, are held to belong to the Central or Imperial Government, are they not?—No; they are provincial. In each province the Public Works Department is under the Provincial Government—the Executive Branch of it is.

1498. It is under the Provincial Government?—Yes; under the Provincial Government. The Accounts Branch is under the Central Government.

1499. Quite so?—The Accounts Branch is the Imperial Branch.

1500. The Accounts Branch belongs to the Central Government?—It belongs to the Central Government.

1501. There is the Accountant-General and the Deputy Accountant-General. Who represents the Accountant-General in the different provinces?—There is an Examiner of Public Works Accounts in each province, and he has certain assistants, according to the size of the province and the amount of work which he has to deal with.

1502. And are these Examiners in the provinces finance officers, or are they purely audit officers?—They are finance advisers, but they are really audit officers. They advise on any point of finance which the Local Government wishes to get their advice upon, and they also advise the Local Government as to any irregularities that may happen, or anything of that sort. But their principal duty is that of auditing the expenditure on works.

1503. They have nothing to do with the supply of funds within the province?—They arrange that the Executive officers shall be supplied with funds.

1504. By the Provincial Government?—By the Provincial Civil Accountants-General. It is on their requisitions that the Civil Accountants-General give the orders to the Treasury officers to issue money to the Executive Branch.

1505. These Examiners are officers of the Imperial Government, are they not?—Yes.

1506. Because they belong to the Accounts Branch?—They belong to the Accounts Branch.

1507. Then the provision of funds is not a duty of the officers of the Provincial Government, but lies with the finance officers of the Public Works Department who are stationed in the province?—The funds are provided by the Provincial Government.

1508. Quite so, but from whom does the order come?—The order for the issue of funds emanates from the Examiner, who is an Imperial officer.

1509. Now, will you tell us, beginning with the estimate, which is the beginning of all finance, how the Budget estimate is prepared, and when?—The Budget estimate is prepared in the first instance for the different funds—provincial and local funds, and Imperial funds. The amount which can be found in any one year from provincial and local funds for expenditure on works, is settled by the Provincial Government; the amount of Imperial funds that can be found is settled by the Imperial Government, and is communicated to the Provincial Government.

1510. Then does the Imperial Government communicate to the Provincial Government before the time for the preparation of the estimates the amount of Imperial works which they propose to execute within the province?—Yes.

1511. And is that then included in an estimate for the province which is prepared by the Provincial Government?—Yes, in a separate estimate.

1512. But sent up from the province?—Sent up by the Provincial Government.

1513. Then when the Budget of each of the provinces is prepared it comes up to your Central Office?—They all come up to the Central Office.

1514. And are they revised and criticised by the Accountant-General and yourself?—By the Accountant-General,, as well as by the other branches of the secretariat at head-quarters

1515. The Secretaries also consider them?—Yes.

1516. And by what time of the year are the Provincial Governments bound to send you the estimate?—They have to send their Budget estimates in on the 15th of January.

1517. To the Central Office?—Yes.

1518. And how long a time after that have you to consider them before you are obliged to submit your estimate to the Governor-General in Council?—The Public Works Estimate has to be submitted about the 15th of February.

1519. You have only about a month at head-quarters to consider the estimate and to correspond about it?—Yes. But there has been a preliminary consideration before that. In October of every year the Provincial Government sends up what is called a schedule of demands, which is merely a forecast of what it is proposed to do and the money which is required to admit of the proposals being carried out. These proposals are considered, and the Government of India say: "Of the "amount that you have asked for we can only give you "so much; you must cut down your demands to this "sum." Then the Budget estimate is prepared for the amount specified. But it is still subject to further revision.

1520. But, practically, the Imperial Government and the Provincial Government have come to a general agreement beforehand upon the extent to which funds can be found for works?—Yes; before the 15th of January.

1521. Now at the time that that consideration takes place, is there any general consideration in the Council and with the officers of the Public Works Department—first of all as to the general financial situation of India; and, secondly, as to the amount which, bearing in mind that general financial situation, can be afforded for public works?—The Financial Department tell the Public Works Department what money they are likely to be able to provide, and the Public Works Department frame their estimates accordingly.

1522. The Financial Department inform the Public Works Department that for their work, we will say in this particular year, Rx. 33,000,000 will be available?—Yes.

1523. And then the Public Works Department apportion that in the manner that they think will best meet the needs of the country?—Yes.

1524. Of course, in taking that into consideration, a great part of your expenditure is settled beforehand: by previous arrangements you have got works in hand which must either be suspended or be continued at a certain rate?—Yes; of course they are the first works that are considered.

1525. And, therefore, the amount of discretionary expenditure entrusted to the Public Works Department is comparatively small?—Quite so.

1526. I mean the amount out of this Rx. 33,000,000 upon which you can veer and haul?—It is comparatively small.

1527. I suppose that the way in which economy is effected for the year is, that you go on with the works already begun, but you stop works which are not begun?—We stop new works. We are obliged first of all to provide for works which are in progress; then for the essential repairs of works which are in existence; and then the question of new works is considered.

1528. Your Department has not only a large expenditure of what I may call voted moneys, but it has also a large expenditure of capital moneys; that is to say, of money provided by loan. How is the question decided whether work shall be paid for out of the annual revenue of the year or out of borrowed moneys?—No work can be paid for out of borrowed money without the sanction of the Secretary of State.

1529. That is the first thing?—That is the first thing.

1530. Therefore the Central Government of India must represent to the Secretary of State that it wants such-and-such works, and ask to be allowed to pay for them out of loan money?—They must ask to be allowed to pay for them out of loan money.

1531. But are there any rules which guide the Public Works Department and the Government of India in making these applications to the Secretary of State?—Yes, there are.

1532. Could you describe shortly what they are?—Works which are paid for out of loan money are technically called "productive" public works, and to admit of a work being classed as "productive" certain rules are laid down:—

> "(*a.*) There must be good reason to believe that the revenue derived from it will, in the case of a railway, within five years, and in the case of an irrigation project within 10 years, after the probable date of its completion, repay the annual interest on the capital invested with all arrears of simple interest up to that date, and also the capitalised value of the land revenue and of leave allowances and pensions; but in preparing a project for sanction, no deduction is to be made from the total capital outlay on account of anticipated excess of revenue over simple interest.
>
> "(*b.*) It must be susceptible of having clear capital and revenue accounts of it kept.
>
> "(*c*) Its classification as a productive public work must be authorised by the Secretary of State."

Those are the principal.

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1533. Then, practically, I suppose you may say that the only works executed out of borrowed monies are railways and irrigation works?—Railways and irrigation works.

1534. Are there any other works?—No other works.

1535. And may we take it that the whole or the larger part of irrigation and railway works are executed out of borrowed monies, or are annual revenues brought in aid?—There are a good many irrigation works which are constructed from other monies.

1536. Out of annual revenue?—Out of annual revenue.

1537. Now, are these great works, conducted by the local officers, or are they conducted by officers belonging to the Central Department?—You mean to say the executive management of them?

1538. Yes, the Executive management; because you were saying just now that the officers of the Executive Department are local officers?—They are attached to certain provinces.

1539. I will take, as an instance, that great work, which we have all just been reading about in Madras—the Periyar. Would that work be executed by the chief engineer officer of the Public Works Department in Madras, or would it, being so great a work as it is, be executed by a special officer deputed from headquarters?—No; by the chief engineer in Madras, with the aid of the local officers under him. But in the case of a railway there would be a different arrangement.

1540. Because the railroad would pass through several provinces?—Yes; and railways would be more directly under the Central Government.

1541. And one engineer would, I suppose, probably be responsible?—There would be an engineer-in-chief, and a staff of officers under him, who would be appointed from the head-quarters of the Central Government. It would not be a local work.

1542. Now, following up what you were saying about productive works, I suppose this heading of "Buildings and roads" would be entirely provided out of voted moneys?—Yes, entirely. There is no loan money spent on that; it is only on irrigation and railways.

1543. I see one heading here—"Special defence works." Are those military works?—Those are military works.

1544. Why is that under the Public Works Department, and not under the Military Department?—Because the accounts of the military works are dealt with by the Public Works Department—by the Accountant-General of the Public Works Department. The accounts of expenditure on military works and special defences are sent to the Accountant-General of the Public Works Department, not to the Military Department. The Executive management remains with the Military Department, but the accounting is to the Public Works Department.

1545. But I see there is no provision made here for military works, except these special defence works, in the Budget, is there?—There is a separate estimate for military works which is distinct from the Public Works Department Estimates, but which is included in the figures for "Buildings and Roads" which are now before you.

1546. Would that charge be borne on the Military Estimates? Is it paid for out of the Military Budget or out of your Budget?—There is a special branch for the execution of military works which is distinct from the Military Department—and which is not provided for in the Military Estimates.

1547. Is that paid under the Military Estimate or is it paid under your estimates?—It is distinct from the Public Works Estimate, but is, for accounting purposes, treated as a portion of them, since it has nothing to do with the Military Estimates.

1548. Quite so. It is not paid by them; but the special defence works are paid for out of the Public Works Estimate?—No.

1549. (*Sir Donald Stewart.*) Usually there is a crore of rupees spent annually on military works?—Yes. The accounts of this expenditure come to the Public Works Department. There is a special department for administering these works under the Military Department.

1550. (*Chairman.*) But why are these special defence works borne on the Public Works Estimate and not on the estimate of the Military Department?—Because the special defence works are more in the nature of expenditure of loan money—not voted money.

1551. (*Sir Donald Stewart.*) And I think there is a reason for it. They wished to keep that account separate from the other branches?—Yes; quite distinct from everything else.

1552. (*Chairman.*) But that expenditure, if you were reckoning what the military expenditure of India was, ought to be added to that military expenditure ought it not?—It is part of the military expenditure of India.

1553. Now, when your Budget is approved, what is the method in which the money which is provided is put at the disposal of the executive officers?—The Provincial Governments are informed that the Budgets have been sanctioned for particular sums, and they pass that on through their Public Works Secretariat to the Superintending Engineers and the Executive Engineers, who are the executive spending officers. The Superintending Engineer is told that for his Circle he has certain funds provided, and he tells the Executive Engineers who are in the Divisions in his Circle what moneys they can have.

1554. And in what form is the intimation given to the officers in charge of the Treasuries that the Public Works officers are entitled to draw to such and such an amount?—Every month the Executive Engineer of the Division makes out a statement showing what he wishes to spend in the following month. He sends that to his Examiner. The Examiner compiles from these one general statement.

1555. By his Examiner you mean one of your officers?—Yes; one of our officers. The Examiner compiles the statement from these, showing the amounts required to be drawn on each Treasury, and sends that to the Civil Accountant-General who is a Finance Department Officer.

1556. He is the head Finance Officer, you may say, in the province?—In the province; and he advises the Treasury Officers of the amounts up to which they should cash the cheques of the Public Works Officers.

1557. Within the month?—Within the month.

1558. Then the officer of the Civil Treasury raises no question so long as the drafts upon him do not exceed the monthly assignments?—No; quite so.

1559. Supposing that either through bills not coming in in one month and falling due in the next, or from work being more quickly prosecuted than had been anticipated within any one month, your Department found a larger demand made upon it than had been anticipated, is any provision made in such a contingency for the enlargement in any given district of the monthly assignment?—Yes. A supplementary letter of credit can always be given at any period during the month.

1560. But I suppose the officer in charge of the Civil Treasury, in the absence of such a supplementary credit, would absolutely refuse to honour a cheque in excess of the monthly assignment?—Yes.

1561. Then the money having been so expended by the officers of the Public Works Department, the accounts are rendered to your Examiners, as I understand?—Their accounts are rendered to the Examiners.

1562. You having a Chief Examiner in each province?—In each province.

1562*a*. How does that Examiner get seised of the accounts from the different spending stations within the province? Are the accounts, with vouchers, sent by the disbursing officer, whoever he may be, to the head-quarters where the Examining Officer is stationed, monthly, or at different intervals?—Yes, monthly.

1563. And the account comes up supported by vouchers?—Supported by vouchers.

1564. And your officer examines and sees that each account is duly vouched, and is supported by proper authority?—Yes, and is supported by proper authority: that is to say, he not only sees that the expenditure is duly vouched for, but that the expenditure is only on works which have received competent authority.

1565. Quite so; and are within that authority?—And within that authority.

1566. Now, supposing the Examining Officer sees reason to object to any item in the account, what course does he pursue?—He disallows the charge, or else he

passes it provisionally, subject to reference to a higher authority, which, in the case of an Executive Engineer, would be in the first place, the Superintending Engineer.

1567. He would send it to the Superintending Engineer, and he would say he objected on such and such grounds to that charge?—He would ask the Executive Engineer, first of all, to explain why he had incurred this expenditure irregularly. That explanation would go the Superintending Engineer. If the Superintending Engineer had sufficient authority to sanction it he would do so, or would ask for further information. If it was beyond his power it would go to the Provincial Government; if it was beyond the power of the Provincial Government it would go to the Government of India.

1568. Quite so; and therefore there would be a series of appeals to higher powers. But would it be in the power of the Examining Officer of the Province to object to the sanction given, we will say, by the Government of the Province; or in that case would it be necessary for the Examining Officer to refer to head-quarters, to the Accountant-General?—If he saw any reason to object to the decision of the Provincial Government, he would then refer to the Accountant-General with the Government of India.

1569. Exactly, but it would be in his power, if he were satisfied with the sanction of the Provincial Government, to pass the item?—Yes.

1570. Would you know what objections your Examiner has taken in the course of his examination, so far as those are concerned which he has subsequently passed on explanation? Would he report to you that he had taken such and such objections?—He would only report to us items of principal importance. He has to send to the Accountant-General either every month, or quarterly, at the option of the Provincial Government a statement of the important items regarding which there is any irregularity.

1571. That is provided for?—That is provided for.

1572. Therefore there is a provision made under the regulations that the chief financial officer of the Public Works Department should know any apparent irregularities of importance which have taken place?—Yes.

1573. Even though they may have been explained?—Even though they may have been explained.

1574. And so the Accountant-General has a means of watching how his Examiners perform their duty?—Quite so.

1575. How they act, in fact, in difficult cases?—He has that opportunity.

1576. That is an important power which the Accountant-General reserves to himself, is it not?—Yes, it is.

1577. It is rather difficult to say that a system is perfect unless the chiefs of it have some means of that kind of seeing how their officers perform their duty?—He has that power of seeing.

1578. And you would attach importance to it?—Yes; a good deal of importance to it.

1579. Now do you find at the end of a year that there have been many questions of financial importance raised between your Financial Officers and your Disbursing Officers?—No; generally speaking the questions raised are mere questions of rule—very often only the interpretation of a rule, or something of that sort. There are a great many questions of that sort which arise.

1580. But supposing—what is always a possible thing—some gross irregularity happened, would you be certain to know of it?—That would be specially reported at once.

1581. It would?—Yes. If there was anything of a grave nature it would be specially reported. They would not wait for the ordinary periodical report, but would send that in—that would be reported at once on coming to notice.

1582. Therefore you have every security that any point of importance in the financial administration would come to your knowledge?—Yes; I think so.

1583. When are these examinations completed? Are the accounts and vouchers sent monthly to the Accountant-General?—The accounts are sent every month.

1584. And in what form does the Examiner pass the accounts? When he has passed them, does he report them to the Central Office or does he report them to the Provincial Government?—No; he tells each officer who submits an account to him that he has passed his accounts for such and such a sum of money, so as to give him a clearance for the month.

1585. Yes; but in what form does the statement that he has completed such and such an audit and passed such and such an account reach the Central Office?—The Examiner compiles one general account from the audited accounts, and this he submits to the Accountant-General.

1586. And does he accompany that account with any report which would specify such doubtful questions as may have arisen during the examination?—That would come in separately.

1587. But still the report would come in?—It would still come in periodically.

1588. Is any provision made in your code of regulations for such a report; for the report of an objectionable expenditure?—Yes, there is. There is what is called a divisional statement of objectionable items, and that is what the Examiner deals with in the first instance.

1589. What Article is that in your Code?—It is chapter 3, volume 2, from paragraph 98 onwards.

1590. Can you tell us very briefly what is the gist of it? We only want to know what I may call the enacting part, which says that such and such information is to be given?—It says the irregularities to be noticed are—

> "(*a.*) Expenditure incurred without adequate authority or in excess of sanction.
>
> "(*b.*) Expenditure incurred without Budget appropriation or in excess thereof, but objections on this score need not be raised before the accounts for the month of July if estimates have been duly sanctioned for the works on which the outlay is incurred.
>
> "(*c.*) Miscellaneous irregularities, such as unauthorised advances, losses of cash or stock, not covered by adequate sanction, irregular charges," &c.

Those are the principal objectionable items.

1591. And therefore you have the security that under that Article in the Code any important questions that have arisen will be brought to your notice?—Yes; quite so.

1592. Even if they might have been satisfactorily answered eventually?—That would depend on circumstances.

1593. That would be matter of discretion with the Examining Officer?—Yes. If they were satisfactorily settled by the Provincial Government it would not go beyond them, if it were in their power to settle it; but if there was any doubt about it it would come on to us.

1594. All your financial administration is regulated by code, is it not?—Yes.

1595. You mentioned two volumes just now; is that a very voluminous code?—There are four volumes. But they are not entirely on accounts matters. There are a good many other matters which are dealt with. Volume 1 principally deals with other matters—such as the *personnel* and the distribution of the Department.

1596. You have had a long opportunity of watching the working of the Code; are you satisfied that its apparently minute form is essential?—I do not think there is much that is really superfluous in it, and I think it works smoothly. I think the officers understand it.

1597. Quite so. If both sides to the transaction are satisfied there is nothing to be said?—I think we are both fairly well satisfied.

1598. Well, in addition to this examination in ordinary course by your officers of the accounts monthly, have you any test audit?—Yes. The Examiner goes on tours of inspection every year. The object is to inspect, in the divisional offices, certain documents which never come to him at all.

1599. Does he then pass and accept certain expenditure without seeing vouchers?—Yes, there is such expenditure as daily labour payments, for which no vouchers are submitted to the Examiner. He has to accept the statement of the executive disbursing officer that certain moneys have been spent in such a way. But then he tests this once a year, or sometimes oftener, by going to the office and actually scrutinising the documents on which payments have been made.

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1600. Is that test merely confined to that point?—Oh, no; it is a general test. He takes up perhaps the accounts of one month in a year at haphazard—any one month—and he thoroughly tests them.

1601. And sees whether the books agree with the accounts that have been forwarded to him?—That the accounts that have been forwarded to him have been correctly compiled from the documents in the office, and that there are no discrepancies between the two.

1602. After that examination is complete, and after you have received the accounts from the different provinces, do you compile at the close of the year a general account of the expenditure of the Public Works Department?—We compile a monthly account and send it to the Comptroller-General.

1603. And do you make also a yearly account at the close of the year?—Each province sends us in a yearly account, and then we compile these provincial accounts into a portion of the accounts which are prepared in the Financial Department. We prepare the Public Works portion of those accounts—what they call the Finance and Revenue Accounts, which we generally call the Yellow Book. Besides this the Accountant-General, Public Works Department, publishes annually a note on the accounts of each branch of the Department, in which he reviews the progress of outlay, and mentions the special irregularities which have still to be remedied.

1604. Do you ever communicate with the Finance Department upon the manner in which the finance of the Public Works Department has been conducted; that is to say, merely with a view of letting the Finance Department know whether there have been any important irregularities?—If a matter of grave importance came up to the Government of India, it would be referred to the Finance Department before the case was settled.

1605. Perhaps I may explain the object of my question. In the Home System, in every branch of the expenditure, the Comptroller and Auditor-General here reports to Parliament, that the expenditure of each office on his examination has been duly vouched. I must make an exception in the case of the Military Department, in which he accepts to a great extent the audit of the Military Examining Officers. Also in his report he calls attention to any departure from regulation which has been condoned, to any irregularity which has not been satisfactorily explained, even though it may be an irregularity of a nature that ought to be, and is condoned. By that means Parliament learns what exceptions there have been to orderly finance during the year. It does not seem that there is any information of that kind to the highest authority in India, or any guarantee or assurance of exceptions to orderly finance being brought to notice. It seemed to me, from what you have been saying, that in one point the Public Works Department comes nearer to it than the other Departments, namely, that if any question arises within that Department of at all an important character, the Accountant-General of the Public Works Department is informed of it?—Yes; he is.

1606. But that information is not published? You do not communicate those questions, for instance, to the Comptroller General in the Finance Department?—No; we do not communicate with the Comptroller-General; we do communicate in certain instances with the Finance Department, but not as represented by the Comptroller-General. We work with the secretariat branch of the Finance Department. The Finance Member would see cases of that sort generally unofficially, and on his note on the case would usually rest the final decision on the matter; whether it was condoned or not.

1607. I do not quite understand whether, at the end of the year, there is a general appropriation account drawn up in the Central Public Works Department, or is it a provincial account?—There is a provincial account, which is submitted to the Accountant-General from each province.

1608. And compiled into one?—Compiled into one by us. But it forms a portion of the general account which is published by the Finance Department. We do not publish it as a separate book. We do, however, publish a review of the transactions of each branch of the Department separately.

1609. It forms part of the general account of the Finance Department?—It is the Public Works Chapters, as it were, of the general accounts of India.

1610. And it forms part of the general appropriation account which is published in the "Gazette"?—Yes. The figures that refer to public works are all supplied by the Public Works Accountant-General.

1611 (*Mr. Buchanan.*) The statement that you alluded to in which any irregularities during the course of the year in the administration of the Public Works Department are noticed, is not submitted to the Government of India, or made a public document in any way, is it?—Not necessarily. If the sanction of the Government of India is necessary before the objection can be removed or confirmed, then a reference is made to the Government of India.

1612. (*Chairman.*) But such a reference is only made when the sanction of the Government of India is required?—Only when their sanction is required. It is distinctly laid down in the rules and regulations in what cases a reference to the Government of India is necessary, and in what cases the Provincial Governments have powers to finally dispose of questions.

1613. Now, when your own examination of the accounts is completed, are they communicated in that form to the Comptroller-General? Because, as I understand, the Comptroller-General does not exercise by himself, and by his officers a second audit of these accounts; but he accepts the examination of your officers?—Yes.

1614. That is to say he is satisfied, when he has seen that upon examination of the vouchers for payment your officer has passed it, that that charge is correct?—Vouchers for payment do not go to him.

1615. Then he receives the compiled account, I suppose?—He receives a compiled account which is signed by the Accountant-General.

1616. That is what I mean. He receives an account which is signed by the Accountant-General?—Which is vouched for by the signature of the compiling officer.

1617. And he accepts that as evidence?—He accepts that as a true statement of audited expenditure.

1618. And beyond that, except in so far as he institutes his test audit from time to time, he makes no further examination?—No further audit of Public Works Expenditure. The Accountant-General is supposed to be responsible for that, and he exercises a test audit over his own officers in addition to that of the Comptroller-General.

1619. But the Comptroller and Auditor-General does institute a test?—He has a test audit: but then the Accountant-General has another test audit of his own independently of that, and the two are generally fitted in so that, perhaps every year and a half or two years, every account officer is subjected to a test audit.

1620. I suppose the Public Works Department deals with a large quantity of stores?—Yes.

1621. How are they obtained? Are they obtained by contract at head-quarters?—In the Buildings and Roads and Irrigation Branches the amount of stores used is comparatively small, but in the case of important works such as railways, of course it is very large, and in railways the stores are principally obtained by indent on England through the Secretary of State.

1622. Then who examines the stores accounts?—The store accounts are submitted at the same time as the cash accounts to the Examiner. The Examiner audits the store accounts just as carefully as the cash accounts.

1623. But how is that examination of the store accounts made? is it conducted at any time by an actual survey of the stores, so as to assure the Accountant-General that the stores for which credit is taken are actually there?—There is a half-yearly, or at all events a yearly survey of the stores in every division, and a balance return is prepared.

1624. At uncertain times?—No; regularly, at certain periods.

1625. At fixed dates?—Yes; September and March.

1626. And does the Accountant-General make any provision for such an examination of that survey as will assure him that the articles actually in store correspond with the amount taken credit for in the store accounts?—He does not actually make any inspection of the stores themselves; but he sees through his Examiners that the accounts that are prepared are duly vouched for as having been counted by certain responsible officers of the executive branch. These officers have to certify that the stores in stock have actually been

verified. The Examiners are required to certify each year that the audit of all balances has been carried out under certain definite rules.

1627. Quite so; I quite understand he does not do it himself, but he does take such precautions as would enable him to see that the number of articles shown by survey on a given date to be in the store corresponded with the amount that should be in the store as shown in the accounts which had been submitted to him?—Yes, he would see that.

1628. And he does see that?—He sees that, but he does not see, of course, that the stores are actually there.

1629. No; but he sees the result of the survey?—He sees that the result of the survey corresponds with the result of the accounts which have been compiled.

1630. I should like to ask you on the whole, whether from your experience you are satisfied that the regulations under which the Public Works Department conducts its finance are satisfactory, or whether, on any point you think that they are open to amendment?—That is rather a wide question. I think that I may safely say, that I consider that they are generally satisfactory.

1631. I put the question in rather a wide form; but perhaps I had better put it in this way:—You have had a long experience; have you found the regulations within your experience intelligible and working easily; and do you think, that on the whole they satisfy the requirements that are necessary for orderly finance?—I think they do.

1632. (*Mr, Buchanan.*) With regard to that last question, do you think that they tend towards economical administration of the Department?—Yes; I think they do. I think, perhaps, there was at one time a tendency to over-elaboration of details; but of late years we have got rid of that to some extent, and as the regulations now stand they show, with as little labour as is really possible, clearly what the state of things is.

1633. There is only one other question I want to ask you. I did not quite understand something you said at the beginning of your evidence. Is it the case that the Government of India intimate to you, and you intimate to the Provincial Governments the amount of money that they will be able to spend for public works during the year, beginning the next following March?—No.

1634. I do not quite understand—you said there was a sort of provisional estimate made?—I said that in October in each year the Provincial Government made out a statement of what they thought they could spend satisfactorily and economically during the next official year; that was sent up to the Government of India and scrutinized by them; and taking together all these from all the Provincial Governments and the intimation that would be received from the Finance Department of the amount of money likely to be available, the Government of India then told the Provincial Government that certain funds would probably be placed at their disposal for the official year.

1635. And they intimate that as early as October?—It is received in October, but it is not intimated till November or December.

1636. Is there ever any variation made in that amount before the Budget comes out, owing to any financial necessity; is it ever cut down?—Oh, yes, frequently.

1637. Frequently?—Yes. The variation is not very large frequently. But there is always a closer scrutiny of details when the Budget comes up, and of course if any financial difficulty has arisen in the meantime there may be a very considerable alteration. For instance, in some years it has been necessary, after the Finance Department have scrutinized their figures more closely, to say that all the money we can find for the year is the money that you want for works in progress and repairs, and we shall be unable to undertake any new works.

1638. And does that occur? You said "frequently," just now?—I said frequently there may be small alterations.

1639. And large alterations?—Not frequently; but they have occurred.

1640. In your experience on several occasions?—Well, on two or three occasions. I was principally thinking of the year 1893-4.

1641. That was because of the import cotton duties? At that time.

1642. (*Mr. Nuoroji.*) Can you give me some idea of the amount of pay and allowance made to Europeans in your Public Works Department?—I am afraid I could not do so off hand.

1643. You could give it, I suppose?—It could be compiled.

1644. And you know also that the rule of the Secretary of State is that if an Indian is employed instead of a European, he should be paid not exceeding two-thirds of the salary; perhaps you know that?—Yes.

1645. And supposing an arrangement were made to employ Indians in place of Europeans, there would be, in the first instance, a saving of 33⅓ per cent.; is it not?—One third.

1646. Or in other words there would be a capacity to employ one-half or more as much service as is employed at present; and would it not have another effect also, that all that is paid to the Indian will remain completely in the country, and will keep up and preserve the fund from which Government can draw its own wants as necessary?—Well, I should rather doubt that.

1647. It is a simple economic question. There is nothing to doubt?—Natives of India at present spend a good deal of money in England just as the Europeans do.

1648. I am talking of the Indians—that whatever is paid to them is kept in the country and remains in the country; it returns to the people themselves. That is only a simple fact that does not require any doubt or argument. As the present inquiry, Mr. Chairman, is specially for account and audit as a compartment by itself, I do not think I would go any further into this matter of the apportionment.

1649. (*Sir Ralph Knox.*) You said just now that the estimates were reduced at head-quarters when the Budget was sent in: but no reduction would be made in the works submitted from the Provincial Governments, provided they could cover them by their provincial revenue under the arrangements with regard to provincial revenue?—I was talking more especially with regard to what we call Imperial funds. The Provincial Governments practically settle the amount that is available for their own provincial wants.

1650. And those are not criticised by the Central Government if they are covered by the funds which the Provincial Governments find to be available?—They are criticised, but not in as great detail as works carried out from Imperial funds; the responsibility for the provision of funds rests principally with the Provincial Government.

1651. You said that the objections that were principally raised by you were as regards interpretations of regulations or rules?—Not by us. I meant to say that those raised by Examiners very often were of this nature.

1652. But they did not detect any very great irregularities. It was found that there were none?—The grave irregularities were not very numerous.

1653. But it may be asserted, I suppose, that the effect of the examination generally has a distinct check upon the possibility of such irregularities?—Yes, quite so.

1654. That the moral effect of the audit although it finds few flaws, is that there are no flaws?—Yes.

1655. And that is the object of that audit?—That is the object of that audit.

1656. And it may best serve its purpose when it has a clean sheet?—Quite so.

1657. What is the check that is exercised as to the consumption of stores in construction?—That check would be entirely an executive matter. A work is sanctioned for a certain amount of money. It is not always sanctioned for stores and labour separately, though in some cases this is done. As a rule a sum covering stores and labour is sanctioned, and it is left with the executive authorities to procure what amount of stores they find necessary for the construction of the work, and the Superintending Engineer is the authority who would supervise that.

1658. But that is not subject, in fact, to any examination?—Not to an audit.

1659. It is left to the Executive Engineer to sanction—to write off—all stores?—Well, not to write off.

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1660. Well, to write off for consumption?—Yes, for consumption.

1661. And is that systematically carried out? Is there any regular period for the officer to attach his signature to the consumption of so much stores? Does he watch that by any system?—Yes. Every month he has to submit a regular store account showing what stores he has drawn out of his general stock and the works on which he has utilised them, and the balance that remains in his hands.

1662. But that is not subject to audit?—It is subject to audit. The Examiner is not called upon to say that so many thousand bricks were required for the construction of a certain amount of brickwork, but he is called upon to see that the brickwork is only charged with bricks which the executive authorities state to have been used on that work, and that any balance that remains over is duly accounted for.

1663. Then the control—the chief control—is practically the original estimate of the cost of the work?—Yes.

1664. Which is made up in accordance with well recognised rules in the Executive Department?—Yes.

1665. Is it found generally, that the results of the expenditure upon any particular work, closely agree with the original estimates?—Very generally. Of course, there are cases in which the estimates have to be revised. Unforeseen circumstances arise during the construction—either foundations have to be carried down lower than was anticipated or there may be some accident during the construction of a work—which upsets the original estimate and necessitates its revision; but, generally speaking, I think the estimates fairly represent the cost of the work.

1666. These cases of divergence from original estimates are always subject to financial control?—Yes, they are subject to financial control. They require just the same sanction as the original estimates.

1667. (*Sir Donald Stewart.*) Are not the powers of the Provincial Governments with regard to works limited?—Yes.

1668. The amount that they may spend?—Yes; there are regular limits laid down.

1668*a*. (*Sir Ralph Knox.*) Dependent upon the revenue, is it not?—No.

1669. (*Sir Donald Stewart.*) No. I mean to say the Provincial Government cannot sanction a work over a certain amount?—Each individual work must not cost more than a certain amount. If a work paid for from Provincial funds were to cost more than 10 lacs of rupees, it would be out of its own power to sanction it. As regards works constructed from Imperial funds the limits are placed at a much lower figure.

1670. (*Sir Ralph Knox.*) But if these Provincial Governments had in their local revenues sufficient to meet the charge?—That would not be sufficient.

1671. That would not be sufficient?—No; in the case of very large works or in the case of certain irrigation works or railways the sanction of a higher authority than the Provincial Government is required.

1672. (*Sir James Peile.*) There are similar restrictions on the Government of India?—There are similar restrictions on the Government of India.

1673. That is to say, they cannot undertake a certain class of works without the sanction of the Secretary of State?—Quite so.

1674. (*Chairman.*) I should like to ask you one or two questions about the estimate for military works which I think you said was under the Public Works Department?—The accounts come to us.

1675. Who execute those works?—They are executed by the officers of the Military Works Department, who are Royal Engineers, principally.

1676. Why should the accounts of these works come to the Public Works Department rather than to the Military Department?—I think the reason is chiefly this: that originally, these works were carried out by the Public Works Department, before the Military Works Department was established as a separate Department.

1677. When was that—some time ago?—Some little time ago.

1678. (*Sir Donald Stewart.*) Twelve or thirteen years ago?—Twelve or thirteen years ago. I could get you the exact date.

1679. (*Chairman.*) Then the old custom was still retained, in so far as the accounting for this expenditure was retained in the hands of the Accountant-General of the Public Works Department?—Yes; because the system of accounts is the same as the Public Works Account system; and it was thought better to allow the Accountant-General of the Public Works Department and his officers, who are familiar with that system, to continue the duty rather than transfer it to the Accountant-General of the Military Department, whose system was entirely different.

1680. Could you show me under what head of the Military Budget that charge would come?—What charge?

1681. The charge for the Military Works?—The Military Works?

1682. It would be in the Military Budget, would it not?—It is not provided for in the Military Budget.

1683. (*Sir Donald Stewart.*) Is there not a crore set aside every year for Military Works?—Yes, there is a crore every year.

1684. It is not in the Public Works Estimate?—It does not come into the Military Estimates, but is included in the Public Works Estimates.

1685. (*Chairman.*) It does not come into the Military Estimate?—No.

1686. In the Appropriation Account where would you find it?—You will find it in the Public Works Estimates.

1687. Perhaps you could just show it to me, could you?—In the Appropriation Report. That is where the Military Works Expenditure appears (*showing place to the Chairman*). It is shown under the general head "Buildings and Roads." It is under a distinct account Head, 44 Military Works.

1688. Where?—I think there is a list on this side; here, 44, "Military Works." That shows the distribution. It is about a crore of rupees.

1689. About eleven million rupees?—Yes, it would be in that year.

1690. And that is quite outside the Military Estimates?—Yes, quite outside the Military Estimates.

1691. But it occurs here in this volume that I have been looking at, under "Buildings and Roads"?—Yes, it is included under "Buildings and Roads" here.

1692. Who makes the estimate for that?—The Director General for Military Works.

1693. And he merely forwards it to the Public Works Department to include in their estimate?—Yes.

1694. (*Sir Donald Stewart.*) He is in communication with the Commander-in-Chief and his staff in regard to the military requirements?—The Director-General of Military Works is in communication with the Commander-in-Chief in regard to military requirements.

1695. (*Chairman.*) The office of Public Works have nothing to do except to put in the amount?—They do not frame the Estimates. The Estimates are framed entirely in the Military Department under the orders of the Military Department, and the Honourable Member in charge of the Military Department is the final authority within the limits which have been assigned by the Finance Department. The expenditure is accounted for in the Public Works Department.

1696. Because this amount of work is carried out by military officers?—By military officers in the Military Works Department.

1697. Is not that rather a defective arrangement in itself? Over here there is always a very strong objection felt by the officers of one Department, if they are charged with expenditure which they do not carry out, and for which they are not responsible?—Well, it is hardly charging the Public Works Department with the expenditure. It was expenditure on work which was formerly carried out by the Public Works Department.

1698. Yes, I know, but at the present moment your Department is not responsible for these works. They are executed by officers who are not under your Department, and yet you are called upon to pay for them; would it not appear to an ordinary observer that that amount should be drawn from the account for military expenditure?—The works would have to be carried out by the Public Works Department if there was not a separate Department to carry them out; they would come out of the ordinary account.

1699. That would appear to be a natural arrangement. But as I understand, they are executed by officers of the Military Department?—There is a separate branch of the Military Department. It is a Military Works Department. They are Military Officers.

1700-1. But still that is part of the Military Establishment?—Yes.

1701. And not part of your establishment?—And not part of our establishment.

1702. These officers are not under you?—It is part of the Royal Engineers establishment which has to be kept in India.

1703. They are not under you?—They are not under the Public Works Department.

1704. Nor under your orders?—No.

1705. Do you think that in the ordinary course there is any good reason for your Department being charged with the cost of works which you do not carry out, and for which you are not responsible? Would it not be more correct that the cost of these works should be placed in the Military Estimates?—Yes; I think so.

1706. (*Sir Donald Stewart.*) Do you know the reason why the Military Works Department was formed at all, about 15 years ago?—I am afraid I could not answer that question satisfactorily.

1706-7. (*Sir Ralph Knox.*) There was a difficulty of *personnel*, was there not, as regards blending the Military Officers with the Civil Officers of the Public Works Department?—That no doubt had something to do with it.

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1708. (*Chairman.*) Then who audits that expenditure?—Our auditor audits it.

1709. (*Mr. Buchanan.*) And do you audit that expenditure on behalf of the Public Works Department?—Yes, exactly in the same way as if it was Public Works expenditure. There is an officer in the Public Works Accounts Branch who is called the Examiner of Military Works Accounts, and he holds the same position there that a Provincial Examiner would hold.

1710. And he audits the Military Works for the whole of India?—For the whole of India. In each province there are, however, certain petty military works which are carried out by the Public Works Establishments. It is only lately that the Military Works Department has been extended to Madras and Bombay. Formerly the Public Works Department carried out the whole of the Military Works in Madras and Bombay.

1711. These are merely minor works, such as Military Stores, &c.?—They are principally barracks, and repairs to barracks, and works of that nature.

1712. (*Chairman.*) Is there any other remark you would like to offer to us?—No, I do not think so.

The witness withdrew.

Sir CHARLES BERNARD, K.C.S.I., Secretary in the Revenue Department, called in and examined.

Sir C. Bernard, K.C.S.I.

1714. (*Chairman.*) You are Secretary, are you not, in the Revenue Department?—In the Revenue Department of the India Office.

1715-6. May I ask what offices you have held in India?—I have held many offices up to the post of Chief Commissioner, in different parts of India.

1717. In India did you hold any post connected with the collection of revenue?—I was settlement officer of the Land Revenue and Commissioner of Revenue afterwards.

1718. While you were in India had you any opportunities for observing the conditions under which the excise duties are levied there?—Yes, undoubtedly.

1719. And that, of course, has come more under your consideration now as Secretary of the Revenue Department here?—Yes, my knowledge of it has been continued.

1720-3. Yesterday the Commission had under consideration the effect of the decentralisation policy, which has been to give so much greater discretion to the Provincial Governments in the management of their own Budget, and a statement was laid before us, which you will find at answer 679, if you have the print of yesterday's evidence before you. I will just read it through:—

"(*Chairman.*) The Memorandum says that up to 1877 the Provincial Governments had no interest in collecting the full revenue. The excise was notoriously evaded, and the Government suffered through careless collection of the revenue, a loss of which the amount was unknown, but which was, in the opinion of the Finance Minister, very large. Can you give us any idea of the extent or manner in which the revenue is benefited by the decentralisation policy, or any facts illustrating the change?"

"(*Sir H. Waterfield.*) As illustrations I may refer to the increase that has taken place since 1880-81 under the following heads:—

——	1880-81.	1893-94.	Per-centage of Increase.
	Rx.	Rx.	
Stamps - -	3,250,581	4,509,351	33
Excise - -	3,135,226	5,388,573	85
Provincial rates -	2,776,370	3,514,571	21
Registration -	281,230	416,146	46

This per-centage is very much larger than can be attributed to the increase of population." Further on, a discussion took place upon the increase that took place under the head of Excise in the 13 years, and Sir Henry Waterfield was asked (Q. 691) whether he could say that during that time there had been no appreciable addition to the duties, and he answered:—

"That is my belief. I am not prepared to say that in no case has there been an alteration where the law admitted of a higher rate. But the law did permit certain variations of the duties, and in some cases they have been raised; in some cases they may have been lowered, but, as far as I know, there has not been any alteration of the law which has affected the scale of taxation."

"(*Mr. Caine.*) But are not the excise rates based upon getting the maximum of revenue from the minimum of consumption?—(*A.*) Yes, that is so.

"(*Q.*) Surely there must have been a considerable increase of the rates of taxation to have carried out that policy?—(*A.*) Yes, the rates are altered according to circumstances. There may have been higher rates put on, but in other cases it may have been found necessary to reduce them, and so far as I am able to speak, the growth of the provincial revenue is not to be attributed to increase of taxation. But I ought, perhaps, to tell the Commission that that is not my special province. The Revenue Secretary is the officer, who deals with this; therefore I am not so competent as Sir Charles Bernard would be to give you an opinion on that point."

(*Chairman continuing*) There was, therefore, a reference to you, and you see the question upon which it arose, namely, that whereas in 1880-81 the excise was 3,135,226 Rx., in 1893-94 it was 5,388,573 Rx., showing a per-centage of increase of 85. That struck the Commission as a tremendous increase to occur, if there was no material alteration in the rates of duties, and they thought they would like to ask you whether you could confirm what appeared to be Sir Henry Waterfield's opinion, that though there might have been variations to a certain extent on the one side or the other, there has been no such material alteration of duties as would really affect that per-centage of increase, and therefore that that per-centage of increase in round figures represents either a better collection of revenue under the provincial system or increase of prosperity, or both?—I think some of it is due to increased prosperity, but I do not go so far as Sir Henry Waterfield if he said that there has been no increase of rates; there has been a decided increase of rates. For instance, an increase has been made by law in the duty on imported spirits. Within the past ten years the duty was raised on spirits—London proof spirits—from 4 rupees a gallon to 5 rupees a gallon, and then again to 6 rupees a gallon. That is an increase, as you will see, of 50 per cent. within the period.

1724. You are speaking of Customs duties on imports?—Customs, yes. And then somewhat corresponding increases have been made in India in the excise duties.

1725. Countervailing duties?—Not precisely countervailing duties, but somewhat corresponding to them.

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For instance, in Bombay, Calcutta, and Rangoon, seaports where the home-made spirit comes into direct competition with the imported spirits, precisely the same enhancements have taken place. Up country the enhancements have not been quite the same, but everywhere there has been an increase of rates on spirits, and nowhere that I can recall has there been a reduction of the excise duty on spirits. Everywhere there has been an increase—that is, on spirits. Then take the other branches of excise—beer. Beer brewed in the country paid no duty at all in the beginning of the period. The same duty of 1 anna a gallon that is paid by imported beer has been levied during that period. Then, again, we will take opium. The excise revenue on opium is raised by Government selling opium for consumption in India.

1726. But is not the opium excluded from this table?—No, there is excise opium. The opium of which you speak is the foreign opium, but in the excise revenue there are included the excise receipts on opium consumed in India—not exported. That is raised by selling the Government opium from the Treasuries to licensed vendors in every province in India. During the period taken, the selling price of opium to licensed vendors has been greatly raised. For instance, in Assam it has now reached 37 rupees a seer. It used to be 22 rupees a seer; and in other provinces there have been similar, though not such great, increases. Then take another source of excise revenue, ganja—that is, hemp drugs. The selling price or the duty on the hemp drugs has been similarly raised, and these enhancements of excise duty account for a great deal of the increase in the excise revenue. I take the figures of Bombay as an instance. In Bombay city, in 1883–84, the licit spirit sold and excised was 600,099 gallons—London proof spirit—and that yielded a revenue of 166,000 Rx.; and then 10 years afterwards the consumption was 561,000, somewhat less, yielding a revenue of 229,000 Rx. These Bombay figures give an example of the increase of rates that have been imposed.

1727. Could you give us a rough measure of what the effect of this increase might be upon the total excise revenue derived from spirits between those dates?—I have got the precise sum of the increase in the 10 years.

1728. In the 10 years; Sir Henry Waterfield referred to 13 years; but if you have the 10 years at hand let us have the result?—I have only got the 10-year book in my hand. There was an increase in the 10 years of 1,377,000 Rx. of the excise revenue.

1729. Yes, but how much of that was due to spirits, do you know? It would be some help to us in the matter if we took these headings, on which you say there has been an increase of rate, and ascertained whether there had been a noticeable increase of duty received on those?—The figures are as follows:—

Sub-head, or Source of Revenue.	Gross Receipts in the Year.		Increase of the later over the earlier Year.
	1880–81.	1893–94.	
	Rx.	Rx.	Rx.
From spirits and liquors	2,117,000	3,881,000	1,764,000
From opium consumed in India - -	738,000	967,000	229,000
From other narcotic drugs, hemp, &c. -	305,000	468,000	163,000
Miscellaneous - -	28,000	43,000	15,000
Total - -	3,188,000	5,359,000	2,171,000

It should be understood that this revenue is independent of the customs duties paid on imported spirits and liquors, which amounted to Rx. 380,000 in 1880–1, and to Rx. 595,000 in 1893–4.

1730. (*Mr. Caine.*) Is that 1,377,000 of increase in excise revenue in 10 years an increase as compared with the first of the 10 or the last, or is it spread over the whole 10?—That is as between the first of the 10 and the last.

1731. The first of the 10 years and the last?—1883–84 and 1893–94.

1732. Thank you; that is to say, in the latter year it was 1,377,000 greater than in the former year, 1884?—Yes.

1733–6. It might have been inferred that it was spread over the 10, that was all?—Yes.

1737. Could you give us the consumption of liquor for the whole of the Bombay Presidency which has been under Sir Charles Pritchard for considerably more than the 10 years under review?—Yes, but you know in some of the districts the outstill system was only replaced by the other system a few years ago.

1738. Will you give it us whenever you can for Bombay, and estimate the other?—I can give it for Bombay.

(*Sir Andrew Scoble.*) I should like to know how that arises out of the reference to us.

(*Mr. Caine.*) I do not think it does.

(*Sir Andrew Scoble.*) Surely we are not entitled to ask for it unless it arises out of the reference to us.

(*Chairman.*) Mr. Caine admits that it does not, therefore, of course, the question fails.

(*Mr. Caine.*) I do not press it at all, my Lord; I quite agree with you. I do not think it does arise; it was brought up.

(*Chairman.*) You see how the question of increased excise revenue has arisen.

(*Sir Andrew Scoble.*) Oh, I quite see how the general question has arisen, but as regards this particular inquiry, I do not see how it does arise.

(*Mr. Caine.*) It appears to me that the Commission was a little startled with the statement that the increase in excise over 13 years has been 85 per cent.

(*Chairman.*) That is the point.

(*Sir Andrew Scoble.*) That is now explained.

(*Mr. Caine.*) Well, not altogether explained, but I think a reason is given for it. I do not press the matter. The Chairman appeared anxious to clear it up. I was anxious to help him, that was all.

(*Chairman.*) The point I want to come to is this. On the figures a very marvellous result is shown under the decentralisation system; but I do not think any people studying finance would be justified in accepting that as a result of the system without inquiring whether the circumstances of the opening and closing years of the period in question are similar.

1739. (*Mr. Caine.*) I would like to ask Sir Charles Bernard whether, in his opinion, this unusual and abnormal increase in revenue is the result of the system on which the Government of India professes to base its excise, that of raising on the minimum of consumption a maximum of revenue, by increasing the taxation on spirits to the utmost limits that consumption would justify without driving people to illicit traffic?—It is the case that everywhere the duty on spirits has gradually been raised during the last 13 years with that view.

1740–1. (*Chairman.*) Sir Henry Waterfield's evidence leads us to the not at all unreasonable conclusion, that a great part of this increase is due to that more careful collection which has followed the admission of the Provincial Governments to a share of the receipts. Do you agree with him upon that point?—Yes, the administration of the revenue has improved. Smuggling is put down very much more strongly than it used to be. Within the last 13 years every province has set up, or else has strengthened, its subordinate staff for preventing smuggling and for collecting the excise revenue, and no doubt it has been able to do that with a freer hand since the provincial decentralisation.

1742. (*Mr. Caine.*) May I ask if there has been, to any extent, a stimulation of the sale itself in the way of opening increased numbers of shops, or anything of that kind?—On the contrary, I should say there has been no stimulation of the consumption; and as to opening increased shops, if you look at the papers presented to Parliament, you will find that the shops have gone down immensely. For instance, the province of Madras in 1888–89 contained, in all, 43,916 liquor, spirits, opium, drug, and toddy shops. In the year 1893–94 it contained only 30,557.

1743. I am quite aware of that, but I thought it an interesting fact to bring out.

1744–5. (*Chairman.*) Perhaps, Sir Charles, your comparison (Q. 1729) of the spirit revenue received under the head of Excise in the beginning of this period and at the end, inasmuch as you have shown us that the duties have been very considerably increased here, will enable us to judge to what extent that increase of duty modifies

the rather startling conclusion that the revenue has increased 85 per cent.?—Yes.

1747. Then I think a further question arose also in reference to Sir Henry Waterfield's evidence as to the extent to which you can fairly take an increase in the amount of land revenue credited to the province as due either to better collection or to increased prosperity. Was the increase in any considerable degree due to the fact that there had been a re-settlement of the land revenue during that period, meaning a larger rental? I think the questions to which I would draw your attention in connexion with this are 715 and 711?—Yes.

1748-9. Now I would like to ask you whether you think that increase would come under the head of provincial rates or not?—Under land revenue, I suppose.

1750. And so far as any share of the land revenue is concerned, do you think we could say that the increase is due to increased prosperity and better collection, or should you say that we must make some allowance for re-settlements of the revenue?—Some part of the increase is due to re-settlement of the land revenue, which takes place at periods of 30 years; another part is due to extensions of cultivation, new land broken up and newly coming under the tax collector in the provinces of Bombay, Madras, Burma, and Assam; but I do not know that any part of the increase is due to better collection. The revenue was collected with fair punctuality before, and is collected with punctuality now.

1751. You, of your own knowledge, would not attribute any part of this increase to the fact before us—the fact of decentralisation. That was the simple point?—No; I think I can say that the land revenue was assessed and collected in a satisfactory manner before decentralisation, and it is assessed and collected in a satisfactory manner now.

1752. Of course bringing new land into cultivation may be fairly taken as an advance of prosperity?—An advance of prosperity.

1753. And a question arose as to how far you are to look upon an advance in revenue rates in consequence of re-settlement as an increase of duty, or how far it is a mark of increased prosperity. Of course there may be increased revenue based upon capital outlay, or increased yield for which there has been no outlay. Naturally any increased yield in the latter case would be a mark of prosperity. If, on the contrary, it results from an outlay, from improved cultivation costing a certain amount, then I think you have got a right to look upon that as increase of duty?—I would just like, if I may, to give an instance of what I mean when I speak of the increase of prosperity. In the one province of Lower Burma alone the cultivation extends every year 100,000 acres or more, and that means an additional revenue of two lakhs of rupees in Burma alone. As to the increase of land revenue at re-settlement, I do not think that is due to any increased yield of land, except where irrigation may have been introduced. We cannot say that the land yields more than it did per acre under the same circumstances; the increase in the rate of land revenue per acre is due mainly to the increase in the price obtained by cultivators for their crops in many parts of the country which have lately been opened out by railways.

1754. Quite so; that is the point?—Broadly, that is the reason.

1755. Owing to the opening out of the country a better market is given to the produce, and the value of the land is increased?—And also increased external commerce. For instance, in the last 13 years the export of oil seeds from India has gone up in value from Rx. $6\frac{1}{3}$ millions in 1880-1, to Rx. $16\frac{3}{4}$ millions in 1893-4. This represents an important addition to the cash return which Indian farmers (ryots) get for their crops.

1756. Then you yourself would attribute a great deal of the raising of the rent, when a re-settlement takes place, to the result of an inquiry as to what the effect of opening up the country and opening up fresh markets has been?—Yes; if you would allow me to give an instance, I would quote Chattisgarh, in the Central Provinces, which was thoroughly land-locked up to the year 1880. Since then railways have been opened, and the settlement has come under revision. At the close of the term, 20 years, prices had gone up quite 80 per cent., and in places more than 100 per cent.

1757. And what was the result, do you recollect, of the re-settlement in that case?—In round numbers I should say 45 to 50 per cent. in that province.

1758. I think that that is a reply to the point which arose on this table of Sir Henry Waterfield, namely, how far expert opinion would say that those per-centages were attributable to the decentralisation policy; the decentralisation policy may take credit for a considerable amount of that increase, but by no means for the whole?"—Not in land revenue.

1759. Quite so; I understand you make that exception?—Yes.

1760. May I ask whether you are satisfied that the supreme authority for the collection of the chief heads of revenue at Calcutta, at the head-quarters, is strong enough? I will bring before you what I mean by a comparison between what takes place in India and here, as a test by which to understand the system of India. Here we have in the Board of Customs and Board of Inland Revenue a central authority by which all changes and modifications of the law are prepared, and which are the ultimate authority for interpreting the provisions of the existing law. These Boards have for their chairmen men who are always at hand, and as I may say, are the standing counsel of the Chancellor of the Exchequer on revenue questions. To the Chancellor of the Exchequer, as Minister of Finance responsible to Parliament, having under him the Treasury, there is the right of appeal from those Departments of Customs and Inland Revenue, and he has his own officers in the Treasury to advise him also. Now, from questions which have been put to Sir Henry Waterfield, we have gathered that the power of the Finance Minister and his Department corresponds rather to the power of the Treasury here; and that the actual collecting authority, the expert authority, which is responsible for the proper collection of the revenue, has no supreme representative at Calcutta, but that the authorities are scattered throughout the provinces. Therefore, if the Finance Minister wishes to be instructed in technical matters, and to receive the advice of real experts in questions connected with the revenue, he has to send for a chief officer either from Bombay or Madras, for he has no one officer who can describe to him the system and the results of the system over the whole of India. That, I think, came before us in the evidence, and I want to ask you whether it represents, in your view, the constitution of the Revenue Departments in India, and whether from your experience you are entirely satisfied that the present system is an altogether sufficient one, and one which you think needs no amendment in the direction in which I speak. Of course I am comparing the system in India, as far as we understand it, with the system here; but one always understands that the conditions of the United Kingdom, in many respects, are extremely different from those in India, and therefore it does not in the least follow that what is found satisfactory in the United Kingdom is therefore a model for what should take place in India?—I think you must divide the revenues. If you take Salt, Excise, Opium, and Income tax, you will find that in the bureau of the Financial Department there is an officer called the Deputy-Secretary, who has the work of reviewing those departments all over India; but if you take the Land Revenue, it is different. The Land Revenue cannot be administered from any central office in India; the systems of land revenue, the tenures and the ways of the people are so entirely different, that the land revenue must be administered separately for each province; and in every province you have a sufficiently strong administration with whom the head of that province is in touch. But when a Finance Minister goes out newly and wants to ascertain the facts, and how far it is possible to impose new taxes, his plan is generally to travel. You will find that Mr. Wilson, when he went out and proposed increases of taxes after the Mutiny, to fill up the terrible gap that then existed, travelled all over India. I was then a young officer. I recollect his coming to my district and asking questions, and so he went all over the country. But with Land Revenue you cannot have a central authority.

1761. I quite understand that with regard to Land Revenue; but you say that within the Finance Ministry there is a Deputy-Secretary charged with revenue business?—Charged with the supervision of Excise, Opium, Income tax, Salt revenue, and so on.

1762. Here, in London, is the Board of Inland Revenue. The Chairman of the Board of Inland Revenue is in daily attendance at Somerset House, with the Board; and apart from the Board, his whole year is engaged in superintending, and in directing and controlling the actual levying of the revenue; the consequence is that he becomes an expert in all details of

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revenue administration, because he, with his colleagues on the Board, is every day interpreting and settling the conditions on which a tax shall be imposed, and the validity of claims for exemption. Also he is in daily contact with the officers of his Department, and from them he learns all the particulars, the secret history, of the revenue, from which he can form an opinion as to whether the law is good in its present condition, or whether modifications of it are required, and in what direction. Now a Secretary in the Finance Department, who would rather correspond to one of the principal officers in our Treasury here, does not represent an officer so versed as I have described the Chairman of the Inland Revenue Board to be in the every-day administration of taxation, and that could be put on the same footing as an adviser of the Finance Minister?—That is quite true; he does not represent in any way the Chairman of the Inland Revenue at home, but in every province you have an officer who corresponds to that official, one for each province.

1763. And therefore the Finance Minister, if he wants really practical information upon the collection of a tax, must get it by travelling?—Travelling or summoning chief revenue officers to meet him.

1764. But the advantage of the system here is that the Chancellor of the Exchequer has an expert always at hand; he can summon him at any time he likes daily. Of course, it is very important that the Finance Minister should travel throughout India; but he can only do it from time to time, and of course he can only also from time to time see those officers who are engaged in the work of collection?—That is so; but what I submitted was that no single officer could direct the details of revenue affairs over all the 10 provinces of India. The circumstances differ so greatly.

1765-6. Quite so, that I quite understand; but if you were Finance Minister, and had the choice of the two systems, would you like to have your technical adviser near at hand, so that you could always have reference to him, or would you prefer the present position, which only enables you to avail yourself of his advice, either by travelling many hundreds or thousands of miles to meet him, or bringing him many hundreds or thousands of miles to meet you?—What I would say is that the Government of India is conducted, not by the Supreme Government directly, but by the Provincial Governments. They are the people who are responsible, and I think the Finance Minister must look to them, and not attempt to place himself in direct relations with the local officers.

1767. Against that I should say that the management of the finance of an empire like India seems to me a very heavy charge, in many respects more so than the management of the finance of a more compact and smaller country like England; and I may put it to you whether, in order that the Finance Minister may be thoroughly efficient for his purpose, he should not have his skilled advisers close at hand? If that is not possible, there is a defect in the system, though it may not be possible to amend it, in the direction in which we have been speaking?—I do not think it is possible usefully to amend it in the direction you are speaking of: but I will go further, and say that I do not think in that direction amendment is wanted, because I explained that the revenue is administered and the country is governed by the Provincial Governments, and you must look to them, and the Finance Minister must look to them, and influence the detailed working of the machine through them; he cannot do it himself, it is too big a business, and too complicated.

1768. Of course, if you apply that fully you may apply it to everybody. Would you apply it to the Viceroy, who governs through other people? But the question is: You must always hold that the Finance Minister is eventually the man who is responsible for the finance of the country, and it is hardly sufficient to represent him as a person who simply delegates finance to the Provincial Governments?—But the Provincial Government system, of which you have been speaking, was the consequence of the recognition of that fact, was it not? I mean, the Government of India devolve the responsibility of governing and administering these revenues on the Provincial Governments.

1769. But you observe, in doing that, that the Central Government is very careful to preserve a complete control, and, while it devolves this full responsibility, it retains complete powers of superintendence?—Quite so.

1770. That involves the full responsibility of the Finance Minister under the new system and also the full responsibility of the Supreme Government that the system of finance is as good as they can make it. But I will not press this point very far, because the point at which it touches us is that of the collection of the revenue, and we have extended it rather far on to the question of taxation. But, *qua* collection of revenue, the Finance Minister, you think, has, though he has not got these expert officers at hand to consult, sufficient information available to make you justify the system?—That is my view.

1771. (*Sir Andrew Scoble.*) And he could always get his officers if he wanted them?—He does have them from time to time.

1772. (*Sir William Wedderburn.*) With regard to the addition to the excise; I think you divided it rather between the increase from increased duty and increase from prosperity?—Some part of it may be due to prosperity; I do not recollect saying it. I think it is partly due to increased rates, and partly due to improved administration; but mostly to increased rates, I think.

1773. It was only with regard to the use of the word "prosperity." When it was not from increased rate it would be from increased consumption, I suppose?—I have been trying to show that, as far as I can judge, the consumption has not been increased. I quoted figures to show that, did I not?

1774. Then would it be only from increased rates?—Increased rates, and increased prevention of illicit transactions.

1775. But preventing the illicit consumption would not have an effect on the revenue, unless it increased the consumption of Government liquor, would it?—That is so.

1776. (*Mr. Caine.*) It is the case, though, that in the excise reports the officers constantly say that the revenue has improved in consequence of better trade, or better crops, and so on. The fact is that those who use drink, being in the habit, take more?—Sometimes, if there are good crops they buy more; if there are bad crops they buy less.

1777. (*Sir William Wedderburn.*) And with regard to the land revenue the enhancement, the increase of land revenue; I think in the Bombay Presidency there have been of late years very large enhancements, have there not, in the re-settlement?—The revision of the land revenue in Bombay is now almost done. It was made at the end of 30 years' settlement, and it has resulted altogether in an increase of a little over 50 lakhs of rupees.

1778. I think I referred to a case in the Bassein district regarding which an answer was supplied from the India Office with regard to very large enhancements in individual cases. I brought to notice cases in which an individual holding had been raised as much as 10 times the assessment on one holding. Such cases are incompatible with the idea that it is a general raising of the assessment on account of improved general prosperity or any beneficent action of the Central Government, are they not?—If such cases were common your deduction would be correct, but I am not aware that such cases are common. I can quite conceive of a case where the land revenue has been raised 10 times. For instance, I was settlement officer of land revenue in Chanda 30 years ago, and there were occasional villages in the jungle that I assessed at 5 rupees each. I should be quite prepared to go now, 30 years afterwards, and find that they were assessed at 50 rupees, because the cultivation has improved and greatly extended. The single case, I believe, that you are referring to is probably something of that kind.

1779. I think those were ryotwari cases on small holdings?—Quite so.

1780. Small holdings. It was a case of raising, perhaps, 4 rupees to 40 rupees?—I think it was a case, probably, of raising 12 annas to 8 rupees, something of that kind.

1781. Something of that sort. But my question was whether those individual enhancements were not incompatible with the idea of only raising the assessment generally on account of public works such as railways, carried out by the Central Government?—If there were such a case it would not have been on account of any central works, but for instance, if a man had a holding of which nine-tenths at the last settlement was grass,

and paid no revenue, and now he has cultivated it all, then he pays revenue on it all.

1782. But I think you know in Bombay the system is of fixing a rate upon a number, with the assurance that there will not be any increase upon taking up the uncultivated land within that number.

(*Sir Andrew Scoble.*) Mr. Chairman, are we to go into this?

1783. (*Sir William Wedderburn.*) I think I am right in saying that these are enhancements upon the improvements of the tenants?—I have no knowledge that they are; I should say generally that enhancements are not made on the improvements of the tenants; but I cannot speak upon particular cases without particular inquiry.

(*Chairman.*) We had better confine ourselves to the question which came up yesterday, namely, how far the deductions from that table were justified by the facts—and as to whether there was reason to modify them in consequence of taxes having been raised or altered. That I think was the leading question.

(*Sir William Wedderburn.*) Sir Charles Bernard thought the decentralisation had not had much effect in raising the land revenue?—That is what I submitted.

1784. I was rather suggesting that it had stimulated the settlement officers to run up the rent upon individual holdings, and that it had had that effect?—I cannot think that for a moment. Having been a settlement officer myself under the old system, and having controlled settlements under the new system, I decidedly say that decentralisation of the finances has not conduced to further enhancement of the land revenue.

1785. (*Mr. Naoroji.*) From the evidence yesterday, it was suggested that the increase in the revenue was owing, to a large extent, to increase of prosperity of the people. I have asked Sir Henry Waterfield if he could supply us with a statement of all the additions to rates and taxes, all new taxation, the enhancement of land assessments, and consequent enhancement of provincial rates during 30 years or during any period. Till we have that information before us, we can hardly judge properly whether an increase is owing to the additional levy or additional prosperity. Can you supply us with this information; because I was referred to you as being the best person who would be able to say whether it can be supplied or not, either now or afterwards, from the Government of India?—It will be possible to say, after a time, how much increase of land revenue is due to revision of settlement. Is that the question?

1786. Increase of all revenue owing either to increase of taxation or increase of assessment; that is to say, increase by levying instead of the increase of the prosperity of the people?—Of which revenue do you speak?

1787. The whole revenue; because that was urged here that the increase of revenue proved that the people were more prosperous, and this matter would be cleared up if we knew exactly the whole of the information. That was the reason why I put this question?

(*Chairman.*) Must we not, Mr. Naoroji, at the present time confine questions to the increase of taxation rates under the heads which are affected by the table that Sir Henry Waterfield put in? You see, your question would refer to the whole scheme of taxation.

(*Mr. Naoroji.*) Yes.

(*Chairman.*) Before we go into that subject it would be necessary, I think, to consult the Commission as to how far it lies within the scope of our inquiry.

(*Mr. Naoroji.*) Yes.

(*Chairman.*) I think where a witness puts before us in proof of the beneficial result of a financial measure certain figures, that there, and within the limit of those figures, we have got a right to ask whether any changes in taxation have taken place affecting that result which ought to be borne in mind as modifying the general result shown by those figures; but I think we must confine ourselves to the items shown in that table.

(*Mr. Naoroji.*) I am quite willing to confine myself to any portion that you may direct. Therefore, I will only say that the general conclusion should not be admitted, that increase of revenue is owing to the increase of prosperity, unless we have distinct information to show that.

(*Chairman.*) I think Sir Henry Waterfield when he spoke was confining himself to his own table, and that table is the one at 679.

(*Mr. Naoroji.*) Then, therefore, even as to that table, even to that partial extent we should have information as to what is known.

(*Chairman.*) I think on that point, and up to that point, you are entitled to ask questions. If you go beyond that point I think we must consider whether it lies within our scope.

(*Mr. Naoroji.*) I do not want to go on at present. Simply because it was proposed here, and therefore I said it.

(*Chairman.*) Then, if that be the case, your question would be modified in this respect, would it not? That you would ask Sir Charles Bernard whether, over a certain period of years, he would be able to tell you what changes of taxation had taken place in the heads of revenue to which that table refers?

(*Mr. Naoroji.*) To that extent then we will limit it, if it is so limited and so understood.

1788. (*Chairman.*) Quite so. Then now we should hear what Sir Charles Bernard thinks on that point?—I think it would be very difficult to make such a table as Mr. Naoroji requires—of course it could be attempted. I do not know whether reference to India would be necessary or not—probably it would. It would be very difficult to do it.

(*Mr. Naoroji.*) If that is not done, then all I can say is, nobody is justified in drawing conclusions that the increase in the revenue is the proof of the increase of the prosperity, because, on the contrary, the position of the political condition of India, and its political drain in the employment of Europeans, notwithstanding the increase of revenue in any particular Department, would not at all prove that the people are prosperous. The people may be deteriorating on the contrary, which is just possible.

1789. (*Mr. Naoroji.*) Then, in the course of further questions, I asked for the production of a note prepared by Sir David Barbour.

(*Sir Andrew Scoble.*) I thought that it was settled that Sir David Barbour was to be asked about that.

1790. (*Mr. Naoroji.*) I asked this question, and then I was referred to Sir Charles Bernard, that I should ask him; and I will put it in another form, because we know that in one of the financial statements Lord Cromer said this:—

"It has been calculated that the average income per head of population in India is not more than 27 rupees a year, and though I am not prepared to pledge myself to the absolute accuracy of a calculation of this sort, it is sufficiently accurate to justify the conclusion that the tax-paying community is exceedingly poor. To derive any very large increase of revenue from so poor a population as this is obviously impossible, and, if it were possible, would be unjustifiable."

Now, I am not going to discuss that. I only wanted that we should have here a copy of the calculations, by which Lord Cromer came to this result, supplied to us, and if with that calculation of that particular year—1881—or whatever it might be, if we should have any similar calculations for succeeding years we should then be in a position to see whether the condition of the people or the prosperity of the people was in any way increasing or diminishing the average per head. Now I do not suppose there can be any difficulty in getting the calculations from the Government of India, for they actually exist in the records; would there be?—I think a somewhat similar question was asked in Parliament, was it not?

1791. Yes?—And I think the Secretary of State gave a reply.

1792. Yes, but that reply was unsatisfactory, and I want the information here?—I cannot presume to add to the Secretary of State's reply.

1793. The reply of the Secretary of State was unsatisfactory, and that is the reason why I ask you whether—the thing exists—any public records can be produced here to enable us to judge fairly what the real condition is. All I want is that there is a public record which throws light upon a very important question which we will have to discuss here, and that therefore this record will be of very great use?—I think, if I may say so, that that question repeats what was put in Parliament one or two years ago, and which

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was answered by the Secretary of State, and I have nothing to add to the Secretary of State's answer.

1794. What I want here is your answer for the Commission; whatever it is; let it be recorded on the Commission's reports?—I shall be happy to look up the Secretary of State's answer, and submit it.

1795. Why should it not be supplied?—I shall be happy to look up the Secretary of State's answer and submit it, but I cannot go beyond it.

(*Chairman.*) Mr. Naoroji, you will recollect the conversation that took place yesterday. You will see that the witness is put in a rather difficult position. When the Secretary of State has made an answer, it must be clear that the officer of the Secretary of State can hardly go beyond that answer. There was a solution suggested for the moment. This was a calculation made by Sir David Barbour; as I understood it, it was not a calculation for which the Government of India would be responsible?—That is so.

(*Chairman.*) And, that being the case, I thought we suggested, and I rather thought you, Mr. Naoroji, accepted the suggestion at the time, that we should reserve the question till Sir David Barbour comes, and that he was the proper person, as he made the calculation, to discuss the matter with.

(*Mr. Naoroji.*) Yes, but then as it is said that the Government of India is not responsible for it, and that is the reason why I am obliged to put it in this form that the Government of India is responsible for it, because they have actually used this in an argument in a certain financial speech and that, therefore, they have made a public use of that calculation that we ask the Government of India to produce it. That is my position.

(*Chairman.*) You are quite entitled to ask the question, but I would submit to you that the witness could not give any other answer.

(*Mr. Naoroji.*) But I am afraid Sir David Barbour would say that he was a subordinate, therefore he did work for the Government over which he has no control, he can give no information.

(*Chairman.*) We shall hear that from him.

(*Mr. Caine.*) Surely, my Lord, if the Government of India have repudiated this document, that particular document becomes Sir David Barbour's property. If he chooses to put it on the table of the Commission he can do so. I think we had better wait till he comes and ask him to lay it on the table of the Commission.

(*Mr. Naoroji.*) The question cannot arise, the Government of India has used that document.

(*Sir William Wedderburn.*) Is it a confidential document? What is the nature of the objection, can you state, to producing it?—I cannot go beyond what the Secretary of State said.

(*Mr. Naoroji.*) Perhaps the Secretary of State's answer may be brought here and then we shall be able to see a way out of it.

(*Chairman.*) The witness has already alluded to the Secretary of State's answers, and perhaps the best way would be that he should put them in—I think that would be quite sufficient so far as the witness is concerned (*see at the end of evidence*).

1796 (*Mr. Naoroji.*) Then there is another matter on the same subject. A correspondence has taken place between me and the India Office, or the Secretary of State for India in the year 1880, beginning with my letter, dated 24th May 1880, and I should like you to say, if you can, whether that correspondence can be put here, because it is upon the same subject, and it would throw much light, as actual discussion has taken place between the Secretary of State and myself on this question of prosperity or adversity?—Was not the request for the correspondence also made to the Secretary of State sometime ago?

1797. Not in Parliament, I think?—By you: did you not ask for it?

1798. I asked from himself?—And what was the answer?

1799. His answer was it was antiquated, or something of that kind; I do not remember. If you will bring the answer we will deal with it?—I cannot go beyond the Secretary of State's answer on the point.

(*Mr. Naoroji.*) Then if you will bring that answer we will see.*

* NOTE.—The witness found that the reply which is cited in Question No. 1799 is not on official record; so he is not able to produce it.

1800. (*Mr. Caine.*) I should just like to ask a single question to clear up that matter of the 85 per cent. of the excise, because I think, as the question now rests there will be slight confusion. I understand, and perhaps you will correct me if I am wrong, that you attribute the increase of the 85 per cent. over the 13 years under review to three causes—firstly, to the transfer of consumption from illicit to licit supply in consequence of the suppression of smuggling; secondly to enhanced taxation; and, thirdly, to increased purchasing capacity of habitual users of exciseable articles?—I do not know about the third. I do not remember saying that.

1801. I rather gathered it; you used the word prosperity?—In some regions, no doubt the people are richer, and have bought more, but over the whole of India, you cannot say they have bought more.

1802. I think those three points are really a very fair summary of the argument of the Indian Government with regard to this increase?—Yes, I think they are.

1803. May I just ask a single question. There was a little discussion yesterday on the question of the tobacco tax. I should value your opinion perhaps more than any other I can get upon the subject. Do you think it would be possible to tax tobacco?—I think it would be extremely difficult. May I tell you my own experience of it.

1804. I should like it very much, if it is in order?—I am perhaps the only man in India who has ever had to draw a Bill for enacting a tobacco tax. That I had to do in 1872 in Bengal, and that Bill had got so far that it was in print, and I was to have introduced it into the Legislative Council the very morning that orders came making it unnecessary to impose the tax. I was greatly relieved by not having to introduce the tax, for this reason, that such an impost practically interferes with the comfort and the pleasure of almost every one of Her Majesty's subjects in India. For instance, in Bengal, let me tell you what we had to do. At the present time in Bengal, tobacco is grown in every single village in the country almost without exception. In order to levy a tobacco tax we proposed to prohibit the growth of tobacco in all but about six or seven districts, and then to excise it there, and to excise its passage into every district. We probably should have raised the price of tobacco two or three fold, and only got a very small revenue indeed; while we should have had to interfere with and harass the people in almost every village of the province. When I was serving in Burma I went through the jails to see how many of the people actually consumed tobacco. I could hardly find a single person, man or woman, who did not consume tobacco. The tobacco tax would practically, in some provinces, touch in the same way every single person that the salt tax touches; and besides touching such an enormous number of the people, it would immensely enhance the cost of tobacco to the consumer, and also it would be an interference, which the Government of India is always most slow to make, with the people in the management of their estates, and the crops they grow. Those, to my mind, are the objections to it; and although the salt tax is a dreadful tax, if money must be raised from the poorest people of India I would rather see it raised by a small enhancement of the salt tax than by any attempt to introduce into India a tobacco tax with all its attendant evils.

1805. (*Sir James Peile.*) It is a fact, I think, is it not, that there has been a very active development of *abkari* excise administration contemporaneously with the decentralisation of the finance?—That is a fact

1806. And that development of the excise system has been carried out by means of Acts for different provinces in which permission is given to levy duties which the Government can increase if it wishes. There is no fixed rate of excise duties?—There is no fixed rate, but there is an attempt in most provinces to make the tax on spirits bear some ratio to the Customs duty.

1807. That is what I was coming to. The attempt is to raise the excise duty up as nearly as possible to the level of the Customs duty on imported spirit?—That is so at the great marts on the coast.

1808. And in the development of the excise administration it extends itself, we may say, outwards, from the central to the backward districts, or say, from the city of Bombay, as a centre, to districts at a distance from the city of Bombay?—The rates are not enhanced so high in the backward places.

1809. The backward districts are under lower rates, and the duties are gradually increased as the administration gets a firmer grasp, and smuggling is put down?—They have been increased gradually over all India during the last 15 years, even in backward places.

1810. As a result of the better administration of the excise business?—Undoubtedly. More attention has been paid to excise in the last 15 years than before.

1811. So there is a combination of better administration and a rise in the trade?—Until you had a firm administration you could not trust yourselves to raise the rates.

1812. And it is connected with the decentralisation of finance?—It is contemporaneous with the decentralisation of finance; but I believe that the Indian officers would have done their duty in those matters, even if the finances had not been decentralised.

1813. Still, the Provincial Governments have had a greater interest in developing the system than they would have had otherwise?—I do not think that the interest makes the local officers take any other course than they previously took. I do not think so myself.

1814. (*Mr. Caine.*) They get none of the excise revenue, do they?—Yes, the Provincial Governments get a part of it; a share of it. I do not think that in order to do that, to increase their revenue, they would take any special steps. It is within your recollection that the Burma Government proposed greatly to reduce the consumption of opium, and caused themselves a loss of about five lacs they expected of provincial revenues.

1815. (*Sir James Peile.*) I do not mean that the Provincial Governments increase the duty in order to increase their revenue, but that they have a greater interest in close administration?—It has been made over to them entirely, the responsibility and the power, therefore they discharge the responsibility and they exercise the power which they had not got before.

1816. (*Mr. Caine.*) What commission do they get, or what share?—One quarter of the excise revenue is treated as provincial income in all provinces.

Paper handed in in consequence of Question 1795.

ANSWER sent to Mr. Naoroji, M.P., on 29th March 1893.

The Secretary of State, having consulted the Government of India, does not think it expedient to present the note prepared by Sir D. Barbour in 1881. It is now partially out of date, while some of the opinions it contains are necessarily of a speculative nature, and, if published now, might be misleading.

Sir C. Bernard, K.C.S.I.

7 Nov. 1895.

ANSWER given in Parliament to Mr. Naoroji, M.P., 27th April 1893.

To the first part of my hon. friend's question my answer is in the affirmative. There is reason to think that Major Baring's statement had reference to the confidential note described by my hon. friend. The information upon which that estimate was based is from 13 to 23 years old, and the Secretary of State thinks it inexpedient to present to Parliament a statement which is now so much out of date. He has consulted the Government of India, who concur with him.

ANSWER given in Parliament to Mr. Naoroji, M.P., 5th May 1893.

For the reasons given on the 27th April, the Secretary of State is unable to lay on the table the confidential note to which my hon. friend refers.

ANSWER given in Parliament to Mr. Naoroji, M.P., 4th April 1895.

Considering that the statement to which my hon. friend refers was confessedly founded upon uncertain data, and that any similar calculation which might now be made must be founded on equally uncertainda a, and might probably be misleading, the Secretary of State is unable to agree to my hon. friend's motion.

The witness withdrew.

Adjourned till Tuesday next at 11 a.m.

At the India Office.

FOURTH DAY.

Tuesday, 12th November 1895.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN), PRESIDING.

SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart., G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR. DADABHAI NAOROJI.

MR. COLIN G. CAMPBELL, *Secretary.*

SIR DAVID MILLER BARBOUR, K.C.S.I., called in and examined.

Sir D. M. Barbour, K.C.S.I.

12 Nov. 1895.

1817. (*Chairman.*) I think you were Financial Member of Council in India. During what years?—From the end of 1888 to the end of 1893.

1818. Would you tell us what other posts you have held in India?—I was a member of the Bengal Civil Service from 1863 to 1893; and from the beginning of 1872 to the end of 1893, that would be about 21 years, I was employed chiefly under the Financial Department and in connexion with the Financial Department. I was Under Secretary in the Financial Department and Secretary afterwards, and I was Accountant-General of Bengal and Financial Secretary to the Government of Bengal. I was employed on special duty at various times; in fact, I was attached during the greater portion of my service to the Government of India and the Financial Department. I saw the working of the Government of India under six successive Viceroys.

1819. And during the early part of your service, from 1863 to 1872, were you engaged in financial business?—No. From 1863 to 1872 I was not. I was employed in what is called the Regular Line of the Service. Miscellaneous duties, some judicial duties, collection of the revenue, and looking after the Excise, and so forth.

1820. That is the point I wanted to ask you; had you, during that time, intimate acquaintance with questions connected with collection of the revenue?—With some portions of the revenue, certainly.

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1821. Therefore, you have seen collection, of the revenue or of some portions of the revenue in detail?—Oh, certainly, for about eight years.

1822. We are confining our inquiry at present to the organisation of financial administration in India, and we are anxious to obtain the opinion of those who, like yourself, have held the highest financial posts in the Indian Empire. Various questions will arise at another stage of the inquiry connected with what I may call the progress of expenditure; but for the present moment we are confining ourselves purely to the financial machinery. You have, I think, seen the evidence given by Sir Henry Waterfield and Mr. Jacob, and you have gathered from that the nature of the information which we seek?—Yes, I have seen their evidence, also Sir Oliver Newmarch's, Mr. Becher's, and Sir Charles Bernard's.

1823. May I call your attention to the question at the beginning of Sir Henry Waterfield's evidence on the respective powers of the Chancellor of the Exchequer here, and of the Financial Member of Council in India?—What is the number of the question? I think the question is this: Is the position of the Financial Member of Council similar to that of the Chancellor of the Exchequer?

1824. I endeavoured to describe to the witness what I considered to be the functions of the Chancellor of the Exchequer, and after that I asked the witness whether he thought the powers of the Finance Minister in India were equivalent to those of the Chancellor of the Exchequer?—I think the position is very much the same. Theoretically I should say the powers were the same, practically I should say there was a very great difference; but theoretically the powers and the position would be about the same.

1825. Do you consider that the Financial Member of Council in India has a control over expenditure as complete as that of the Chancellor of the Exchequer over expenditure in England?—I am not very well acquainted with the exact nature of the control of the Chancellor of the Exchequer, but I think that according to the rules, all questions of expenditure come before the Financial Member of Council as completely as could be expected or would be reasonable. The questions come before him I should say very fully and thoroughly.

1826. The theory, and I think I may say the practice, here is generally summed up in the Treasury maxim, that the assent of the Chancellor of the Exchequer must be obtained to any measure increasing or tending to increase the public expenditure?—Well, that would be the case in India. Of course there is an appeal. But all questions involving expenditure, either questions of immediate expenditure or questions of policy directly involving expenditure, would certainly under existing rules come before the Financial Member of Council.

1827. From what I have been able to learn of financial administration in foreign countries, the power of the Treasury, that is, of the Chancellor of the Exchequer, in controlling and regulating public expenditure is much greater here than is, at all events, usual abroad?—Oh, I think there is no fault to be found with the Indian system from the financial point of view, so far as the system provides for the coming of these questions before the Financial Member of Council.

1828. In other countries the Financial Minister is rather the Registrar than the Controller of the expenditure of his colleagues. May I take it that your opinion inclines to the view that the Indian Finance Minister's powers more closely resemble those of our Chancellor of the Exchequer than those which I attribute to the foreign Ministers of Finance?—Well, theoretically, they more closely resemble the powers of the Chancellor of the Exchequer, but practically and at times he might be much more in the position of registering the expenditure which other authorities wish to incur than in that of actually controlling it himself.

1829. The power which I have described as residing in the Chancellor of the Exchequer is in theory, and I think I may add in practice, complete. The greatest and the smallest measures of the kind described are alike subject to it, and it includes measures which indirectly as well as directly increase or tend to increase the expenditure. I put that view in order to ask you whether you would in any way qualify what you have stated already when the powers are described as broadly as that?—No, I would not qualify it. I think, theoretically, the position of the Indian Financial Member of Council corresponds to that of the Chancellor of the Exchequer.

1830. The checks on the Chancellor of the Exchequer are, in the first instance, the Prime Minister, who is usually First Lord of the Treasury; in the second place, the Cabinet; and lastly, the action, or the anticipation of the action, of Parliament. Is it your opinion that the control over the Financial Member of Council is as complete as that over the Chancellor of the Exchequer? and, if you consider that it differs, either in theory or practice, would you state in what respects it differs?—Well, theoretically, as I said, his position is the same as that of the Chancellor of the Exchequer. Practically, it is very different: in practice his powers are very different, because, of course, he has not got behind him the control of Parliament or of any authority at all corresponding to Parliament.

1831. And therein you agree with me in what I described as a considerable check upon the Chancellor of the Exchequer, namely, the anticipation of the action of Parliament?—Quite so, and a check upon those who would over-rule the Chancellor of the Exchequer.

1832. Quite so?—That of course is a check that is wanting entirely, or almost entirely, in India.

1833. May I ask you whether, theoretically, you would wish the powers of the Finance Minister strengthened?—I do not wish to see his position strengthened in so far as the present system provides that all questions of expenditure must come before him. I think that is provided for; but I certainly think that something is very desirable, which would ensure greater attention being paid to financial considerations in connexion with the Government of India. I do not know that I am prepared to suggest alterations in rule or machinery that would secure that; but I have no doubt that something is desirable, if it can be obtained.

1834–5. At present we are only anxious to obtain your opinion as to the sufficiency of the powers of the Finance Minister. In England, the assent of the Chancellor of the Exchequer is sought by official letter from the department seeking to incur expenditure and given by official reply from the Treasury. By that means we have on record here the applications and the replies? Is that the course in India?—Yes. Assent is sought by application from the department; but it is not necessarily official application, that is to say, the notes or proposals would be prepared in one department and sent over as they stood to the Financial Department—that is done in order to save time.

1836. But those notes would be available for official purposes?—Oh, certainly, they would remain in the Department.

1837. The Finance Minister would be able to show that such and such questions had been submitted to him, though they were only submitted to him in the form of the note which you have described?—I do not know what distinction you make in this country between official papers that are brought on record and papers which are not brought on record, what we used to call in India unofficial papers. Those papers to which I refer, would probably not be brought on record, that is to say, they would never be published, nor would they be ordinarily given to the public; but they remain in the Department, and are generally printed.

1838. Quite so. They are on record?—They are on record in the sense that they remain in the Department, they exist. I do not know that they would be produced in any public inquiry or anything of that sort.

1839. That would be a question of discretion?—As a rule, they would not.

1840. Quite so. The possibility, the probability perhaps, of parliamentary questions usually makes the Chancellor of the Exchequer anxious to have applications of this kind, even though they may have received his private sanction, placed upon record in official form. That consideration naturally does not weigh so much in India, because the Indian Government has not got that anticipation of parliamentary action, which is so constantly present here?—Yes, that would be so. It saves time for the actual notes to come over—the proposals to come over in their original form.

1841. If expenditure is incurred here without the assent of the Chancellor of the Exchequer, the Comptroller and Auditor-General reports the irregularity to the Treasury; and if the Treasury does not give its covering sanction, or if in doing so it exceeds its

powers, the Comptroller and Auditor-General reports the irregularity to the House of Commons, and the House of Commons through its Standing Committee on Public Accounts pronounces judgment on the irregularity. Is there in the Indian system any equally efficient guarantee for the detection and judgment of irregularities?—I think there is. I am not sufficiently acquainted with the English system to say that there is an equivalent check upon irregularities, but there is, I consider, a sufficient check upon irregularities of that sort.

1842. I shall have to ask you some questions later on on the details of audit and the manner in which the check operates, and I now desire to confine my question simply to the point whether there is a certainty of the fact of the sanction of the Finance Minister not having been obtained being brought to notice?—Of course, you must understand that though you talk of the Financial Department, the Home Department, and the Foreign Department, the Government of India is looked upon as one and indivisible. It is the Government of India in the Financial Department that deals with financial questions, and it is the sanction of the Government of India in the Financial Department to which the Audit Officer looks.

1843. But if the sanction of the Government of India in the Financial Department is required, and if, we will say, the Government of India in the Military Department do not obtain that sanction, that would be an omission which through the agency of the Comptroller and Auditor-General would be put on record?—Not through the agency of the Comptroller and Auditor-General, but through the agency of the audit officers in the first instance; and, if that sanction was not obtained, then the Comptroller and Auditor-General would bring it to notice afterwards; but in the first instance it would be brought to notice immediately by the Audit Department concerned.

1844. In using the word Comptroller and Auditor-General I mean the head of the Department, who I presume we should both agree is eventually the responsible person?—No doubt; but practically the different Audit Departments deal with these questions; the different branches deal with these questions in India.

1845. That is the point of the evidence given by Sir Henry Waterfield and Mr. Jacob, on which I will ask you a question later on when we deal with audit machinery. What are the checks on the Financial Member of Council which would correspond to the Prime Minister, the Cabinet, and Parliament here?—Well, the check upon the Finance Member of Council would be the Governor-General in Council.

1846. I do not know the machinery sufficiently to understand the distinction. Is there any check upon him by the Viceroy personally?—Of course the Viceroy has got great influence in the Council, and if the Financial Member of Council took one view and the Governor-General or Viceroy took the other view, the opinion of the Governor-General would carry great weight. At the same time, if the Financial Member of Council stood out against the opinion of the Viceroy, the case must come before the Council.

1847. That corresponds rather to the position of the Prime Minister here. As probably you are aware, it very often happens, and must happen, in questions of expenditure, that the Chancellor of the Exchequer and his colleagues differ. Then what I may call a friendly reference is made to the Prime Minister, and it struck me that possibly the Viceroy personally occupied, *mutatis mutandis*, the position of the Prime Minister here?—I think that is close enough.

1848. Then, of course, the Parliamentary action is wanting; but I suppose you would say that behind the Viceroy in Council there still comes an ultimate authority in the Secretary of State?—Oh, of course, and in the remote distance comes Parliament.

1849. Quite so; that is to say, questions may be taken up in Parliament?—May be taken up in Parliament, yes.

1850. Those men conversant with the English system who are old enough to remember that system before the establishment of the Public Accounts Committee, and the passing of those provisions in the Exchequer Audit Act of 1866, which ensure the presentation of the reports of the Comptroller and Auditor-General to Parliament, are well aware that the Comptroller and Auditor-General is the best friend of the Chancellor of the Exchequer. It is true that officer checks irregularity on the part of the Treasury itself; but on the other hand, it is only through him that the Chancellor of the Exchequer learns that the regulations laid down for the orderly administration of the finances are duly observed throughout the public service. In your opinion does the Comptroller and Auditor-General in India in the exercise of his powers, give similar assurance to the Financial Member of Council?—By Comptroller and Auditor-General am I to understand the Audit Department?

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1851. Yes?—In that case I think the Financial Member of Council receives a similar assurance.

1852. And does this action of the Audit Department give similar assurance to the highest authority in Indian administration, that the Finance Department has not itself committed an irregularity?—Yes.

1853. For the present moment I am looking upon the Secretary of State as the ultimate authority. In case there was any irregularity committed, any excess of power exercised by the Government of India in a financial matter, would there be security that the Comptroller and Auditor-General would point out that irregularity, and that that irregularity would come to the notice of the Secretary of State?—Certainly; the Audit Department check such irregularity now. I may mention that as the Financial Department is from the nature of things rather weak practically in India—I consider that it is practically weak, though theoretically strong—the tendency has always been for the Financial Department to shelter itself as much as possible under the authority of the Secretary of State, and consequently the Financial Department has always been extremely anxious to see that the orders of the Secretary of State in financial matters are carried out—quite as anxious as the Secretary of State has been himself, I should say. Therefore the orders of the Secretary of State have always been, as far as the Financial Department could secure it, fairly well carried out, and on the whole have been thoroughly carried out; but quite recently—that is, within the last seven or eight years, say, an arrangement has been made by which the audit officers will bring to notice the fact that the sanction of the Secretary of State is required in certain cases. Formerly they did not do so, but the Secretary of State was anxious to be assured that his orders were fully carried out, so an arrangement was made that the Audit Officers should exercise this check. But in practice the orders of the Secretary of State have always been carried out at least fairly well, because it was very much to the interest of the Financial Department to see that they were carried out.

1854. And it was also very much to the interest of the Financial Department that any question concerning the relative powers of the Finance Department and other departments should come to the knowledge of the Secretary of State?—Oh, certainly; a weak Department always tries to shelter itself under the strongest authority it can find.

1855. And in that respect, perhaps, as I have described the Comptroller and Auditor-General as the best friend of the Chancellor of the Exchequer, may I put it that the Secretary of State is the best friend of the Finance Minister?—Yes, he is certainly a friend of the Financial Department, there is no doubt about it. It would be better, in my opinion, if he was a stronger friend.

1856. The Military Department is, I presume, the most powerful department in Indian administration and its relations with the Finance Department will best illustrate the working of financial control?—The Military Department is a very strong department in India, and it has the control of a great deal of expenditure, but I do not know that it is the strongest department. The fact is that to understand the Indian system of government you must realise the very great power of the Viceroy. His power is, from various reasons, which I need not go into, very great, and if the Viceroy supports the Military Department, the Military Department is the strongest; if he supports the Financial Department, the Financial Department is the strongest; and whether great attention is paid to financial considerations or not, depends entirely—or almost entirely—on the Governor-General for the time being. If he is favourable to economy, the Government is economical; if he is inclined to be—not extravagant, but liberal, we will say—the Government is liberal.

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1857. If he leans to efficiency?—If he leans to efficiency the Government is liberal.

1858. In comparing, as we naturally do here, the two systems we must never forget the exceptional position occupied by the Viceroy personally in India?—Yes, and it is a position which I should say has tended to become more powerful as time goes on rather than weaker.

1859. Indeed; in spite of the easy communication with home?—I am now dealing with matters in which he is not overruled from home. I am referring to his authority inside his Council.

1860-1. But at all events if we are to take the relations of any one Department with the Finance Department, the Military Department would be as good a one to take as any?—Oh, quite as good, and the Military Department, of course, has the special advantage of having, generally speaking, but not always, two votes, the Commander-in-Chief and the Military Member, in Council.

1862. Further, the Military Department is that in which there is the greatest scope for a perfectly legitimate difference of opinion between the Finance Minister and his colleague, is it not?—Of course, there is always room for difference of opinion where questions of expenditure are involved; there is always room for difference of opinion between the officer who wishes to incur the expenditure and the Financial Member who wishes to keep down expenditure as much as possible.

1863-4. Of course when we speak of differences between the two Departments it does not necessarily mean a condemnation of either?—Oh, no.

1865. (*Sir Donald Stewart.*) But is it not a fact that the Military Member in Council is usually held to be a check on the Commander-in-Chief rather than a supporter?—That is the theory, and, no doubt, in some cases that is the practice, but I have known the opposite to be the case—it depends upon circumstances. I have known cases where the Commander-in-Chief and the Military Member of Council have really supported each other, but the theory is that the Military Member of Council would be the adviser of the Government of India.

1866. That is the point?—That is the theory, certainly.

1867. And my own experience is that it is the practice too—most strongly so?—That may be, but you must recollect that my experience and yours do not come precisely in the same periods of time.

1868. (*Chairman.*) Is the Military Member of Council ever a civilian?—Oh, no, never; I do not think he could be, in India, at all.

1869. On the occurrence of a difference of opinion between the two Departments, would it be reasonable to infer that the decision of the Government in India would depend in a great degree upon the personal judgment of the Viceroy; that is to say, the Viceroy, if he agreed with the War Minister, would overrule the Finance Department; and *vice versâ*?—I should say so, as a rule. Of course it would not be the case always, but as a rule the department that secures the support of the Governor-General on big questions would carry the day; sometimes, especially in minor matters, the Governor-General would be content simply to give his vote on one side or the other, and not really exercise his influence or put forth his power.

1870. There is one consideration, I suppose, which we should have to bear in mind, namely, that the Viceroy is not checked so much or so constantly as the Prime Minister is here by the consideration that the effect of his decision may have to take the shape of a vote, and is, therefore, subject to the direct criticism of the House of Commons?—Of course that is a very great safeguard that is wanting in the case of the Government of India.

1871-2. India is pre-eminently a country of small wars each of which costs, or may cost, sufficient to be a disturbing element in finance. Does the practice of Government when deciding on such wars, secure to the Finance Minister full opportunity of impressing upon the Government the financial consequences of an expedition before the decision is taken?—Well, no expedition would be undertaken until the question had been referred to the Financial Department, and, I should say, discussed by the whole Council. At the same time, of course, the proceedings that led up to that expedition, or made that expedition necessary, might not have come before the Financial Member in Council; and I do not know that they could in all cases be brought before him.

1873. And, therefore, to that extent the statement that the Finance Minister would have full opportunity of impressing upon the Government financial considerations, must be modified?—It must be qualified in this way; the information might come too late; an expedition might have become necessary and could not be avoided. When a proposal to have an expedition comes before the Council and the Financial Member the Viceroy has generally made up his mind about it. He is in charge of the Foreign Department—and matters may have got into such a position that the expedition may be unavoidable, or, at any rate, the Viceroy may have made up his mind on the subject, and I have already pointed out how great his influence is.

1874. Of course, in asking this question, I am not alluding in the slightest degree to policy, I am only endeavouring to learn the position of the Finance Minister, and to ascertain whether the security is ample that in all important questions involving expenditure, the Finance Minister has full opportunity of showing the financial effect of the measure?—Before the expedition is undertaken, he certainly has the opportunity; but of course the amount of business that is transacted by the Government of India is enormous, and he cannot see all details of the business of the Foreign Department beforehand, and if he did see them, I do not know that he could do any good, that his judgment would be better than anybody else's.

1875. It would not be a tradition of the Viceregal Office that the Viceroy should mention to the Finance Minister that circumstances were arising which might lead to difficulty on the frontier, in order to obtain the Finance Minister's view as to how the expenditure, if the necessity should arise, would be met?—It would depend very much upon the Viceroy for the time being, how soon he would mention it. Some might mention it sooner and some might mention it later; but before the expedition was undertaken, the matter would certainly come before the Council as a whole, so far as the rules on the subject go. I do not think that the Financial Member has any ground for complaint in that respect. It would be impossible for him to see, and it would be quite useless for him to insist upon seeing, all the details of the negotiations with the frontier tribes.

1876. I think you have answered the question, Sir David. I understand that you, as far as you were concerned, were generally satisfied that you knew of proposed expenditure early enough to have an opportunity of stating the financial considerations?—Yes, in any particular expedition.

1877. If the Finance Minister dissents, he can put his dissent on record, can he not?—He can do so—yes.

1878. In that case, as a matter of course, his dissent is forwarded to the Secretary of State?—His dissent would go to the Secretary of State.

1879. But in many cases, although he may have doubts as to the decision of the Government, he may hesitate to put formally on record his dissent. Has he in that case any means of expressing his views in a form which would reach the Secretary of State?—Of course, he may say, as I have done, "While I do not "want to record a formal dissent, I wish it mentioned "in the despatch to the Secretary of State, that I do "not concur in the decision." But in many cases the Financial Member in Council, like every other Member in Council, might oppose a particular decision, but would not consider it necessary to put his dissent on record.

1880. Putting his dissent on record is only a very formal method of protest?—That is a formal matter.

1881. Perhaps I may put it shortly this way: Are you satisfied that the Finance Minister always knows the proposals under discussion in time enough to make fully known his views as to their financial effect; and that he has as complete power and opportunity for making known his dissent from, or doubt as to, the financial matter involved in the Government policy, and assurance that that dissent or doubt will reach the Secretary of State, as you could wish?—Well, I think he has got, so far as the rules and regulations regulating the transaction of business go, as full opportunity of knowing what is proposed in the way of expenditure as is desirable. Practically, if the Governor-General chooses to do it, he and

one or two Members of Council might settle among themselves what they were going to do, or what the general policy was to be, and the matter would not necessarily come before the Financial Member of Council until it was actually proposed to incur expenditure in connection with some portion of that policy. Theoretically the Financial Member of Council receives early information of proposed expenditure; practically he might be put aside in that way. It would be possible; I do not say that it would be usual; I am sure it is not desirable; it is a thing that is in the discretion of the Viceroy. I do not see how any rule could provide for it, or could be made effective.

1882. (*Sir. A. Scoble.*) But in that case he could record his dissent?—He could record his dissent when the time came.

1883. And would do so?—Oh, no; he might agree with the proposal when it came before him. All I say is that he might not be personally consulted at the very first—he might or might not.

1884. (*Mr. Buchanan.*) But I thought you said that the Finance Minister was consulted in advance when there was any proposal coming from any department involving immediate or proximate increase of expenditure?—So he would be. Before the expenditure could be incurred he must be consulted.

1885. But then I do not quite understand your last answer, by which I thought you meant that proposals might be brought forward before the Viceroy in Council, involving considerable expenditure, which were quite new to the Finance Minister?—Oh, no, I did not say that. They could not be brought into Council without the Financial Member knowing.

1886. (*Chairman.*) There are two points, are there not? First of all, there may be discussions which in their result involve a policy; and in the second place the financial question would only arise when that policy took the shape of a formal decision?—That is the case; when it was necessary to incur expenditure; quite so. That is quite true.

1887. My reason for asking the question as to the power of the Finance Minister to make his views known is this—The Viceroy is most powerful. If his judgment leans against the Finance Member of Council he might possibly, though unintentionally, not let the Finance Minister's views have due weight; and in that case the Secretary of State should know those views at first hand. But, I think, from what you have told us, that you have the power of saying: "Express in the "despatch that I dissented," and possibly you may think that that is a sufficient safeguard?—No, I do not think myself that that is quite a sufficient safeguard in that respect. The Financial Member of Council might or might not formally dissent as regards a particular proposal. He might be of opinion that things looked rather threatening financially, and yet he could not easily indicate his views to the Secretary of State. The Financial Member of Council is very much in the dark as regards the policy of the Secretary of State and the India Office; he has got nothing but the formal despatches before him. There is a want of touch between the authorities in England and the Financial Member of Council. The Viceroy, of course, corresponds confidentially with the authorities in this country, and I cannot say that I would recommend that the Financial Member of Council should correspond with the Secretary of State, as it were, getting behind the Viceroy. I think it is very necessary to maintain the authority of the Viceroy, but there is that difficulty: there is a want of close touch between the Financial Department in India and the controlling financial authorities in this country.

1888. (*Sir James Peile.*) But there is a great deal of demi-official correspondence between the Finance Member in India and the Secretary in the Finance Department in the India Office?—There is correspondence between the Secretary in the Financial Department in India and the Financial Secretary in the India Office, and very frequently there is correspondence between the Financial Member of Council and the Financial Secretary in the India Office; but the Secretary in the India Office is not the controlling authority.

1889. (*Chairman.*) Would you consider that that freedom of unofficial correspondence is sufficient to secure the communication to the Secretary of State of the doubts or hesitations of the Finance Minister and his reasons for those doubts?—Certainly not.

1890. And therefore so far, you say, in this most important question of finance in India, there is a certain element of weakness, namely, there is no absolute security that the reasons which make the Finance Minister dissent or doubt will reach the Secretary of State?—There is no easy and ready method by which they could reach the Secretary of State.

1891. At the same time there is the great difficulty, that there should be no working round the authority of the chief responsible authority, namely, the Viceroy?—That, I think, is essential in India, that the authority of the Viceroy should be maintained.

1892. If sufficiently important results are at stake, has the Finance Minister, or even the Viceroy and the Finance Minister together a power, which you think sufficient, of suspending the execution of a decision of the Council until the judgment of the Secretary of State is obtained?—There is a rule to that effect in existence: but if the Viceroy and the Financial Member agree there is, owing to the great authority that the Viceroy possesses in the Council, nothing more required. There is a rule which enables the Viceroy and Financial Member of Council to suspend the execution of an order involving expenditure until the opinion of the Secretary of State is taken. That rule was introduced some years ago—about seven or eight years ago, I should think. It was invented in this country; it is not a rule which anybody who had had experience of the working of the Indian Council would invent or devise; it seems an excellent rule, it seems a very valuable rule, but in practice it is not worth anything. I was consulted about it before it was introduced or about the time it was introduced—I happened to be in this country—and I expressed the opinion then that it would never be used because if the Financial Member in Council and the Viceroy are in agreement they have got quite sufficient power; the influence of the Viceroy is quite sufficient. If they are not in agreement, the rule never operates; and therefore, though it looks an excellent and valuable rule, in practice it is not of much value, and in practice it has never to my knowledge been used, and it is quite possible that it never will be used and put into force.

1893. May I ask you, as a matter of fact, can the Council vote overrule the Governor-General?—They can.

1894–5. The influence of the Viceroy is so great that practically if he takes a strong line in concert, we will say, with the Finance Minister, the other members of Council would hesitate to overrule him?—Oh, very much hesitate; and they would know that it was very improbable that the Secretary of State would support them.

1896. There might be cases in which that rule would not be a dead letter?—There might be, certainly, but in practice it is not of much value, and it never has been used to my knowledge.

1897. (*Sir James Peile.*) Would that apply to any other Department—if the Viceroy and the Home Department agreed, would they carry the question at once?—Well, they would be very likely to. A good deal would depend upon whether the Viceroy took such an interest in the matter that he really put forth his influence. Owing to the existence of the Provincial System, the Home Department does not, now, control a large amount of expenditure.

1898. Does what you have said apply to other departments to the same extent as to the Finance Department?—No, I do not think any other Department would be certain to carry its view to the same extent as the Financial Department, because I think if the Financial Department and the Viceroy went together they would be pretty certain to have the Secretary of State behind them.

1899. Then the Finance Department is stronger than the Home Department?—As a rule I should say it would be; it would depend very much—at least to some extent—upon the officers filling the posts for the time being, but as a rule the Financial Department is stronger than the Home Department, and they do not come much into conflict on questions of expenditure, because the Provincial Expenditure is now in the hands of the Provincial Governments.

1900. (*Chairman.*) If the Viceroy found himself in a minority I gather that this rule would enable him to appeal?—Yes.

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1901. (*Sir Andrew Scoble.*) Or he may overrule his council?—He may in certain cases; that is a power which is used very seldom.

1902. But still he has the power?—I think there is some limitation to it.

1903. It must be a question of public danger?—Yes, he has the power of overruling in certain cases and it is very necessary that he should have it.

1904. (*Chairman.*) And, I suppose, that power is contained in an Act of Parliament?—It is contained in an Act of Parliament, but it is not a power that is given in every case.

1905. He must judge if the State is in danger?—I think so; it is something of that sort. You will find it in the Act of Parliament. He has the power, and I look upon it that it is essential that the Viceroy should have that power in the last resource.

1906. (*Sir Donald Stewart.*) But he exercises that power in very ordinary cases?—Well, you can look at the words in the Act of Parliament. I believe there has been a question whether it was rightly exercised in certain instances, or not.

1907. It is within my own experience that he has exercised it?—It is a mere question of the wording of the Act of Parliament; the Act of Parliament would give you better evidence on that point than I can.

1908. Is it in the Government of India Act?—I think so; it is in one of the Acts of Parliament. Perhaps it would be better to see what it is; it is a well-known provision.

1909. (*Chairman.*) Can you refer us to the Act of Parliament and the section which defines that authority, and then perhaps when we have got it you would just read it as your answer?—The Act is 33 & 34 Vict. c. 3. s. 5. It runs as follows:—"Whenever "any measure shall be proposed before the Governor-"General of India in Council whereby the safety, "tranquillity, or interests of the British possessions "in India, or any part thereof, are or may be, in the "judgment of the said Governor-General, esentially "affected, and he shall be of opinion either that the "measure proposed ought to be adopted and carried "into execution, or that it ought to be suspended or "rejected, and the majority in Council then present "shall dissent from such opinion, the Governor-General "may on his own authority and responsibility, suspend "or reject the measure in part or in whole, or adopt "and carry it into execution; but in every such case "any two members of the dissentient majority may "require that the said suspension, rejection, or adop-"tion, as well as the fact of their dissent shall be "notified to the Secretary of State for India, and "such notification shall be accompanied by the copies "of the minutes (if any) which the members of the "Council shall have recorded on the subject."

1910. (*Mr. Buchanan.*) The Viceroy, when he is in a minority has that power of overruling the action of the Council under this statute; has he any other special powers?—I do not think he has. Of course, the Viceroy regulates the business very much and he might bring a question up, and if he found the majority was against him he might let it stand over for a little—something of that sort; he regulates the transaction of business.

1911. (*Chairman.*) I think Mr. Buchanan's question relates to the power of suspending as well as overruling; because we learnt from Sir Henry Waterfield and Mr. Jacob that there is a rule that the Viceroy and the Finance Minister together can suspend the decision of the Council until the decision of the Secretary of State has been obtained?—Yes; that is regarding expenditure; that is the provision I have already alluded to.

1912. (*Mr. Buchanan.*) There is no similar power resting in the Viceroy alone; I am only asking for information?—I am not aware of any; but I suppose, the power of overruling involves the power of suspending.

1913. (*Sir Donald Stewart.*) No business can be brought before the Council until the sanction of the Viceroy has been obtained?—No, but practically if any member of the Council wishes he can bring it up.

1914. He has to get the Viceroy's sanction?—That is the ordinary course of business; the question comes before Council with the Viceroy's sanction. I do not know if he could refuse his sanction; at any rate, he does not, or ought not. It seems to me to be a rule for securing the *orderly* transaction of business.

1915. (*Mr. Buchanan.*) As a matter of your experience, the Viceroy is very seldom in a minority in Council?—He might be in a minority, certainly.

1916. But only on unimportant matters?—I cannot say that. A question might arise in which the majority of the Council might be against him on a very important matter. Questions of that sort have arisen

1917. And has the opinion of the Council eventually been carried out as the decision of the Government of India?—In this connexion there arises the question of home policy. If the Viceroy were overruled by the majority of his Council in a very important matter, it would probably be a matter in regard to which he had the support of the Home Government, and in that case the decision of the Home Government would be with the Viceroy.

1918. Within your experience do you know of any case of any importance in which action has been taken by the Government of India, where that action has been opposed by the Viceroy himself in Council?

(*Chairman.*) I think we must confine that question to financial procedure, must we not?

1919. (*Mr. Buchanan.*) Yes, certainly. I was only asking for information. I am very ignorant of the way in which they conduct business?—Where important action was taken by the Council in opposition to the Viceroy's opinion?

1920. Yes. Where the Viceroy has been in a minority in Council, and yet action has been taken by the Government of India in the direction indicated by the majority of the Council?—In very important questions?

1921. In an important question?—I cannot recollect any at this moment; there may be some.

1922. (*Chairman.*) Have you seen the list of dissents by the Finance Member of Council which Sir Henry Waterfield has given in?—I have seen the list of dissents given by Sir Henry Waterfield.

1923. Do you consider that fairly complete, and have you any remarks to offer upon it?—In what sense complete?

1924. Well, we noticed that there was a considerable gap in the dates, if I remember aright, and I think we understood from Sir Henry Waterfield that he had looked through the records, but he would not say that it was a complete list?—I think there was one dissent that I made which is not mentioned there, one or two. I dissented in connexion with the question of the division of territories between the Punjab Government and the Quettah Agency in the Gomul Pass—I and another member of Council—*I do not think that dissent is alluded to there. And there was a proposal that India should pay a subsidy towards the cost of the telegraph line* from the Mauritius to Zanzibar, and I did not think it was a proper charge on the revenues of India and I dissented. I do not think that that is mentioned in the list of Sir Henry Waterfield. I do not know if I wrote a formal dissent on that occasion, or whether I merely had it written in the despatch that I did not agree.

1925. Are there any further points in regard to the powers of control of the Finance Minister which you would wish to bring to the notice of the Commission, and does any suggestion occur to you for supplying defects, if there are any, in that controlling power?—I think that, theoretically, the position is sufficient.

1926. Then I think we have learned from your answers in detail where, in your opinion, there is a weakness in practice?—Yes, in practice. I do not think there is any in the rules and regulations. I think they are quite sufficient.

1927. I gather as the result of what you have been so good as to tell us, that the point at which you think there is a weakness is this:—There is not a sufficient security that the reasons which led the Finance Minister to hesitate, or to doubt as to the measures that may be resolved upon by the Government of India, are made known to the Secretary of State?—I should not say that that was the chief weakness. But there is a weakness there, certainly.

1928. May I ask what you consider the chief weakness?—To understand the chief weakness of the Indian financial system you have got to consider what the financial position in India is. We have not

got there a revenue which is very steady. It grows, but it does not grow regularly, year by year, as it does in this country. We are subject to great fluctuations. There is the opium revenue, and it may go up or down a million or two. Then railways resting on the financial responsibility of the Government of India, they can make a very great difference in the revenue and there are considerable fluctuations in their earnings. We are subject to wars, petty wars, very subject; and we are liable to famine; and over and above all there is the exchange question which has overshadowed everything; that is to say, there are great fluctuations in the Indian revenue, and India is a continent really, instead of one country. It is very difficult for anybody who has not made a special study of the question, to know the whole financial position; and as a consequence of the peculiar position of India we have periods of great apparent prosperity financially, and of real prosperity financially, and then we have periods of great depression. The Governor-General's Council is composed of a number of officials, and I think I may fairly say that the majority of them have never given very much attention to the Indian financial position as a whole. They have been occupied with their own particular departments. A good many of them are not acquainted with India at all beforehand. I think of the seven Members of Council, including the Viceroy, there are at present only three who really belong to the Indian Service. The Members of Council hold office for five years. Their interests lie in the direction of the efficiency of the particular services that they manage, and the tendency, therefore, is towards expenditure. We have periods of prosperity and I think that, as the Council is constituted, they overlook the fact that we are almost certain to have financial non-prosperity afterwards; and, therefore, there is a tendency to go too fast when we are well off: that leads to a check, what you may call a financial crisis, afterwards, and I believe that it would be better for the country, and we should in the long run make quite as much progress if we went a little more slowly at times and steadily and regularly. Now, within my own knowledge, we had a financial crisis in India, about Lord Mayo's time—I suppose, about 1870. We had another in Lord Northbrook's time. Then we had one or two in Lord Lytton's time. We had none in Lord Ripon's time.

1929. You had none?—We had none; we were fortunate in his time; Major Baring, now Lord Cromer, was Financial Member of Council then. We had one in Lord Dufferin's time, and then we had the recent one which appears to be passing away. Now I think in all these cases, in later years at any rate, the Financial Department saw when the difficulty was approaching before the others did. I think that more attention ought continuously to be paid to the peculiar conditions of Indian finance, and that, therefore, we ought to go more slowly when there is apparent prosperity and try and avoid these sudden checks which are very mischievous. In point of fact, taxation has been largely increased in India, and though I do not think we have reached the possible limit of taxation—I am sure you could raise a great deal more money—I am quite certain that there is no big tax left now which is not open either to great objections or which would not excite great discontent. I think we have put on pretty well all the taxation that could be put on without its becoming a very serious matter. The view I wish to put forward is this: it is not the machinery, that is the mere formal machinery, that requires improvement; but I think there ought generally to be more consideration given and more attention paid by persons in authority to the importance of the financial question in India, and to the fact that great financial—apparent financial—prosperity is generally followed in a few years by the reverse.

1930. And if I may draw the conclusion which I think your answer points to, it is a criticism which must be applied almost everywhere—that there are too few people entrusted with government who make a study of finance?—I am not prepared to say anything on so general a proposition; but, in point of fact, I think it would be better for India, better all round, if more attention was given to the financial question, and if we went more slowly in periods of great apparent financial prosperity.

1931. For instance, would you like a five-year Budget instead of a yearly Budget, in order to obtain greater stability?—I do not think a five-year Budget would work.

1932. Practically, is it an impossibility?—An impossibility.

1933. But what I mean is, would you like a more permanent arrangement made, which would not be subject, except in emergency, to yearly review?—I am afraid it is not possible. Of course, while I say I would like more attention paid to financial considerations, I must admit that there is an infinite possibility of finding objects for the expenditure of money in India, to which there is no objection in themselves; that is to say, that if you had double the revenue you could spend it on the country without being accused of wasting money.

1934. I quite understand that in a country, which you have described as a continent subject to these great fluctuations in its finances, the difficulties which the Finance Minister has to encounter must be far greater than the Finance Minister has to encounter here; and I can quite understand the feeling of anxiety that he must have that the controlling powers should always bear in mind the dangers that underlie the financial question. Those conversant with the English system cannot but be aware of the powerful factor Parliament is in our control system; I do not mean that it is always necessarily for good; but, whether for good or for bad, Ministers and parties have always before their eyes the fact that their action must very shortly be unsparingly discussed by the Opposition party in Parliament, and that the opportunity for such discussion must occur when the votes are taken. That prospect of open discussion and criticism is not always upon the Indian Government. Parliament may, it is true, take up an Indian question, but its direct and immediate sanction for the Acts of the Indian Government, except in very special cases, is not required. Ought not this distinction to be borne in mind, and ought not even a fuller power to be reserved to the Indian Finance Minister to insist on complete discussion of the financial effect of measures and of the financial effects of political action, before such measures are adopted or action taken, than is perhaps necessary here? and ought he not to have every opportunity of making his opinions or doubts on financial matters or results known to the Secretary of State, who in ordinary course is the ultimate judge of Indian policy?—It would be very difficult to give the Indian Financial Member of Council more formal or theoretical power than he has got at present. It would be desirable that the Financial Department should be strengthened, that some arrangement should be made to ensure that financial considerations shall be borne more in mind by the Indian Government as a whole, if it be possible. Of course you cannot have a perfect government anywhere, and as to the constitution of the Government of India I am not prepared to propose changes which would have the effect of securing better financial control.

1935. (*Sir Andrew Scoble.*) Has not the Finance Member of Council the amplest opportunities of bringing his views before his colleagues in Council at any time he likes?—He has.

1936. (*Chairman.*) Is not this consideration of the more weight since the Indian Government acknowledges the gravity of financial questions in India, the difficulty and danger attending new or increased taxation in that country, and the consequence that for the safety of the empire policy should, as far as possible, be rather the handmaid of finance than the reverse?—Of course it comes to this, that the financial question in India is a very important one and a very difficult one and the gravity of the question has increased in recent years.

1937. You were speaking just now of Members of Council holding office for a limited period. The ordinary period for the Finance Minister to hold that post is five years?—Five years, yes.

1938. Is there any rule to that effect?—There is a rule, but I do not think it is in the Act of Parliament. I think his successor is appointed after five years.

1939. But is there anything to prevent his re-appointment?—Oh, nothing, or his continuation for six, seven, or eight years if the Home Government think it desirable, nothing.

1940. But when he is appointed he knows that his term will come to an end in five years unless it is renewed?—Oh, certainly.

1941. Have you ever known any Finance Minister go beyond the five years?—I am not quite certain. It was

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offered to me, to stay for more than five years if I wished, but I did not.

1942. Possibly five years of the responsibility is enough?—Well, I should think so. It was enough for me.

1943-4. I will now pass to the question of estimates. We have learnt from previous witnesses the manner in which the estimates are prepared and submitted, and it is not therefore necessary for me to trouble you with questions of detail; but may I ask whether you were satisfied with the form in which they were presented to you?—Yes, I was satisfied. Of course, there are certain difficulties in India which we have to contend against; we cannot get rid of them. That is to say, it is a very big country; the estimates have sometimes to come from a very great distance. We have some eight or nine local governments and some smaller provinces in different parts of India; and it is an immense mass of estimates that come to be dealt with in a very short time. These difficulties are inherent in the nature of the case, and we must accept them.

1945. Are these estimates presented to you in time to allow you to duly consider and, if necessary, amend them before the close of the financial year?—I think they came in as early as is practicable—I do not think you can improve the matter. Of course, if you had more time you might do a little more, but practically you have as much time as the nature of the case permits.

1946. You would require, I presume, more time than you require here, because the estimates are, in the first instance, prepared by the Provincial Governments, and correspondence must in India to a great degree replace personal communications?—Well, you see, so far as the estimates for provincial and local expenditure are concerned, I really had little or nothing to do; the Financial Department of the Government of India had little or nothing to do. You had just got to see that they kept within their limits. You do not interfere in details; it is not desirable that you should interfere in details. The provincial system was invented in order that you might escape the necessity of interfering in details.

1947. There is a considerable power, we observe, reserved to the Central Government in the matter of provincial finance. Do I gather from your answer that you were anxious not to exercise those powers unless you had special reason to do so?—I am a very strong supporter of the provincial system. I should like to see it, if it were possible, developed still further. I do not think it is possible at present, but I think it might be developed further in future; and personally I interfered as little as possible with the Local Governments.

1948. But still the estimates for which the Central Government are more immediately responsible, are originally prepared in the provinces, are they not?—Yes. They are checked and compiled by the Accountant-General in each province. He is under the Financial Department and thoroughly acquainted with financial rules; and therefore the estimates were got into pretty good shape in the provinces before they came to us.

1949. And therefore, so far as the Finance Minister is concerned, they come before him in such a complete shape that a comparatively short time suffices for his examination of them?—That would be so. Of course the examination—the details of it—is done very largely by the Financial Secretary, who passes on his examination to the Financial Member of Council.

1950. I regard the Financial Secretary in such cases only as the representative of the Financial Member of Council?—As the representative, just so.

1951. Had you the power in the last resort to amend an estimate if you thought it were not justified; that is to say, was the decision of the Finance Minister final in ordinary cases?—It would be. It is so always, subject, of course, to appeal.

1952. In ordinary cases if you chose to strike out an item, you could do so?—Certainly; it could not be included if the Financial Department objected. But the Department affected might show cause against the striking out of the item. If the Financial Member did not agree, they might appeal to Council.

1953. Where large questions or considerations of policy are concerned, the decision would rest with the Governor-General in Council?—And even in small matters.

1954. Before the estimates were prepared, did any conferences upon, what I may call, the programme of the year take place, in which you had the opportunity of explaining the financial prospects, and of making clear to the Government the amount available for extraordinary expenditure, say, for military purposes, for public works or for the improvement of administration or the benefit of the people?—I do not know that any formal conferences necessarily take place; but of course the question is considered beforehand—well, say, take the Public Works Department, they would send me in beforehand, before the estimates were finally prepared, a schedule of all the demands of the various authorities, and what they recommended, and they would go through them and say, "We agreed to certain items, and did not agree to "certain others, or could not afford them," and the estimates would be prepared in accordance with the decision come to.

1955. That is exactly what I mean. You, the Finance Minister, discussed with the Department the programme of expenditure very often before the estimates were actually prepared?—Oh, yes, as regards all important and new items certainly; and the same would be the case in regard to the Military Department. Certainly they would say, "We want certain things: here is what "we want." They would say that beforehand.

1956. Such previous proceedings would greatly facilitate the preparation of the estimates and lessen difficulty?—Yes, and of course those decisions were not final. When the estimates were put together, and we saw how things turned out, then the final decision would be taken and any matters that were still in dispute would go before the Council; and in any case when the estimates and accounts were completed, they would go before Council to show what the financial position was.

1957. You are aware that in England the management of the revenue is highly centralized. The two great Boards of Customs and Inland Revenue are resident in London. All questions of importance affecting the revenue come to them and they and their expert officers are intimately acquainted with all the details of revenue administration?—Yes. I am aware of that.

1958. The Chairmen of the Boards are in constant personal communication with the Chancellor of the Exchequer, and form, as it were, his standing counsel on revenue questions; who would in India represent such advisers to yourself? In India the Excise and the Customs and other branches of the Revenue are managed by the Provincial Governments and their officers; but in so far as questions connected with these branches of the revenue have to come to the Government of India they would come to the Financial Department, and there is a branch of the office of the Financial Department which deals with customs, one branch which deals with all questions connected with customs, and another which deals with all questions connected with excise; and if I wanted any information regarding Customs I would apply first of all, to that branch of the department which deals with Customs. If that branch could not furnish the information, I should have to refer to the Provincial Government.

1959. There are no officers outside the Finance Department at Calcutta that would at all correspond with the Chairmen of these Boards?—There is not. There is no officer who corresponds to the chairman of the Inland Revenue Board or of the Board of Customs.

1960. Here there is free appeal from the decisions of the Revenue Boards to the Treasury; and the Chairmen of the Boards themselves are anxious to obtain the guidance of their Chief, the Chancellor of the Exchequer, who ultimately must explain and defend their action in Parliament. There is a branch of the Treasury which deals with Revenue questions, and which has a general experience of them; but the Treasury officers have not, and cannot have, an intimate acquaintance with all the details of Revenue law, nor the knowledge of the operation of the law, and of its defects. Therefore, ultimately, the Chancellor of the Exchequer must, in the main, depend for his information on the heads of the two great Revenue Boards. Would not the same be the case in India? The officers of the Finance Department would not have that intimate acquaintance with Revenue administration in its details which would be equivalent to that possessed by the heads of the Revenue Departments here?—They would not.

1961-2. We have gathered from the evidence given that in India the Finance Minister must rely on local

officers at a distance for such information as the Chancellor of the Exchequer obtains from the Revenue Departments here?—Yes, in some cases he must.

1963. Does not that make it difficult for the Finance Minister in India to get readily and constantly that information as to the operations of taxation, which the Chancellor of the Exchequer gets here from the Chairmen of the Boards?—Of course, there is a difficulty there. Certainly it is not so easy for the Financial Member of Council to get immediate information as it would be in this country on certain questions connected with Customs and Excise; that is so.

1964. And may I ask, in pursuance of that question, whether you have ever felt the want of such expert officers at hand when you have been considering questions of taxation?—The question whether we shall manage a department for all India by a special officer at the headquarters of the Government, or whether we shall leave the business to the Provincial Governments, is one that has come before the Government of India frequently. The Post Office is managed by one officer—at least, the head of that Department is an officer who moves with the Government of India and is the Director-General of the Post Office of India. The Telegraph Department is managed in the same way. And there have been questions whether this system should or should not be extended to Salt. But you could not, I think, extend that system to many branches of the revenue. For instance, Excise; I do not think you could do it. The country is too big; the systems in force in the various Provinces differ very much. Consider the case of an officer at headquarters, managing, say, customs. He will be eight months of the year with the Government of India at Simla; I daresay the nearest port would be 1,500 miles off—at any rate a very long distance. It could not be done. You must leave it to the Provincial Governments. It is the same or similar reasons which have given rise to the establishment of the provincial system; that is to say, you could not attempt to govern in detail all Europe from one capital; therefore, though, on certain questions, it would be a convenience to the Financial Member of Council to have a man at headquarters who could give him information as regards many branches of the revenue, it would be a great mistake to have such an officer because he could not manage the details of the business throughout India.

1965. I think the Commission will quite understand the force of the reasons which you give for the present system, and I am putting these questions to you only for the purpose of obtaining your opinion as to these inevitable drawbacks—Inevitable drawbacks—just so.

1966. Your opinion as to the inevitable drawbacks in the present system, though the present system in itself is probably that which alone is suited to India?—It might be a question whether or not the centralised system could not be adopted as regards the Salt revenue. On the whole, I think it is desirable not to interfere; as regards Excise we certainly could not.

1967. (*Sir Andrew Scoble.*) Or Customs?—Customs, I think it ought not to be; but the difficulties are not so serious. In the matter of Excise they are insuperable.

1968. (*Chairman.*) In regard to Customs I should have thought it might be possible?—Oh, it is possible. But you see we have got a Collector of Customs at all the large ports, and officers who do Customs work at the small ports and possibly hold other posts under the Provincial Government. Well, it would not be convenient that an appeal should lie from the Collector of Customs to the officer at headquarters of the Government of India, who might be 2,000 miles off. There is a Board of Revenue at Calcutta who would hear appeals from the Collector of Customs at that port. Of course, it must be admitted there is not the same uniformity, and the Government of India has not immediately at its disposal the same amount of information as if the whole of the Customs were managed by one officer attached to the Government, as at home.

1969. I suppose there is a further disadvantage than that. I suppose you would consider that the taxpayer ought to have a very free right of appeal against local decisions?—Yes, there must be somebody to whom they can appeal against the Collector of Customs.

1970. And in that respect the Finance Minister is somewhat at a difficulty, though perhaps inevitably so, in having to decide on such a case without having the expert officers at hand?—But the appeal does not lie with the Financial Member in the first instance. For instance, if a merchant in Calcutta appealed against a decision of the Collector of Customs, he would appeal to the Board of Revenue on the spot, and all the pros and cons of the case would be put down on paper there. Then it would come to the Provincial Government, and then it would come to the Government of India, if it was carried so far; and all the facts would be placed on record, and all the questions of law explained and considered before the case got to the Government of India.

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1971. It is an inconvenience, but not a very grave inconvenience—that is what I gather?—Yes, it is an inconvenience, but not a very great inconvenience, and to remedy it by appointing a separate officer would give rise to still greater inconvenience.

1972. Just to illustrate my meaning, I am going to ask you a question on a subject, the merits of which lie entirely outside the scope of this Commission. Take such a case as we have heard a great deal of lately, the imposition of a duty of Excise countervailing the Customs duty on cotton goods; how would the Indian Finance Minister obtain the information necessary, remembering that time may be of importance in coming to a decision on such a question?—Well, I do not see how he could obtain the information except by reference to the Provincial Governments. Of course he could telegraph to them all, and would largely use the telegraph in cases such as that.

1973. There, again, we come to this, that the circumstances of India make necessary a proceeding that has considerable inconvenience in itself?—That is so. You see, dealing with England, you could, assuming that it was proposed to introduce a new tax into England, decide much more quickly what were the objections to it, than you could if it were proposed to introduce a tax applicable to all Europe.

1974. The difference between the two countries is obvious?—Yes.

1975. In the French system of finance there is a staff of officers called Inspectors-General of Finance. I have made acquaintance with some of these officers who have been sent over here, and most able officers they seemed to be. If I have understood from them the nature of their duties, they were to a certain degree the eyes of the Finance Minister. By means of them, he studied financial questions on the spot. He despatched them as *legati a latere* to examine and report on matters of finance requiring his personal attention. Have you any officers at all similar to them in India, or do you think that such officers would be of value to the Finance Minister, considering the immense field over which his financial work extends?—Of course, if there was any special reason for sending an officer to inquire into any subject the Finance Member could find an officer—he could get one and send him; but he has no staff which is occupied in any general duties of that sort.

1976. But without your having a staff detailed for that purpose, is your method of proceeding in India something similar? In cases in which you had either to take an officer away from his work or otherwise might have to go yourself to the spot, did you depute persons in whom you had confidence to make the inquiries for you?—Sometimes you do that yourself: if necessary, you would do it.

1977. But it is not a regular part of the machinery of the Financial Government?—No, it is not. But, of course, you must be careful not to interfere, unduly, nor to send one of your officers to interfere unduly with Provincial Governments. You generally have to make the inquiry from them. You would have to be careful about that.

1978. Supposing the Finance Minister himself went down to make an inquiry, as a matter of fact he would make it through the Provincial Government; and therefore *a fortiori* so would his officers?—As a rule, he would; you have to be very careful.

1979. Would you tell us who are the chief officers in the provinces responsible for the administration of the revenue laws? For instance, in each maritime province is there a Head of Customs?—There would be a Collector of Customs at each port.

1980. But at the Provincial Headquarters?—The chief authority would not be the same in each province; it would differ. In Madras there is a Board of Revenue; in Calcutta there is a Board of Revenue. They would take up these questions. In Bombay, I suppose, the Commissioner of Customs. There is no Board of Revenue there.

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1931. The Board of Revenue in Madras and Calcutta would collect salt and excise as well as customs?—Yes, they do.

1932. Now, stamps?—That would be the Board of Revenue.

1933. Then in most of the Governments, there is a Board with the head of which you as Finance Minister would communicate?—Well, I would communicate with him officially through the Provincial Government? He is under the Provincial Government.

1934. You would not communicate with the head of that Board directly?—No; we would not write to the Board direct; one might write privately or semi-officially; but one would certainly not write officially to him.

1935. Allowing for the difficulties inseparable from the administration of the revenue law over such an immense area, were you satisfied with the organisation of the Revenue Departments and the manner in which you could obtain the information you required?—Well, if you ask me if the departments are perfect, I am afraid that I could not say that they are; but if you ask me if they are fairly good, as good as circumstances would permit, I should say on the whole they are. And they are being improved every year. In a great country like that you cannot turn out establishments perfect all at once. It is a matter of growth. I think that on the whole the revenue establishments are fairly good—and they are improving.

1936. We come now to what I may call a speciality of the Indian Government, namely, the District Treasuries?—Yes.

1937. Were you satisfied with the arrangements under which the receipts are paid into and held at the District Treasuries, which then became the bankers of the Government?—I think so. I have no fault to find with them.

1938. Do you think that banks are sufficiently used at places where there are banking establishments?—There is very little to be done in that direction. At most places where you could use a bank there is a branch of the Bank of Bengal, and that is used; or Madras or Bombay, as the case may be. There is very little to be done in that direction.

1939. Then you do not go outside those three banks?—I do not think we do lodge with any other bank. There was a proposal to lodge the Treasury balance at Aden with a bank there. But I think the negotiations broke down; I do not know why; I cannot recollect. But you see at most of those places where we have got treasuries there are no banks.

1940. Of course, where there are no banks, you must have a strong box?—You must have. The money is perfectly safe. It is under a police guard. There is a regular treasurer and a police guard.

1941. Sir Henry Waterfield and Mr. Jacob told us that there are practically no losses by malversation—in the custody of the Treasury chests, I mean?—If you take the amount of money that is handled, the losses are quite insignificant; and about ten or thirteen years ago I think some improvements were made.

1942. And at present you think that the security taken for the proper guardianship of these district treasuries is satisfactory?—Oh, yes; satisfactory. Of course there are cases where money is made away with; but the amount of money made away with in proportion to the amount of money handled is quite trifling.

1943. Of course no provision in the world can prevent an officer who has the handling of money going wrong; the only real guard is immediate and quick detection. Would it be your opinion that the District Treasury affords the most efficient and most economical means for providing, over the immense area of India, funds ready on the spot for the needs of the public service?—I think so. There is not the banking organisation that would enable you to make use of banks. It does not exist.

1944. Do you know whether any calculation has ever been made of what the cost of the District Treasury system is, so as to enable us to form some idea of the per-centage which that method of making payments involves?—No; I do not think the calculation has ever been made.

1945. The District Treasury Officers have other functions to perform, have they not?—They have; but the cost is not very great. The officers are not highly paid with the exception of the Treasury Officer. There is the Treasurer; he keeps the cash—at least, he keeps the key of one of the locks. He is generally a native banker. He gets a small salary. A native doing work of that class would work for a small salary, and in many cases he likes the position of being Government Treasurer.

1946. Then to open the chest it requires two officers to be present?—Yes; two officers must be present to open the Treasury. And the native Treasurer gives large security always.

1947 The treasurer gives security?—He gives large security.

1948. I suppose orders on the District Treasury always carry two signatures, do they not?—Orders for actual payment of money?

1949. Orders for actual payment of money?—Oh, yes. The Accountant would examine the order to begin with, and it would be signed by the Treasury Officer afterwards.

2000. I ask the question because I think here we hold the two signatures to be a very considerable safeguard?—Oh, we keep the Account Department and the Treasury Department quite separate. I do not think you could improve the system there.

2001. I suppose that the larger number of these numerous district treasuries have really comparatively small amounts to deal with? District treasuries in remote districts have not either very large receipts or very large amounts of payment to make?—No; nothing very large, not what you would call large in the City of London.

2002. And the bulk of the receipts and payments take place, I suppose, at the great centres?—Oh, I would not say that. The land revenue, for instance, is all paid into the district treasuries. The opium revenue would be paid in the great cities—the customs revenue, the land revenue, and a great deal of the excise, a good deal of the salt—not all, but a good deal of it.

2003. Is there much movement of coin from one district to another?—A considerable movement.

2004. In actual cash?—In actual cash; yes.

2005. I suppose banks in India are confined to the centres of commerce, and that they have few transactions and few agencies in the country?—They have in some of the large towns in the interior, Allahabad, Delhi, Lucknow, Agra, and places of that sort.

2006. Almost all those are great centres?—The great centres, certainly.

2007. They do not push agencies into the smaller places?—Oh, no; it would not pay them to.

2008. Therefore the cost of Government banking business or movement of funds cannot be compared with the cost of ordinary banking in India? Of course, if the banks are confined to great centres, they are very few?—Oh, no; it could not be compared at all. Of course, the only banks in our sense, that is, the European banks, are in large centres; yet in the smaller towns, and down even to the large villages, there would be a man who does a sort of banking business.

2009. A native banker?—A native banker. I do not know that he receives much in the way of deposits.

2010. But he would cash bills?—He cashes bills called "hoondees," issues them, and lends money. There are native bankers who have got very large agencies all over the country.

2011. Instead of sending coin from place to place, do you make use of bills at all?—Oh, whenever we can we make use of bills; we would sell drafts on a treasury, when it wanted us to do so.

2012. At Calcutta, I gather from what you have said, you employ the Bank of Bengal; do you employ it to anything like the extent that we employ the Bank of England?—Well, I do not know the extent to which you employ the Bank of England; but we do employ it largely.

2013. The Bank of England pays all the debt charge. It keeps almost every Government balance (I say "almost," because there are one or two exceptions) it conducts practically all our payments for us. It has got very few branches outside, but where there are branches it usually conducts our business?—Oh, we employ the Bank of Bengal largely. It holds the large Government balance, and it manages the debt—the

transactions connected with the debt; it pays the interest.

2014. Now, temporary advances; do you go to the Bank of Bengal for them?—We do not have any temporary advances; we work by our own balance.

2015. You work by a system of large balances?—I am not sure that we may not have got an advance once or twice; but, as a rule, we work by our own balance; and it is rather the other way—that they come to us for assistance rather than that we go to them. We must work in that way.

2016. Is not the Bank of Bengal big enough to give adequate assistance at times to the Government?—Oh, at times undoubtedly the Bank of Bengal could give assistance if we wanted it, but it is not considered safe to rely upon getting assistance. You see in India there is not that great supply of loanable capital that there is in this country, in London; nor can you get loanable capital from outside very readily, and transactions are much more carried out there by cash than by credit, so that an increase of business or demand not very great in itself leads to a scarcity of cash. Therefore we cannot depend upon the market; we must keep a balance.

2017. And, therefore, in your view, you are driven to working by means of large balances sufficient to meet your wants?—I think so. I would not recommend any change in the system—I would not. Of course, I see the advantage of working with a small balance. It is a saving of interest.

2018. Here, where there is large loanable capital kept always at the disposal of the banks, we work on a system of small balances?—Oh, that is the difference.

2019. We systematically work on the principle that at the beginning of the quarter we are borrowers from the bank in order to meet the debt charge?—Yes.

2020. That, practically, does not apply to you in any way?—No, practically, we do not borrow.

2021. May I ask about what sum represents your standing balance?—Well, it varies very much.

2022. It varies with the time of the year, I suppose?—Yes.

2023. But take the minimum?—I do not know that I would like to see the balance at the worst time of the year go below about 8 crores—Rx. 8,000,000.

2024. You are counting that roughly as eight millions?—Yes. It might reach up, to 15 or 16 crores, and when the Secretary of State did not draw his bills—trying to keep up a higher rate of exchange—money accumulated in the Indian treasuries, it went up to something very high. I do not think they have got the balance down to normal quite yet—12,000,000 or 13,000,000.

2025. The expenditure in England and India is not very different. Are you up to 90,000,000 yet?—I daresay we are, owing to the inclusion of railway transactions—you must really examine the accounts, I daresay, to get the exact figures.

2026. Quite so. But here we consider a balance of about 6,000,000*l.* a maximum; of course it varies?—You should of course recollect that the balance of India has to be distributed all over an enormous country, and is lodged in a large number of treasuries.

2027. Our 6,000,000*l.*, is in the Bank of England?—I do not think we could work with 6,000,000*l.*, I think we would collapse—I think we would collapse with only 6,000,000*l.*; but Mr. Jacob will be able to tell you correctly—give you the best information.

2028. But 8,000,000*l.* is your minimum, I understand?—I think that is about as low as we could go.

2029. The district treasury is the key of financial procedure in India; it focusses the receipts and payments of the State, and from it alone can the financial member obtain information as to the progress of finance; are you satisfied with the arrangements under which you receive information from the district treasuries?—Well, after the mistake in the estimates in connection with the Afghan war, that matter was gone into very thoroughly and very carefully, and the present system, I think, was drawn up by Mr. Westland, now Sir James Westland, Member of Council—and I think it was drawn up with great ability, and I never saw my way to making any improvement in it.

2030. Are you satisfied, as Minister of Finance, that, under the existing arrangements (of which I understand you to say Sir James Westland was the adviser) the Finance Minister is quite certain to know early enough the progress of expenditure to avoid any recurrence of such a mistake?—Certainly. He cannot, of course, get the information so early as the Chancellor of the Exchequer could in this country, but he gets it as early as the circumstances of the case permit, and he gets it sufficient early for practical purposes.

2031. We understand that you learn the total of receipts and issues at the district treasuries and the balances in hand about the 9th of the month following that to which the total related?—That, I think, is the date.

2032. Do you think that that is as early as it is possible to get the information?—Oh, I think so.

2033. We have been told that this monthly return, which the Finance Minister receives about the 9th of the succeeding month, is the one upon which he relies for his current information. We understand the difficulty of getting more frequent information from such a vast number of receiving and paying banks as you have in the District Treasuries; but did you ever find inconvenience from receiving only monthly accounts?—We get those figures on the 9th; then we get them in greater detail, I think, on the 16th.

2034. But only referring to the month that has expired?—Oh, yes; it is quite sufficient to get it once a month, and I think it would be found impossible—practically impossible—from the magnitude of the thing to get it oftener than once a month.

2035. But what I mean to say is, would you like to have them oftener?—I would not. But there is this to be said. I had been a long time Under Secretary, Secretary, and Accountant-General. I knew the whole of the system, and for me it was certainly sufficient. And the Secretary is, of course, in the same position in the Financial Department, and he would be able to give any necessary explanation to the Financial Member. I think the information now received is sufficient, and I think it is as good as could be got.

2036. I ask the question as a comparison. Here the Chancellor of the Exchequer receives every Monday a balance sheet of the state of finance up to the previous Saturday night. That return is, I consider, the Chancellor of the Exchequer's *vade mecum*, which is always in his hand, and on which he founds his constant communications with the Treasury and Revenue Officers. I think Sir Edward Hamilton will not say that that is an incorrect description of that account?

(*Sir Edward Hamilton.*) I think it is quite correct.

2037. (*Chairman.*) Would you say that an account of that kind received weekly would be a great advantage, as compared with what is possible in India?—I should not say that it would be of great advantage; no, I should not.

2038. In fact, from the circumstances of the case, the Finance Minister in India cannot keep such a close and daily watch over the progress of the year's finance as the Chancellor of the Exchequer can?—He cannot. As regards some heads of revenue he can keep a very close watch and make a very close estimate at the end of the year. Excise, for instance, Stamps and Opium; but when you come to the Land Revenue, the year closing at the very middle of the busy season for the payment of revenue, and the revenue being paid in in small sums—not merely at Treasuries, but paid in to collectors at various places, often far away from the telegraph, and with a slow post—we cannot of ourselves make a very close estimate as to the amount of revenue to be obtained in any particular year. Half a million may come in a little later or a couple of days earlier. It is thrown from one year into the other. We cannot do it, it is not possible. In the same way the Financial Department cannot of itself do very much with the estimates of railway revenue expenditure; we must rely upon the estimates of the Accountant-General in the Public Works Department, who must depend on the railway officials. We have not the means of making a close estimate, say, of the income of the East Indian Railway; we must take what the East Indian Railway Company gives us. That is a difficulty, and that is one of the reasons, I think, why we are often blamed, because the actual figures vary a good deal from the estimates as regards certain heads. Although we can tell you exactly, or pretty fairly, what the revenue would be on a series of years, we cannot tell you how much will come into one particular year rather than another; but we can do so in regard to Excise, Stamps, and Opium,

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and a number of other heads. We know what the average Land Revenue will be, but we cannot say closely how much will come into this year and how much into next.

2039. You were speaking just now of the inconvenience caused by the fluctuations in Indian finance; first of all, in the districts, whether caused by famine or other emergencies to which India is subject; and next, which is partly the same question, in the revenue; but may I ask, do you not think that (putting aside the last two or three years of very unfavourable exchange) the surplus which you have secured in India over a long period of years compares favourably on the whole with the financial results in any other country that you like to name?—I think so. We will always aim at a surplus in India. We always take our principles of finance from England, and we will not tolerate a deficit. We may put on taxation, and take other measures, but in the long run we will have a surplus.

2040. Then in spite of these very disturbing elements to which Indian finance is subject, you managed to estimate so far correctly and secured this result of good finance, that over a series of years you have shown a very respectable surplus?—A good average. Oh, yes, certainly, we have done that, and we will do it, no doubt.

2041. That, I think, would strike an outside critic?—Oh, I think we will always do that. You see, where there are so many elements of uncertainty the tendency in estimating revenue is towards caution. The estimates of revenue whenever they come up to me are all a little below the mark—where there are elements of uncertainty everybody who has to deal with the estimate works cautiously.

2042. Do you make the basis of them the receipts of a series of years, or what is the basis?—Well, in the case of the Excise revenue, we would get from the local officers their estimates. They would base their estimates on the facts of previous years and on any changes that had taken place, or were about to take place, and on their local knowledge, and we would compare the total estimate of the local officers—the aggregate for all India—with the average for past years; and as regards all our main heads of revenue, I can only say that the growth of revenue has been very satisfactory. We can depend—taking Excise, Stamps, and a number of other heads—with, I might say, absolute certainty, on having a very fair rate of increase. It may not be so great in one year; but then we will have it twice as great the next year. But, on the whole, we can depend on a very steady and very satisfactory growth of the ordinary revenue.

2043. Speaking as a Finance Minister, and comparing yourself with other Finance Ministers, have you not had to deal with a pleasantly buoyant revenue?—If you will put aside Opium, which is rather a dwindling source of revenue from special circumstances, and which we have known to be a dwindling source of revenue for years, I should say that the Indian revenue was more than fairly buoyant. Of course, you must recollect that we have had a silver standard. What difference that made I cannot tell you. I do not think it made nearly so much difference as you would expect.

2044. We were just speaking about the difference between your monthly return and the Chancellor of the Exchequer's weekly return. The advantage which the Chancellor of the Exchequer finds in weekly returns is very much connected with his method of doing business, which is that of constant personal communication with the Treasury Officers and the Revenue Officers. The circumstances in India, which you have described fully to us, make that constant personal communication with the Revenue Officers impossible?—Impossible.

2045. And therefore if you had more frequent returns showing the progress of the receipts and expenditure they would not be so useful to you as they are to the Chancellor of the Exchequer?—Well, if you ask my opinion, I can only say that if you were to offer weekly returns similar to what we used to get monthly I would tell you that I would rather not have them. I do not want to look at four returns which practically give me the same information.

2046. I should like to ask you a question or two about the Budget statement. When you give in that statement an estimate of expenditure, to what expenditure does that relate? Does it mean the sums issued out of the different treasuries in the year ended 31st March for the great services, viz., war, public works, civil administration. or does it mean the expenditure as finally admitted?—Expenditure as finally admitted—as incurred.

2047. Not as issued, but as incurred?—No; we do not go by the issues; that, of course, causes delay.

2048–9. About what date is the Indian Budget Statement?—It is made about the 20th of March.

2050. Before the close of the financial year?—It is just at the close of the financial year.

2051. Then in the Budget statement you cannot profess to give an actual statement of the expenditure of the expiring year?—No; we do not. We give what is called the revised estimate.

2052. And when is that revised estimate made?—The revised estimate is made immediately before the statement.

2053. In fact, it is revised for the purpose of the Budget?—It is.

2054. (*Sir Edward Hamilton.*) What is supposed to be the object of laying the Budget before the expiration of the year?—It used to be a month later. I think it was made a month earlier to enable it to be laid before Parliament by a certain time.

2055. (*Sir James Peile.*) In May?—Some time in the "60's," I think it was made about a month earlier.

2056. (*Sir Ralph Knox.*) About four months of the expenditure is estimated in the revise?—Well, in some cases it would be very much less. As regards certain heads of revenue, we might have eleven months actuals and one month's estimate. As regards most I think there would be ten months' actuals.

2057. But as regards expenditure, it would be a four months' estimate, would it not?—No; not so much as that, I should say.

2058. (*Chairman.*) You think that the expenditure is admitted within less than four months?—Oh, I think so. I think we get the actuals for the month six weeks after it is closed. I then have the actual recorded expenditure.

2059. Sufficient for your revised estimate?—Oh, yes; I think so; and we get approximate actuals under some heads before we get the actual figures.

2060–1. Therefore, if the Budget is laid on the Table in the middle of March, you may say, as far as expenditure goes, that as regards two months it would be based upon estimate?—Yes, something like that; but these are two very important months; March is a very important month.

2062. Is it a great month of receipts?—It is a great month of receipts.

2063–4. (*Sir Edward Hamilton.*) We always find it the greatest inconvenience to have a Budget before the close of the financial year in this country. I remember one or two occasions.

2065–6. (*Chairman.*) I was going to ask whether you do not find it somewhat an inconvenience having to prepare your Budget before the close of the year? Would it not have been a satisfaction to you to have been able to close the year before making your Budget statement?—It would in one way, but, on the other hand, it is very desirable to have the estimates sanctioned in time, and distributed by the beginning of the next year.

2067. There is a reason why it is not so important to you as it is to us, and it is this: our Budget estimate is based entirely on the Exchequer issues?—Yes, that makes a difference.

2068. And, therefore, considering that by that means the Chancellor of the Exchequer is able on the night of the 31st March to state definitely his receipts and expenditure for the year, it introduces a confusion into his statement if he anticipates that by 10 days and brings estimate into that which a few days later he could make a certainty. But supposing the Budget were introduced at the same time that it is here, about the 10th or 12th of April, you would still have a considerable amount of estimate in your expenditure?—Oh, yes, a very considerable amount, because, of course, the closing of the accounts of the year is a very big business in India with so many departments. There are so many provinces and adjustments between them and so forth that the last month's accounts are the most difficult to close.

2069. (*Sir Edward Hamilton.*) You are not then, I suppose, able to present your Budget upon ascertained figures for the previous year, until you come to the end of June practically?—It would take some months after the beginning of the year to enable us to do so.

2070. (*Chairman.*) Without suggesting that there is reason for an alteration; I should like to ask you this question: Would you see any advantage in making your Budget estimate depend upon the issues from the district treasuries, and not on the admitted expenditure, so that, if the Budget were published about the 10th April you would have a definite account of your income and expenditure for the year not dependent upon estimate?—Well, I do not think that we could work under that system in India without a complete change; and, after all, if you get a definite account of that sort it is by sacrificing something. It is by accepting what are accurate enough in their way, but do not show exactly the expenditure of the year—it is by accepting issues instead of actual expenditures.

2071-2. Our Exchequer issues are imprests, and we generally find that one year with another the audited expenditure differs from the Exchequer issues —I speak, subject to Sir Edward Hamilton's better and later knowledge—by sums varying from 100,000*l.* to 500,000*l.* upon an expenditure of, we will say, from 90 millions to 100 millions; therefore, for all practical purposes of the public, that is sufficiently accurate. For the minute purposes of account, for the examination by the House of Commons of the accounts for the year, the audited account comes later and serves that purpose sufficiently; but what the public here have been accustomed to and like is, immediately after the close of the year, a statement which is not altered afterwards?—I think it would be very difficult to introduce it into India; it would require a great deal of consideration.

2073. That I quite understand?—A very great deal; our system is so totally different that the introduction of that system would be a revolution; it would require very careful consideration.

2074-5. In asking the question, I was not, for a moment, suggesting it to you as a desirable change; I would only ask you whether you yourself, as a Finance Minister, would prefer, in making your budget, to deal with an account that was definite rather than with an account in which a part is estimate?—Of course, I would rather have an account that was definite. I told you that in India, owing to uncertainties, we always estimated cautiously, and consequently in a series of years we showed surpluses over the revised estimate; now it is a most remarkable fact that the actual accounts always—I may say always—turn out better than the revised estimate.

2076-7. That is the next question I was going to ask you—I have often noticed that the final account turns out better than the revised estimate, and, therefore, when the Indian Finance Minister comes before the public with the Budget he is obliged to put before them a statement which is worse in all probability than that which he will eventually have to present?—Well, not his estimate for the coming year, but his revised estimate. I always said in my financial statement: "Here are the figures for the "revised estimate; here is the surplus or deficit; I "have no doubt that when the accounts are made up the "result will be somewhat better;" and the cause of that is that owing to the uncertainties nobody who makes an estimate will put down more revenue than he is certain of receiving, and every man who has expenditure to estimate will put down the maximum that he is likely to spend, and when you take the totals of those items of revenue and expenditure the margin comes to something very considerable for the whole country.

2078. (*Sir Edward Hamilton.*) But still you would consider it an advantage if it could be arranged for you to have your final figures before the Budget?—Yes.

2079. I understand that the reason why it is laid at this time of the year, usually March, prior to the close of the financial year, and some time before you get your final accounts, is that the Budget should be laid first before your Council in India, and then be able to be presented to Parliament here before the session is over?—Yes, it must be produced in March.

2080. But if the financial year closed on the 31st December, corresponding with the calendar year, then I suppose that difficulty could be surmounted?—Yes, there is no reason why it should not; I do not know any reason why it should not.

2081. (*Chairman.*) As it stands now, since you produce your Budget in March, therefore, whatever system is adopted, there must be a partial estimate in it. The comparison, therefore, which I have been suggesting for your consideration between the English system of Exchequer issues and your system really falls to the ground, if you are always obliged to base your final accounts somewhat on estimate?—Oh, yes, so long as they are presented in March.

2082. There is only one consideration, on the other hand, which seems to me a weighty one—that you are obliged under the circumstances to present an account not so good as that which you will present a few months later?—It is always certain that the final figures will give a better result than the revised estimate.

2083. I do not know that we have very much to ask you about the arrangement under which the provincial expenditure is conducted. I gather from what you say that you approve strongly the system of decentralisation?—Oh, yes. I think it would have been practically impossible to have conducted the administration under the old system.

2084. Do you think that that system could be extended further?—Well, what I should like to see would be the Provincial Governments—the chief ones at any rate—started in a position of financial independence; that there should be no more revisions of the contract. I do not think, however, the time has come for that.

2085. But you would allow the Provincial Governments to take a fixed proportion of the revenue they collect, subject to no such revision as that under which the Central Government has hitherto obtained a considerable gain?—Certainly; that is what I should like to see.

2086. Then how would you meet the necessities of the Central Government with the heavy demands that come upon it?—I would only give the Provincial Governments a certain proportion of the increase of revenue; I would settle that they should have that.

2087. But at present the Central Government constantly takes that increase?—Constantly takes a portion of the increase; but I must say when the provincial system was started I do not really think it was intended that the Provincial Government should have a portion of their resources taken away periodically. The difficulties, however, of the Government of India, owing mainly to the Exchange question, have been so great that it has been forced to take what money it could. Assuming that it had to meet a certain expenditure, it was better to take a portion of the large increase which the Provincial Governments had got than to impose additional taxation.

2088. That I can readily understand?—In the first instance there was a scheme as regards railways and canals that the Provincial Government should guarantee the interest on the railway or canal, and the Government of India find the money. The railway was made, and if it paid less than 4 per cent. the Provincial Government made up the difference. Well, if you have a periodical revision and a cutting of the surplus away from the Provincial Government you destroy all that. The Provincial Government may guarantee anything it likes, but at the end of five years you must leave it enough to carry on the administration. If you take all the surplus, you, to a certain extent, remove all the inducement to the Provincial Government to economise. It is a weakness; the periodical revision may be necessary under present conditions, but it diminishes the value of the system. Take the province of Bengal with a population of between 70,000,000 and 80,000,000 of people. Well, that province is big enough to have an independent financial system.

2089. But on the other hand is it not a benefit to the Provincial Government under your present system that practically the Central Government takes the risks of finance except in the case of famine?—Of course the Government of India takes all the great risks.

2090. And is it not fair, therefore, that you, the Finance Minister of the Central Government, should take part of this fairly buoyant revenue in order to secure yourself and have a reserve against these demands?—But we do take a part of the revenue. For instance, we take three-fourths of all the increase under

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Excise as it is; we take one-fourth of the Stamps; but then when the periodical revision comes the necessity has been so great that the Government of India has had to take a portion of the increase that accrued to the Provincial Government.

2091. Have they not taken all the increase that has accrued?—After allowing for the increase of expenditure. I do not propose to change that at the present time—I think that the other system cannot at present be introduced. It has been proposed, and I had to go against it. The financial position of the Government of India is such that it cannot give up this system of revision; it must retain the right to take a portion of this increase.

2092-3. Then in fact your view is, if I may say so, an expression of pious opinion as to what might be desirable in case better days come?—Yes; in the future I should say very desirable. I should certainly look forward to that as the development in Indian administration, but I am not prepared to say that the change is practicable at the present day.

2094. (*Sir James Peile.*) It would not do to have the central administration embarrassed while the provinces were rolling in wealth, would it?—Well, if it came to a question whether the central administration should be embarrassed or the provincial administration be starved, I would rather see the central administration embarrassed.

2095. (*Sir Ralph Knox.*) Does not the provincial system somewhat encourage that which you deprecated just now, viz., that spending freely in years of prosperity?—Well, it does, but the Government of India keeps a certain check over the provincial system. We will not allow them to spend the last rupee; we make them maintain a certain balance.

2096. Still, when there is a prosperous year they have been trying to spend their income?—Well, they would no doubt; but as you see there are two ways in which they may spend it. They may spend it in increasing fixed establishments. That they would not do if they merely had a good year. They might spend it on public works; there is no objection to that because they can curtail that expenditure, if necessary—it is merely making so many more roads. There is, of course, a risk. But if they spend more than their income for some years then they have got to spend less for some years.

2097. But it is generally in that direction—in the construction of roads and buildings and public works that excess of expenditure does take place in a year of prosperity, does it not?—Well, you see it would not occur in the year in which the revenue came in.

2097*a*. But if the Provincial Government had very prosperous years and accumulated revenue, it would no doubt spend that surplus on roads and on public buildings, and possibly on railways; and that you would not object to?—I think not, because that could be stopped.

2098. It is rather to establishing a higher standard of expenditure that you would object?—That I would object to, unless they had permanent increase of revenue.

2099-2100. (*Chairman.*) Do you not think that people will always find a good useful object to which to apply revenues which come to hand? and can you always ensure that such money is economically applied? I think I gathered that you desire the Central Government to interfere as little as possible, and to leave them a free hand?—Of course, they may waste money; no doubt about that; but every Government wastes money more or less. They must learn to manage their own affairs. I think a province of 70,000,000 of inhabitants is big enough to have its own financial system, and to manage its own affairs.

2101. It is very evident that you are a firm friend of decentralisation?—I am.

2102. (*Sir Edward Hamilton.*) You said "periodical revision"; how often?—Every five years.

2103. (*Chairman.*) And that for the present you think must be observed?—I do not think you can extend the Provincial System much further for the present; I see no way of extending it further for the present.

2104. And, given fairly prosperous times, these heavy demands upon you and the great inconvenience of the fluctuation of the exchange being removed, you would not think that it was necessary to secure a larger share for the Central Government, than that increase which it would gain upon its normal share?—Well, you see you might look at the thing for a series of years and say "We have given you one half the increase of "the revenue under a certain head; we are going to "make a permanent agreement with you; we will give "you one-third permanently." The thing is to be looked into and settled upon reasonable terms, but I would certainly look forward to that as the course of development in Indian administration, and as a very great reform if it could be introduced. It was proposed, I think, by the Lieutenant-Governor of Bengal some years ago, and I had to go against it because we were not in a position to take it up.

2104A. (*Sir James Peile.*) Would you maintain the practice of special contributions being levied when the Government of India is in difficulties, which happens occasionally now?—It is a case of necessity knowing no law. I think it an extremely bad system.

2105-6. (*Chairman.*) Even in the last financial year, in 1894-95, the Central Government was obliged to make a great draft on the Provincial Governments?—It is one of those things that has to be done, but I think it is unfortunate; it is like putting on taxation; it is an evil, but you cannot avoid it.

2107. I think that you, in looking over the evidence that we have received, do not entirely agree with the interpretation which was put upon the provincial rate in Bengal. I think you thought the witnesses represented it as a percentage on the land revenue?—Yes. I do not think it is in Bengal. Of course you were examining account officers. My impression is that it is so much on the rent.

2108. Yes, quite so?—It would be quite unreasonable to put it on the land revenue in Bengal, for the land revenue bears a very small proportion to the rent and not the same proportion throughout.

2109. Therefore it would be incorrect to represent this as anything like the *centimes additionels* in France, which is a separate tax?—It is a separate cess; I think it is so much on the rent of the land, and it would be most unreasonable to put it on the land revenue in Bengal.

2110. You would guard us against forming too hasty an opinion that the large increase of revenue since the provincial system was introduced, is due to the introduction of that system?—Oh, I should, certainly; I am a supporter of the provincial system, and I have no doubt that the introduction of the system has developed the revenue. But if you take Stamps you will find that there has been a large increase there. Well, the Provincial Government could have done very little to develop the stamp revenue—very little, indeed; and if you look at the division of Stamps, I think you will find that the increase has been larger under what we call "court fee stamps," that is, stamps on documents put into court, and plaints, and so forth. The action of the Provincial Governments could not have affected this branch of the revenue in any appreciable degree, and yet I think there is a large increase. I would also wish to say that I do not think the increase of revenue due to the provincial system is due so much to the fact that zeal has been increased as to the fact that they work with greater latitude. I think that a Provincial Government managing a branch of the revenue for the Imperial Government is fairly zealous. I do not think there is much increase in zeal, but they were allowed a greater latitude.

2111. I think one of your predecessors gave as a reason for allowing such latitude of powers to the Provincial Governments that the revenue as collected when they had no interest in it, was carelessly collected?—I should hardly say so, but undoubtedly the provincial system is an improvement.

2112-3. And that opinion of yours carries all the more weight owing to the fact that you were cognisant of the system before the change took place, before the provincial system ever came in?—Yes. Now take the case of smuggling, excise smuggling, smuggling of liquor. I imagine that the Provincial Government was always anxious to put it down when the revenue went all to the Imperial Government, but they had not the same power, we will say, of appointing preventive establishments, or making other regulations to put down smuggling; they have been given greater latitude; I think that is the chief factor, not increase of zeal. The district collector does not get anything for himself in any form whether the excise revenue is large

or small; it goes into the general treasury, and is probably spent on public works in a different part of the province altogether. There is some increase of zeal I admit, but I think the improvement is due to the greater latitude given to the Provincial Government rather than to the increase of zeal in the collection of revenue.

2114. (*Sir Ralph Knox.*) You think that the Central Government rather starved the establishments, do you?—Well, I will not say quite that they starved the establishments, because whatever money they got they spent in some form or another; but the Provincial Government would, if it wanted to stop smuggling, have had to prepare a report on the whole question and send it up to the Government of India, saying: "We "think there is so much smuggling, and we would like "this preventive establishment," and that would go to the Finance Department, and the Finance Department would say, "Well, we have not got the money, and we "are not satisfied it would pay." When something like that happens on a few occasions, the Provincial Government would rather hesitate to make proposals. They would say, "Let things go on as they are, we cannot get the Government of India to agree to a change." Now, if they think it is necessary to make a change, they can make a change by their own authority, bearing the cost themselves.

2115-6. (*Chairman.*) Did you notice a table* which Sir Henry Waterfield put in, in which he showed a very large increase on the revenue that had been handed over to the Provincial Governments amounting in the case of the Excise to as much as 85 per cent.?—Yes.

2117. The per-centage of increase, of course, struck us very much; and a question arose as to whether that increase could in any degree or to what degree be looked upon as the result of improved administration. The tendency of the witnesses was to say there had been no noticeable increase of taxation that need modify to any great extent the deductions to be drawn from that per-centage; and therefore they could only say that that per-centage of increase was due (1) to the increase of prosperity of the country, (2) to better collection. May I ask if you have any opinion to offer?—Well, I should say in the case of excise there would be a decided increase of taxation.

2118. I ought to say that the witnesses guarded themselves by saying afterwards that there had been an increase upon spirits?—I fancy that the fact that it was due to increase of taxation has been overlooked, because in the case of the excise, as a rule, it was not necessary to pass an Act increasing taxation. The revenue authorities had power to increase the taxation.

2119. There are maximum rates?—Well, I am not sure that in some cases there was any legal maximum; practically there was a maximum, and very much above the actual rate. Then, take the case of opium. It comes under the head of Excise, in so far as it is consumed in the country. That is called excise opium. In Bengal, and in a number of provinces on that side of India, the Government which manufactures the opium sells it, and the way they increase taxation is by putting a higher price upon it. There is no Act; but the increase of the selling price is increased taxation unquestionably. And you will find that in Assam, for instance, and in Bengal, with a reduced consumption of opium there is a very much higher revenue. In the same way the rates of duty on Ganja have been very largely raised, and the rates on spirits have been raised; and higher rates have been put on licences for shops. You see we limit the number of liquor shops in many places, very strictly; consequently, the shop becomes a valuable property, and you can manage to get a high rent for it. If you reduce the number of liquor shops in London to 2 per cent. of what they now are, each liquor shop would become a very valuable property and the State might very fairly claim that increased value.

2120. And that, you think, is done in India?—In the case of Excise there has been increase of taxation in many ways. There is also a greater check upon illicit consumption; and, no doubt, good years in India mean an increase of Excise revenue and bad years mean a falling off. There is no question about that. I have traced the connexion through a series of years. And, no doubt, there are some sections of the Indian people whose position has improved. It does not follow that they drink more, but they are in a position to pay higher rates of duty. Then take the case of registration. It is a small department; it provides for the registration of documents. It is a growing department, and the receipts increase with the growth of the department, and also with increase in the number of transactions.

2121. In regard to the Excise, when we have this very large increase of 2,200,000*l.* on 3,000,000*l.* how would you account for it? I suppose you would not attribute the whole of this to increase of taxation?—Oh, certainly not.

2122. You would only caution us against deducing any hasty generalisation that that increase is to be divided between (1) increase of prosperity, (2) better collection?—That is it really, but, of course, you recollect that those figures are all under the silver standard. I am not sure that that makes much difference, because it is a very strange thing that although you find a great alteration in the relative value of gold and silver, you do not trace in the two countries with their different standards the same complete alteration; the complete alteration comes very slowly.

2123. You mean in prices?—Yes, prices and wages, and so forth.

2124-5. Have prices increased? At the time when the Indian Currency Committee was sitting I think the balance of evidence before us was that prices had not very much increased; but of late is not the tendency of opinion in India that prices are increasing?—Yes, there was that; there was some manifest indication of increase in prices, but I do not think there has been quite recently.

2126. You mentioned that the rules regarding claims by the Provincial Governments for extraordinary relief have never been applied in practice,—are they applied under no circumstances?—Well, you see we have not had a great famine since 1878, I think, and those rules were subsequent to that date. I am not sure that those rules are in force now. I merely expressed my opinion that hard-and-fast rules like that cannot be applied in practice. If there is a famine Provincial Governments must meet it as well as they can, and, when their resources are no longer able to meet that famine, the Government of India must assist them, and when that famine is over the Government of India must start the administration again on a fairly satisfactory basis. For instance, if the revenue of a province is one million, and we find that under those rules we had a claim of one million against it at the close of the famine, we could not possibly enforce the claim. The administration must be carried on; therefore my opinion is that these rules go into too much detail; that, when a province gets into difficulty owing to a famine, you must take the whole of the case into consideration at the end of the famine and start the administration on a fairly satisfactory financial basis.

2127. Then, on the whole, I take it that your opinion is in favour of the extension of the provincial system, and, next, that you would put in force as little as possible the powers of control reserved to the Imperial Government. On that point, do you think that these powers of control, which are reserved, give rise to a very great deal of correspondence?—I do not think so; they are understood.

2128. That is because the Government of India has acted, I suppose, in the spirit which you approve, viz., it exercises those powers to the least degree that is compatible with sound finance?—Partly because the powers are well understood by the Accountant-General or Audit Officer in each province who is responsible for applying them. If anything goes wrong he informs the Provincial Government at once. I must say these rules, which are very much the same as the rules first drawn up when the system was started, have worked very well in practice. I think they were drawn up by Mr. R. B. Chapman in the first instance, and there has been very little change indeed in them.

2129. And, therefore, the principle upon which decentralisation was based has been given full effect to, that is to say, the interference of the Central Government has been restricted?—Certainly; the only thing one can say is that the special contributions and those periodical revisions have been, I think, a little more severe than was contemplated in the first instance; and it would be desirable to get rid of them if you could: I do not think you can for the present.

* *See* Q. 679.

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2130. (*Sir William Wedderburn.*) May I ask one question as regards this matter of provincial contributions. Besides the revision of the contract, after a period of years, there has been this occasional levying a distinct contribution from the provincial balances which have accrued?—Yes.

2131. Is the amount taken from the several provinces calculated with reference to the total of the balances that have accumulated or to some system of putting a rateable contribution upon each? What I want to bring out is whether the economy of a particular government becomes penalised by having a considerable balance which may tempt the Central Government?—It is not a rateable contribution. It is taken generally with reference to the circumstances of each province at the time. I cannot say how the last one was taken. I do not think a special contribution was ever actually taken in my time. I do not think the contribution can be taken by a rateable levy, because you might find a province was not in a position to make any contribution unless it put on taxation. Of course, as you say, the present system may operate as a sort of penalty on a government that had accumulated its funds and was economical, if it be economy for a Provincial Government to accumulate its funds. This may be the case, but I do not think a rateable contribution would work satisfactorily in practice.

2132. (*Chairman.*) I would like to ask you a few questions on the subject of the audit system of India. Do you share the opinion, which I think is now generally accepted by financial authorities in this country, in favour of an independent audit, that is to say, an audit by a man who is independent of the officer whose expenditure he audits?—Yes; certainly.

2133. Do you think that under the present system if is fully given effect to in India?—I think, without saying the Indian system is perfect, that it is very fairly given effect to.

2134. Now the criticisms I should like to put before you for consideration are these.—The officer who is charged with the duty of auditing in India is the Comptroller and Auditor-General. That officer described to us his duties, of which a considerable amount appear to me to be executive duties; first of all, we gathered from him that he is what we should call the adviser of the Treasury. To a certain extent he is adviser of the Finance Minister in financial executive measures. Some of his functions seem to us to correspond to those of the Comptroller of the National Debt Office here, which is distinctly an executive office. And again he has functions connected with currency, and with the management of the mint, which I think to a certain extent one would qualify as executive. Well, these functions being executive to a certain extent, he may be auditing expenditure of which he has been the adviser. Is that quite compatible, apart from reasons of expediency to which we shall come afterwards, with the independence of the auditor?—Well, I think in my previous answer I said that the Indian system was not perfect, but that I thought on the whole it was fairly satisfactory as regards the independence of the auditor. Now, in point of fact, the real audit is not made by the Comptroller and Auditor-General. There are separate auditors in the Public Works Department, also in the Military Department; and then there are civil auditors—Accountants-General—in the provinces; these officers who have no executive functions really make the audit.

2135. The functions of the Accountant-General have been described generally in accordance with what you have just been saying, but we understood also that they were advisers generally on financial questions to the Provincial Governments?—They are not regular advisers, but every Accountant-General must advise the Provincial Government if the Provincial Government asks him for advice. The Auditors of Military Expenditure are however appointed and promoted by the Military Department. I think the system has worked fairly well; but I think there is a weakness in it; I think the military auditors ought to be appointed and promoted by some other authority. I do not wish to change their functions in any way, or their relations to the Military Department, nor to alter the system of recruitment. They are generally military officers and they might remain so; but I think their appointment and promotion ought to be in the hands of some other authority. The same remark holds good in regard to the Public Works Department, although the work of the Public Works Account and Audit Department, as far as my experience goes, has been very satisfactorily carried on—I have got a high opinion of it. What you say is quite true as regards the Comptroller and Auditor-General, so far as he has to report on those duties which he himself performs. For instance, his duties in connection with the Currency Department. There used to be a rule, I think, that his expenditure was audited by the Accountant-General. I am not sure whether that is in force now or not; but there is a weakness as regards the functions which he discharges himself; though I do not look upon that as serious—I do not, because the audit is done, or might and ought to be done, not by the Comptroller-General's establishment, but by other establishments.

2136. That is to say, in the provinces?—Yes, and the real audit in India, the real check, is the original audit, not the Comptroller and Auditor-General's report. I must say that that report is not of much value to the Government of India.

2137–8. Apart from the question of expense, which was, I think, the one which weighed very much with the Government of India at the time the question was under consideration in 1881 or so, would you yourself prefer that the Comptroller and Auditor-General should more nearly correspond to our Comptroller and Auditor-General who, as you know, is hedged round by Parliament with extraordinary precautions in order to make him independent?—Well, you see the authority that is interested in India in the Auditor-General's report, is the Financial Department, and the Comptroller and Auditor-General is an officer of the Financial Department, and takes the financial view; so that, as regards the officers on whom he reports, with the exception simply of his own establishment, he is thoroughly hedged in. He has nothing to do with the Military Department and the Public Works Department; he is thoroughly independent of them. It is for the sake of the Financial Department that he reports, and he is an independent officer as regards the outside officers; but as regards his own particular officers, there is the weakness. You see that in this respect he is not a perfectly independent officer.

2139. It is an axiom of Parliament to trust nobody in finance?—Yes, that is the sound principle undoubtedly.

2140. We do not trust the Chancellor of the Exchequer?—Trust nobody.

2141. We do not trust any Minister, because under political pressure or under necessity, it is quite possible that he might be tempted, not to anything amounting to malversation, but to irregularities of expenditure that are incompatible with orderly finance; therefore Parliament has an independent officer who is more or less an adviser; he has a free right of comment and he calls the attention of Parliament to infractions of the regulations. It would strike one as an extraordinary thing if that duty were here entrusted to one of the high officers of the Treasury, because he would still be in some respects not only an adviser of the Chancellor of the Exchequer, but perhaps an adviser of, and assentor to, the very infraction of rule which he ought to criticise. Moreover the Chancellor of the Exchequer, the head of the office, is his chief, and it is almost more than you can expect from human nature that the subordinate should report against his chief?—I do not think the Comptroller and Auditor-General in India is the adviser of the Financial Department in the sense which you mean—not in the sense in which the Financial Secretary is. He is the confidential adviser. The Comptroller-General and the Financial Member of Council do not come into direct communication at all; but if the Financial Department wanted the opinion of the Comptroller-General, it would send the paper to him undoubtedly.*

2142. But does not the Member of Council come into contact with the Comptroller-General?—Not into direct contact, no; it would be through the Financial Secretary.*

2143–4. That is an important point. Of course no two officers in different systems exactly correspond, but the description we received from Sir Henry Waterfield and Mr. Jacob would have left those of us who are conversant with our own system here, under the impression that the functions of the Comptroller-General rather correspond with those here discharged by Sir Edward Hamilton; and I think Sir Edward

* *See* Q. 2842 *et seq.*

Hamilton would be rather surprised at the idea of his being constituted Comptroller and Auditor-General?—I think the Financial Secretary's position corresponds more closely to Sir Edward Hamilton's position as I understand it (which I do imperfectly. The Comptroller and Auditor-General is quite outside the Financial Department of the Government of India.*

2145. There is another question I want to ask. Have not the subordinate and thoroughly independent (as I gathered from you) auditors, the power of disallowance?—They have power to disallow, that is to say such and such an expenditure ought not to have been incurred, it ought to be refunded.

2146. And they have the power of saying whether or not it must be refunded?—But if it is contrary to rule, it must be refunded.

2147. But the interpretation of the rule lies with them; they have not to report to the higher authority?—Not in the first instance.

2148. Unless the accountant demurs?—Unless the person who is retrenched demurs.

2149. Does that correspond quite with your idea of a thoroughly independent audit? Does not a great deal of the value of an independent audit lie in the fact that a high officer has the opportunity of knowing what irregularities take place, so that he may be able to make public (because that is the object aimed at) any serious irregularities?—Of course, any serious irregularity would be reported to the Government—any serious embezzlement of money or anything of that sort.

2150. If the subordinate officer has power of disallowance, he may say, "Well, I will pass that"?—He can only pass it if he is satisfied—if the rule permits it. He has no discretion unless as regards very simple matters.

2151. But he may interpret the rule; he can say: "I consider that falls within the rules"?—Oh, certainly.

2152. And occasionally a subordinate officer may not be the best person to say that?—He may be wrong occasionally, certainly.

2153. In difficult cases it would be certainly better that the high officer should decide?—If the Audit Officer had any doubt about it, he would refer it himself; but if you think that all these disallowances should come up to the Financial Department, I can only say that I think any such course is impracticable. I do not know how you would do in this country when petty charges are disallowed, but the number of small disallowances in India is something enormous; it would be absolutely impossible to send them to a central officer. I mean to say the extent of business is such that the vast majority of those disallowances must be dealt with by the audit officer; they are generally very petty.

2154–5. Quite so. Of course, here, as with you, there must be filtration. But I think the principle of administration here is to secure that the Comptroller and Auditor-General himself shall know irregularities which have taken place, and I think he would feel pretty certain that any serious irregularity would really come to his notice. I did not quite gather that the Comptroller and Auditor-General had a like security in the Indian system?—I do not think, as far as I recollect, that there is any return of disallowances sent in to any central authority. Serious cases always would come up. I observed, I think it was in Mr. Becher's evidence, that the Accountant-General in the Public Works Department gets a return of serious cases. I do not think that that exists in the other departments. I see no objection to that. It would be on the whole rather a good thing: but what I would very strongly object to, would be a system by which all the disallowances made by all the audit officers all over India, came to a central authority. It would be an appalling amount of work, and absolutely unnecessary. A return of serious cases, sent in quarterly, I see no objection to; I think it would be very good. If I were in office now I would certainly take up the question.

2156. Lastly, I want to ask you about the Appropriation Report. It seems to me rather a review of the financial work of the Government than an Appropriation Report?—I have dealt with those reports both as Secretary and as Member of Council, and I cannot say that it was any value to me really, because all the questions raised in it of any importance had come before me previously and been disposed of; and when I got a sort of re-hash of the question 12 months afterwards, I thought it was rather troublesome.

2157. And that is, if I may say so, the weakness of the report. It takes the form rather of a financial report for financial experts than of a criticism by an independent officer upon the financial acts of Government. I must say that I think the Comptroller and Auditor General's reports here correspond much more nearly to what is wanted. He expresses, or ought to express, no opinion whatever about policy or about the acts of the Government as such. He has put before him by the accountant the account of expenditure; he goes through this, and he signs the account if it is correct; but at the same time he appends a report in which he calls attention to every serious irregularity that he has found. What I mean by "serious irregularity" is "infraction of rule." Of course, if an officer has infringed a rule and made it good at once, in nine cases out of ten there is no necessity to mention it; but he would call attention to any infraction of rule, either by the accountant himself or by the Treasury in passing it afterwards, if it was a serious one: and he would also call attention to any case in which a serious irregularity had been condoned. Now I do not see that the Appropriation Report of the Comptroller and Auditor-General in India corresponds to that?—In India, you will observe, the irregularities are brought to notice, as it were, from day to day; this is done by the Audit Department concerned, and I do not really think there is much left for the Comptroller and Auditor-General to do.

2158. That used to be said here. I am old enough to remember the time when there was no independent auditor here?—Well, I can only give my opinion for what it is worth. That is my opinion. I admit that in principle to have an altogether separate officer auditing all the expenditure, appointed by Parliament and so forth, might be more satisfactory. It would involve considerable expense. I should hardly say that the advantage is worth the cost. That is my opinion.

2159. (*Sir Donald Stewart.*) Is it not the case practically that in 99 cases out of 100, the retrenchments that are so made are eventually passed?—That I could not say, but no doubt the greater portion of them are eventually withdrawn.

2160. They are simply formal?—They are very simple matters, I know. I introduced what I thought was a reform in connexion with that. Under the old system, if an officer had overpaid, we will say, one penny too much, it must be pursued until the sanction of the Central Government was obtained to writing it off; and the amount of correspondence it gave rise to was very serious. So I suggested that the Accountant General should be given a discretion, in the case of very small sums, as to whether it was worth while pursuing them under all circumstances. But the number of objections made in the first instance all over India is very great.

2161. (*Chairman.*) All I would say about it is this. Anybody who was conversant with the operation of the audit here formerly, and who will go through the reports of the Comptroller and Auditor-General, will see the value to the public service of the criticisms of the Comptroller and the Auditor-General, and what an immense benefit the institution of the Appropriation Reports has been—first, to Parliament; and, secondly, to the departments themselves?—If it would strengthen the Financial Department in India I should be very much in favour of it.

2162. As one who has had an opportunity of observing this matter for many years, I cannot speak too highly of the excellent financial results which the comments of the Comptroller and Auditor-General on the public expenditure have had. His report is the biggest and best financial reform that has taken place within my recollection?—Yes.

2163. (*Mr. Buchanan.*) There is one point I wish to ask you about. In the early part of your evidence you spoke about the Financial Department being practically weak though theoretically strong; and you said, I think, that you could not suggest any amendment in the rules for altering the position of the Financial Department: but are there any other suggestions you could make to the Commission by which the Financial Department might be made stronger for the purposes of controlling expenditure?—No; I am afraid there are not. It is a weakness, I think, inherent in the

* *See Q. 2842 et seq.*

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system of government; it is one of the things you must accept.

2164. That the Financial Department should be weak in itself?—I think it is weak.

2165. Then you told us, too, with regard to financial difficulties that have arisen within the last 20 years, or financial crises, I think you called them, that the Financial Department had foreseen them, but that the Government of India had not acted upon the warning?—I do not know that I said that.

2166. You said there was a want of continuity, I think. I have not got your words here; you said the Government of India did not go slowly enough?—I said I thought there was a tendency to go too fast in times of prosperity—I think there is—and not to bear sufficiently in mind the fact that periods of difficulty come; and that I imagine is partly due to the fact that the members of the Government change every five years, and that to really master the conditions of India requires a very great effort.

2167. Would you be disposed to extend the term of office?—No, I would not.

2168. The appointment of the Financial Member of the Council you have already told us is for five years?—For five years, practically.

2169. But I suppose a good deal of the actual financial work is done not by him, but by the permanent members of the Department?—No doubt a great deal is done by the permanent Secretary.

2170. And they do not change, of course, any more than the officers of the Treasury at home?—They do not, except that in India, changes are always rather more frequent than they would be in this country.

2171. They retire earlier?—Yes, and they take leave.

2172. But would there be any decided change that you would like to recommend in order to strengthen the Finance Department or the financial position of the Government of India?—I am afraid not.

2173. You stated, I think, too, with regard to the relations between the Finance Minister and the Secretary of State that they were close, that the Secretary of State was generally the friend of the Finance Minister, and that it would be better if he was a stronger friend. Would you like to increase his authority over the expenditure of the Government of India?—I would like very much as a preliminary to that to increase his knowledge of financial conditions in India.

2174. How would you propose to do that?—Well, that is the difficulty. I should not like to see him interfere much with the details of Indian administration unless he could interfere with greater knowledge of India.

2175. Would you alter the constitution of his council?—That is a question I have not considered. That is a very big question in which you would find great difficulty.

2176. You would not be prepared to make any suggestions to alter what in your knowledge is the difficulty at present in the government of India?—I had thought at one time that, instead of questions of expenditure being referred to the Financial Department alone, they should be referred to a sort of committee of expenditure consisting of the Financial Member of Council and two other men specially appointed for the purpose; but on thinking it over I am not sure that it would be an improvement.

2177. Two other members of the Viceroy's Council?—No; not of the Council at all; two separate men.

2178. (*Chairman.*) Officials?—They would have to be officials. You could not get them to do the work in India without pay, and so far they would have to be official; but, apart from that appointment, they might be non-officials. I came to the conclusion that on the whole I could not recommend it. It is the only thing that has ever occurred to me.

2179. (*Mr. Buchanan.*) Would you give them a kind of veto on extra expenditure?—Well, I do not think you could give them a veto; but they might be given a certain authority, and if they objected to certain expenditure, the objection would come with greater weight from them than if it came from any one member of the Council; but I think you must maintain the authority of the Viceroy in the Indian system of government.

2180. You stated very strongly your opinion as to the power of the Viceroy with regard to financial matters. With a view to economy would you be inclined to increase his power? Do you think that is good or evil?—I do not quite understand the question.

2181. To increase the power, as I understood from you, of the Viceroy in the Council?—Well, I do not see how you can increase it, and it would be very difficult to diminish it, and certainly great authority must be left in the Viceroy's hands. If he had no more authority than any member of the Council the business simply could not be carried on; he must be supreme in the Council, really.

2182. You told us, if the Viceroy was economical you had economical government. Are there any suggestions you could make by which you could permanently attach him to the study of economy?—I am afraid not. Recollect that the position of Viceroy of India is one of the most difficult positions in the world to fill. It involves an immense amount of labour and responsibility, and it is absolutely impossible to get a Viceroy who fulfils all the duties of the office perfectly; no such man exists.

2183. Do you think it would be a good thing that Parliament should exercise greater control than it does at present over Indian expenditure or the increase of it?—I think that the general control of Parliament over Indian expenditure and over Indian matters generally is most valuable, and I should be very sorry to see India removed from that general control, but I must say that I think that when Parliament interferes in particular matters, it generally interferes on very insufficient information, and I am afraid that it does rather more harm than good. I have the highest opinion of the value of the general control of Parliament over Indian expenditure; I think, I may say, I have almost a terror of its interference in details.

2184. You think it is ignorant, like the Secretary of State?—Taking Parliament as a whole, I do not think it has sufficient information to enable it to interfere in details; consequently it may be led away by sentiment, or by statements which it has no means of verifying.

2185. And the difficulty is to get men of sufficient knowledge and authority to be a good fulcrum for increasing the power in the financial element of the Government?—That is the difficulty.

2186. But there is no detailed suggestion you have to make to us to remove that difficulty?—I have not. I think it is a matter of great importance. If the present Commission should be of that opinion, it should say that financial considerations ought to have great weight attached to them in India. I suppose everybody would agree to that. The difficulty is in seeing that it is carried out in practice.

2187. I suppose we should like to take a step further, and ascertain whether you are able to make some tangible suggestions. We should like, from your great experience, to know whether you have any suggestions?—I gave you the only suggestion that occurred to me, and I am not prepared to press it, for I see great difficulties in the way.

2188. But you acknowledge the existence of the evil and that it is a considerable one?—Yes; on the whole I should like to see more weight attached to financial considerations in connexion with Indian affairs, and I should support any change that would have that effect, unless it gave rise to evils of equivalent magnitude.

2189. Do you think it is an increasing difficulty or a diminishing?—It is not diminishing.

2190. (*Chairman.*) When you were speaking of strengthening the information of the Secretary of State, you hesitated, as I understood, to make any recommendations as to the Council; but you wish to see some Indian experience brought into the Finance Department of the India Office?—I have had a great deal to do with Sir Henry Waterfield, and my relations with him have been entirely satisfactory. I do not think you can improve upon his knowledge of the subject.

2191. I quite accept that view with regard to Sir Henry Waterfield; it is one which we should all share; but I am speaking generally: do you think that the department wants or should have some actual Indian experience?—I think it would be desirable, certainly.

2192. (*Sir William Wedderburn.*) I think you mentioned that as Financial Member of Council you recorded a dissent in the matter of the Mauritius and Zanzibar

cable?—I think it was mentioned in the despatch that I did not agree to the proposal to pay that subsidy from Indian revenues, because I thought it was not a proper object for Indian expenditure according to the custom that regulates Indian expenditure. I am still of that opinion.

2193. On the ground that it was not equitable that India should pay?—Yes; I think India ought not to pay for a matter like that. It ought to be left to the Home Government.

2194. But when the Secretary of State decided that India must pay, there was nothing to be said against it?—The majority of the Council in India were favourable to India paying.

2195. Are these cases of doubt whether India should fairly be made to pay, the subject of correspondence between the Secretary of State and the Governor-General in Council?—Oh, yes; they would be.

2196. But, if you thought that the expenditure was either illegal or inequitable, the Government of India would have the opportunity of putting in a protest?—I suppose they generally would; the Secretary of State might decide here without referring to them that India should bear a certain charge; but they could afterwards protest against it if they liked. Certainly, they could address the Secretary of State on any question relating to Indian affairs.

2197. Because, of course, India has ultimately to find the money?—Oh, yes. The Government of India can take up any of those questions and express their opinion upon them.

2198. There were one or two other items. I think this Zanzibar and Mauritius cable stands at 18,300*l.* Is not that the cost of it?—To India?

2199. Yes?—It was a yearly subsidy. I do not know what it actually worked out at.

2200. (*Mr. Caine.*) I think it was Rx. 30,000? That would be pretty near it, would it not?—That would be about 17,000*l.*

2201. That is my impression; I am not quite sure?—It was something like that, I think.

2202. (*Sir William Wedderburn.*) I should like to ask whether the following items have been the subject of correspondence with the Government of India and of protest from the Government of India: the Indo-European Telegraph, which appears at 45,700*l.* These figures are, of course, merely roughly to indicate the thing?—Is that the Indian expenditure on that telegraph line?

2203. Yes?—No doubt there has been a great deal of correspondence about it; but I am not familiar with it, and cannot give you any information about it.

2204. Then there is the Red Sea Telegraph which India pays for?—They were all settled before my time, I think; they were accomplished facts, I think; I cannot give you any information about that either.

2205. Then the Persian and China charges?—I have had something to do with the correspondence about the Persian and China charges. I think there has been a reduction in them the last few years.

2206. I think that is shown at 97,900*l.*?—Yes, you will see the missions in China are under the Imperial Government, and India pays a certain subsidy towards the cost of them; and the same thing happened as regards Persia, and, I think, besides that India pays certain charges which are incurred in Persia, and have been sanctioned in recent years.

2207. Then for Her Majesty's ships in Indian seas there is 151,000*l.*?—Is that the old charge or the new one? India pays for and gets the services of certain gunboats and, I think, ships of war principally in the Persian Gulf, and pays a certain sum of money.

2208. Of course we are not dealing with the question of payment. My object in referring to this is to see what is the nature of a possible check upon illegal or inequitable charges being made upon India?—The Government of India might object to any of these charges.

2209. It has the opportunity in correspondence of objecting?—Oh! certainly.

2210. But whatever the Secretary of State decides in the matter is final, and there is no further protest to be made?—Well, there is nothing further to be done; he is the final authority.

2211. There is no means of formally bringing to the test whether the Government of India is right or the Secretary of State is right, supposing they differ?—I think there is no authority above them except Parliament, and I do not see how the Government of India could appeal to Parliament.

2212. Then one or two other items of a similar character, Cooper's Hill College, and the dealing with lunatics from India, questions of outfits. These are matters in which, as I understand, the Government of India has the opportunity of protesting in case it considers they are not fair charges?—Yes.

2213–4. So that the question is not merely a matter of detail; but what I understand you consider to be wanted is some strong authority to check and control any large sums that have to be paid?—Well, not so much what you refer to as that I should like to see some influence brought to bear which would secure greater weight being given to financial considerations by the Government of India, looking to the very peculiar conditions of Indian finance.

2215. The Chairman asked you to a certain extent to draw a parallel between the position of the Chancellor of the Exchequer and that of the Financial Member of Council, and you stated that theoretically the position of the Finance Minister was strong, but practically it was weak. I think that is what you stated?—Yes; I think generally that would express what my evidence was.

2215*a*. And that the three authorities that had to be taken into consideration were, first the Viceroy, who has a very predominating influence in the Government of India?—Certainly.

2216. Am I right in saying that it is a personal influence in the sense that the future of each member of the Council depends in a very great measure upon the goodwill of the Viceroy?—I have no doubt that has something to do with it.

2217. At the end of the five years of a member of Council's service, he may become a Lieutenant-Governor if the Viceroy likes him; or he may have to retire upon a very moderate pension if the Viceroy does not incline to appoint him as Lieutenant-Governor?—No doubt the Viceroy is in a very different position from the other members of the Council. He is a man generally of very much higher social position; probably an English statesman; he is in confidential correspondence with the authorities at home, and to a great extent the official future of the other members of Council does depend upon him, no doubt. He has power of influencing it, so that altogether his power with the Council is very great.

2218. And if he is economically inclined he can during his viceroyalty do a great deal to check expenditure?—Oh! no doubt. The Financial Department, of course, is always economical; perhaps too economical in some cases, and if the Viceroy is inclined, if he understands finance or is inclined towards economy and supports the Financial Department, no doubt the business of the country would be conducted most economically; there is no difficulty whatever in such a case.

2219. I suppose you would say that when Lord Northbrook and Lord Ripon were Viceroys there was an inclination towards economy?—I do not like to give an opinion as regards particular Viceroys. I served under Lord Northbrook and under Lord Ripon too; I would rather not.

2220. But the Viceroy being in charge of the Foreign Department, if he is satisfied that some military expedition or operation is necessary, practically, that means that he will see that the necessary funds are obtained?—Oh, yes; I should say so; if the Viceroy makes up his mind to have an expedition, I do not see how he can be stopped.

2221. So that in that case the position of the Financial Department depends practically upon the Foreign Department?—Of course, if the Government of India undertakes an expedition, it has to find the funds. The Financial Member of the Council might protest; he might dissent but he would have no power.

2222. But I think you consider that there is not much hope for a protest when a matter has once been decided upon; and that although the Financial Member may object generally to a military policy, he finds it difficult to refuse the funds when it has been decided in the Foreign Department that a military operation is

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necessary?—Of course if the Council has already decided on a certain expenditure there is nothing more for the Financial Member to do. If the Viceroy decides upon an expedition and the Financial Member of Council protests against it, it would have to come before the Council, and the Financial Member of Council would have to stand or fall by the decision of the Council. When the matter comes before the Council the Viceroy would naturally possess great weight.

2223. The Viceroy, you said, was the first important power in the matter, and I think the second you referred to as analogous to the Cabinet would be the Governor-General in Council?—Yes.

2224. I think I am right in saying that in many respects the Financial Member stands alone as against the whole of the other Members of Council, in respect that he is the one to furnish the funds and the others want to spend funds?—That is the case, of course; that is necessarily the case. The different departments want money, and he has to keep some check upon them, if he can.

2225. So that, though he may be stronger in his department individually as against any particular department, he is not strong enough to resist the whole of the Council?—He cannot resist the majority.

2226. And the general feeling is that he has got to provide the funds for the necessary requirements of the others, so that he finds himself rather in antagonism with the general feeling of the Council?—Of course he must have continual controversies going on as regards particular items of expenditure; that is inevitable.

2227. And therefore, supposing the Viceroy is inclined to some military operation and the Military Member of the Council is not actively opposed to the Commander-in-Chief, there would be at once a very large majority against the Financial Member?—Oh, yes, of course.

2228. That is the Governor-General in Council. Then there comes the third point, namely, with reference to the control through Parliament or anticipated interference of Parliament, which I think the Chairman explained is one of the principal controlling powers as regards expenditure in England. You have said that you have not got any definite scheme to propose, but you think that the general control by Parliament is very valuable?—I think the general control of Parliament over Indian affairs is very valuable to prevent the Government from becoming too despotic, too bureaucratic. I think it produces a more liberal tone, the fact that the ultimate authority rests with Parliament; and that is very valuable.

2229. But the great difficulty is that Parliament has not sufficient knowledge of Indian affairs, and that its interference is rather an inconvenient interference with details than a wise well-informed general control?—I do not think I said that that actually was the case, but I said I was afraid that if Parliament interfered very much with Indian affairs it might interfere in details with very insufficient knowledge, or what seemed to me insufficient knowledge.

2230. I think that those who ask questions in the House of Commons upon Indian matters fully realise the inconvenience of the present system and would be glad if something better could be established to get a well-informed control. Would not a Standing Committee of the House of Commons for Indian Affairs which might in a mature and systematic way exercise financial control, receiving the reports of the different authorities and considering them, be a move towards making this general control you speak of effective?—Well I have not had the experience which would enable me to say what the value of such a Standing Committee of the House of Commons would be as regards Indian affairs; my prepossession would be that it would not be a useful body, but I do not know enough of Parliament to give a decided opinion.

2231. I think you have expressed an opinion—not on this occasion—but I think I am right in saying that you think a well-trained public opinion would do a great deal to support the Financial Member in any desire for reasonable economy?—I think if a well-informed public opinion could be brought to bear on Indian financial matters it would be a good thing certainly.

2232. But would not discussions in Parliament by those who had all the facts before them and were responsible in the matter, be a step towards training public opinion?—No doubt, and if members of Parliament made themselves thoroughly acquainted with Indian financial matters, and Indian financial questions were discussed in Parliament by such persons, that would be a good thing.

2233. But have you realised the extreme difficulty of any private member of Parliament becoming acquainted with these questions, unless there is some organised arrangement for having these matters discussed?—I am certainly aware that there is great difficulty in any private person, Member of Parliament or other, becoming thoroughly acquainted with Indian financial affairs; there is great difficulty.

2234. So that if you got some organisation which would train Members of Parliament to the study and understanding of Indian financial questions that would be a step in the right direction?—So far as that goes, that would be a good thing; but I thought your proposal was for a Standing Committee that would actually control Indian affairs. A Standing Committee or body of the House of Commons that would merely occupy itself with intelligently inquiring into Indian affairs, and making itself acquainted with Indian affairs would certainly do good; there is no doubt about that.

2235. I am not suggesting a committee which would have any power in itself; it would be a committee which would inform the House of Commons, report to the House of Commons generally; that was the nature of the suggestion?—I should think it would be a very good thing, especially as regards Indian affairs, if, when Parliament had to do with them it appointed a Select Committee to report from time to time upon particular things; that I think would be very good. It would be most dangerous if Parliament interfered without first taking the report of a Select Committee or of some other special body.

2236. (*Chairman.*) We are confining ourselves to financial questions?—What I would strongly urge is, that if Parliament wishes to exercise its control in greater detail, it should always appoint a Committee or a Royal Commission to enquire into the matter beforehand.

2237. (*Sir William Wedderburn*) That was what I was pointing to, namely, a Committee of the House of Commons which should specially deal with these matters, and especially the annual financial statement which would naturally be referred to them for their consideration?—I do not know enough of affairs in the House of Commons to give an opinion upon it. But my prepossession is against a Standing Committee. I quite see the advantage of having a Select Committee appointed on a particular question from time to time. If Parliament has got to deal with Indian affairs, I think it is absolutely essential that it should deal with them in that way; that is, appoint a Committee for a particular purpose, and act upon the report of that Committee.

2238-9. My present questions, of course, refer to the means of carrying out an effectual financial check and control. That is what I am trying to arrive at, because our difficulty is to obtain a well-informed and mature decision from the ultimate authority of Parliament, which it appears to me is the only power capable of exercising this control finally. At present the East India accounts are put in in the first weeks in May, are they not?—It would be about that time, I think.

2240. They are generally not dealt with until the end of the session?—Yes, that is my experience.

2241-2. And you speak with great respect of Parliament; but from your experience of Indian finance, you say that they are not very effectively dealt with when they are dealt with at the end of the session?—I should say the discussion was not of any value at all. It is the right thing that the account should come before Parliament, but I cannot see that the yearly discussions in Parliament, as a rule, on the Indian finances, are practically of any value.

2243. And in order that Parliament may do its duty by India, there should be some fresh re-organisation of the whole matter?—I said I could not suggest a new system.

2244. I am not asking for a special scheme; but is not the financial control now exercised by Parliament practically useless?—I would not say it is useless, because it is always there in reserve; but it certainly is not very efficient or prompt.

2245. Not directly useful?—No; and it is not prompt.

2246. And I think these accounts, when they come in, the East India accounts are called the Indian Budget colloquially, but it is not the Indian Budget really. The East India accounts upon which the Resolution of the House of Commons is passed are the accounts for the preceding year, that is to say, when the House of Commons dealt with the East India accounts this year, 1895, it was the accounts up to March 1894, I think?—Yes.

2247. Those were the accounts that were really dealt with, 1893-94?—That may be.

2248. With a revised estimate of 1894-95, and a prospective estimate for 1895-96?—Yes.

2249. And the only resolution passed had reference to the accounts of 1893-94. The Chairman has pointed out the very great value and importance of the check exercised by the Auditor-General through his report to the House of Commons, and that it is very valuable; but I think you are of opinion that the analogous check that has been established for India through the Comptroller and Auditor-General is of practically no value at all, because the day-to-day audit has already done whatever check is wanted of the superior officer over the inferior officer; am I right?—I should say so. That generally would be my opinion. The day-to-day audit I consider a sufficient check. I do not say it is a perfect check, but it is a good check.

2250. And that this Appropriation Audit, or annual Audit, is quite immaterial as being any check on the expenditure?—For practical purposes I did not find it of any value when I was in India, but it brings certain facts into a focus and records them, and possibly it may be of some use in the India Office. It was not of much practical value to me.

2251. For administrative purposes it may be valuable, but for check and control it is not valuable?—No, I cannot say it is of much value; I do not think it is.

2252. So that there is an immense distinction between this audit by the Auditor-General in England, which has been pronounced by high authority to be so extremely valuable, and this audit in India, which you say is practically of no value at all; and does not the cause of that difference arise from this single fact, that the audit in England is carried out by the ultimate authority, the representatives of the taxpayers, exercised over the highest executive authority, whereas this audit in India is only the audit of one executive authority by another and subordinate executive authority?—I do not go with you there. In England Parliament grants supplies and passes the estimates, and it is necessary to report to it how the expenditure has been carried out. In India the Government grants supplies to the different departments and passes the estimates, and it is necessary to report to it how the expenditure has been carried out. I do not think there is that defect in the Indian system. If you say, "Oh, but over and "above and beyond the Indian Government there is "Parliament, and it is necessary that Parliament "should know from time to time how Indian expendi-"ture has been carried on," I do not think that the way for Parliament to get that information would be the report of the Auditor General. I think it would be by appointing a committee or commission to inquire into Indian financial affairs from time to time.

2253. You mentioned that some seven or eight years ago (I think it was 1888-89) a change was made in the audit system, and that, whereas before the sanction of the Governor-General in Council was considered sufficient, the Auditor General had then to report whether the necessary sanction of the Secretary of State had been obtained?—Yes, before that date the sanction of the Secretary of State was necessary to certain classes of expenditure, but the audit officer was not required to look to that; the Financial Department looked after that.

2254. Now the Auditor-General's duty has been extended to certifying the Secretary of State's sanction?—The Audit Officer has to certify that the necessary sanction has been obtained. If the Secretary of State's sanction has not been obtained, he has to bring the matter to notice.

2255. But if the Secretary of State's sanction has been obtained that is final, and he makes no further inquiry?—That is final of course.

2256. That is final?—Well, I am not sure that an Audit Officer would pass a charge which was contrary to law,—contrary to the Act of Parliament. I am rather inclined to think if it was clearly and distinctly contrary to law he would certainly bring it to notice; I think he would.

2257. With regard to those six or seven items which I referred to at the beginning of the questions that I asked you, the Mauritius cable and various others, those were cases in which there was a difference of opinion as to the propriety, and perhaps legality, of the charge?—I do not know that there was any question as to the legality of the charge. I have no recollection of any question about the legality of the charge.

2258. But I suppose there might arise questions of legality, considering that the power of the Secretary of State is purely statutory?—I imagine there might.

2259. For example, under s. 55 of the Act of 1858, the consent of both Houses of Parliament is required for expeditions beyond the frontier of India, and there there might distinctly arise a question of legality as to whether the revenues of India could be employed upon such an expedition without that consent?—I suppose such a question might arise.

2260. And very large sums would be involved?—No doubt.

2261. Therefore the real check that is wanted is not upon the Provincial Governments or upon the Government of India perhaps, so much as upon the Secretary of State. Where these big sums are being spent out of the Indian revenues under the orders of the Secretary of State, at present there is no machinery to check him at all; is not that the case?—Well, I suppose he is ultimately responsible to Parliament.

2262. But there is no machinery for bringing these questions before Parliament, and there is no machinery in Parliament to deal with those questions?—These are points upon which I cannot give you any assistance.

(*Mr. Caine.*) You can bring them before the House on the motion of private members.

2263. (*Sir Donald Stewart.*) The Secretary of State has no power to incur expenditure without the sanction of his Council?—That is the case. The Secretary of State cannot incur expenditure without the approval of his council.

2264. (*Sir William Wedderburn.*) When I speak of the Secretary of State I mean the Secretary of State in Council. He has no financial power practically apart from it?—No, not over expenditure.

2265. There have been very large sums spent, I think, speaking roughly about one million a year, upon frontier expeditions for the last 10 years or so?—There have been large sums spent within the last 10 or 12 years.

2266. Has this question of the legality of this expenditure under section 55 of the Government of India Act been brought to the notice of the Secretary of State or of Parliament in any way that you are aware of?—I am not aware of the question having been raised; I do not think the question has ever been discussed by the Government of India. I have no recollection of the question of the legality of this expenditure being discussed. I think that it is the case that these expeditions beyond the frontier have been going on at intervals for an indefinite time. I mean to say there were expeditions very many years ago, and I never heard that the question was raised that the expenditure was illegal.

2267-8. But these are the real big expenditures that are within the control of the executive, whether the Secretary of State for India or the Viceroy and Council, apart from the heavy charges that are of a necessary kind, interest on debt, and exchange, which are not within their control. These expeditions are a sort of voluntary expenditure?—Well, I would hardly say that. In the last 10 years the amount expended on expeditions has no doubt been high, especially if you take in the expenditure on the Chitral Expedition; but it is an expenditure which is incurred once for all.

2269. But has it not been always recurring year by year for some time past?—It has been going on year by year and in rather an aggravated form in recent years; but I suppose the frontier tribes will be exhausted in time, and then it will stop.

2270. (*Mr. Caine.*) Occupation charges are going on?—If the country is occupied there are certain charges

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that go on; but they are not year by year of the same magnitude as the original expenditure.

(*Mr. Caine.*) No, of course not.

2271. (*Sir William Wedderburn.*) Now with regard to the phrase you employed of the finances being fairly buoyant?—The ordinary revenues are decidedly buoyant.

2272. There has been within the last ten years a considerable addition to taxation?—There has been; oh yes, certainly.

2273. Am I right in saying about six millions?—I think it would be about that, speaking roughly.

2274. And that the increase from land revenue in the last ten years has been about four millions?—I can not say exactly what it has been without going into the figures, but the increase in the land revenue has been large. I suppose your figure includes the land revenue of Upper Burma, which is something considerable. I do not fancy it will be quite so much in future years, as the settlements are mostly over I think. However, I cannot speak positively upon the subject, but the increase of land revenue in recent years has been large.

2275. I think I am right in saying that by far the larger proportion of the increase in the land revenue is not from extended cultivation, but from enhancement in the value of land already in cultivation?—There I cannot give you any information at first hand. You had better get it from somebody else.

2276. (*Mr. Naoroji.*) Do you remember Major Baring, now Lord Cromer, having said in 1882:—"It has been "calculated that the average income per head of popu- "lation in India is not more than Rs. 27 a year; and "though I am not prepared to pledge myself to the "absolute accuracy of a calculation of this sort, it is "sufficiently accurate to justify the conclusion that "the tax-paying community is exceedingly poor." I understand that the calculation by which this result was brought about was done by yourself?—Yes, I did make a calculation of that sort.

2277. That calculation is now in the possession of the Government of India?—I imagine so.

2278. It is not in your possession?—It is not in my possession.

2279. You cannot produce it?—If I had it, I would not produce it without the permission of the Secretary of State.

2280. (*Sir William Wedderburn.*) But you can make the calculation over again?—I am afraid I could not, because I have not the materials.

2281 (*Mr. Naoroji.*) With the same data anybody else can?—With the same data. But I will explain how that calculation came about. I was engaged in making certain inquiries for the Government of India, and in the course of those inquiries I had to make use of data collected by the Famine Commission as to the produce of the different provinces; and about that time Sir Richard Temple read a paper before the Institute of Bankers in which he calculated the average income per head of the population of India, and he used the results given by the Income Tax in the two countries, and he calculated that it was Rs. 10 a head (I am speaking from recollection)—that the income of the people of India was Rs. 10 a head; and as I had then certain data at hand, I thought that I would make the calculation (the Government did not ask me to do it) and see what result I should arrive at and compare that result with Sir Richard Temple's figures. My calculation worked out 27 Rs. a head; so that there was considerable difference in the result of the two calculations. Of course if you ask me what value I attach to that calculation, for practical purposes, I can only say that I do not attach much value to it; but that result, Rs. 27 a head, is not inconsistent with what I know of the general condition of the people of India. If you will take it from me, the money incomes are extremely small; there is no question about that. Various men have calculated the money income for different countries, England, Ireland, and elsewhere; but I look with hesitation on these calculations, and I look with still more hesitation on the result of my own calculation for India, because I had not sufficient data. If anybody wants to convince himself that the income of the people of India is small—the average income per head of population—and will look first of all at the tables of wages which, I think, are published by the Indian Government and then look at the results of the Income Tax in India, he will satisfy himself that the money income of the people of India is very small indeed. I know of that being the fact: but as to the Rs. 27 a head, whether it is a little lower or a little higher than it ought to be, I certainly cannot pledge myself.

2282. (*Sir James Peile.*) Would you consider a calculation of that kind of any weight as proving the declining prosperity of the people, when set against such evidence as the enormous increase of trade and the huge import of the precious metals?—I myself have no doubt that the money income is very small. It may have increased in recent years. A friend of mine the other day told me he had looked into the matter as regards the men who had charge of his horses, of whom there were five. They were paid 3 rupees 8 annas a month; and that was in a station where there was a railway and had been a railway for some years. 3 rupees 8 annas a month would be about 4s. a month; that is a shilling a week, or about twopence a day.

2283. It does not by any means follow that people are starving because they are poor?—Not in the least. You must recollect that the cost of the necessaries of life is very much less in India than it is in England.

2284. (*Mr. Caine.*) When you talk about 27 rupees per head, do you mean actual money per head, or do you mean the produce of the district consumed by themselves?—I calculate the income in money.

2285. You would include the produce?—Yes, including everything.

2286. What they get from their bits of land, and so on?—Yes, it includes everything. I certainly would base no practical measures upon a calculation of that sort. At the same time, I have not the slightest doubt that the people of India are very poor.

2287. (*Mr. Buchanan.*) How long ago was the calculation made?—In 1881 or 1882, I think.

2288. (*Mr. Caine.*) Are they much better off now?—There you get into a very difficult question. I have not the slightest doubt that the total wealth of India is increasing year by year; at the same time the population is increasing, and how it would work out in a particular province, or how it would work out in a particular class I cannot say; it is a most difficult question. I think the general tendency is to overlook the improvement that has taken place in the condition of the population. You see great hardships; we see them in this country; people say that times are very bad, and employment scarce; but if you look back 40 or 50 years and calculate what things then were, you will find there has been a very great improvement in this country.

2289. (*Sir Donald Stewart.*) Do you mean by 27 rupees a head, for every man, woman, and child?—The average, yes.

2290. Would you consider, then, that a man with a salary of 16 rupees a month was a poor man?—A man of the lower classes with 16 rupees a month in the position of a labourer in the rural districts would be, I might almost say, rolling in wealth; extremely comfortable, that is quite four times the income of many of them.

2291. Take a man and his wife and five children?—That is the average; of course, with 16 rupees a month a labourer in the rural parts, I think would really not know what to do with his money.

2292. (*Sir Ralph Knox.*) With a family?—Recollect they live most cheaply and economically. There is no people who live so cheaply and economically, and their wants are very slight. You see, they do not want much in the way of a house; practically nothing in the way of firing; very little in the way of clothes; they are a most frugal and economical people.

(*Chairman.*) We must take care to remember that reservation which you made just now, namely that in speaking of the average income of the population as 27 rupees it does not mean that a man and his wife and five children have each of them 27 rupees?

2293. (*Mr. Naoroji.*) What I want to know is whether this calculation exists in the records of the Government of India or not?—No doubt it exists somewhere.

2294. And it can be produced by the Government of India?—I suppose if they like to produce it they can. I have no objection; I am perfectly prepared to be examined on it; but I think you will arrive at the conclusion that the income of the people of India is very small without getting that; I have no doubt about it.

2295. I have not been satisfied with this calculation of 27 rupees. I myself have made a calculation, as perhaps you are aware, and I came to the conclusion that the average income is 20 rupees. Now that made a very great difference, and I asked Major Baring to let me see the other calculation, because I know where the mistake was likely to be made. I still wish that the Commission would ask for and obtain that calculation?—I have nothing to do with the report; it is the property of the Secretary of State: and of course, as regards different men arriving at different conclusions, as I say Sir Richard Temple, who also had a great deal of information on the subject arrived at 10 rupees a head; and that shows that these calculations must be received with reserve.

2296. We will make the necessary reserve for them, but we should have the opportunity of examining them Now the next thing I want to ask is—we have heard a great deal about the weakness of Indian finance, and how difficult it is to make both ends meet, and so on, I now put down the question whether a portion of the expenditure administered and managed by both Governments—the Secretary of State and the Government of India—is incurred on behalf of Europeans?—Yes, a considerable portion.

2297. For every European employed a native is deprived of what under ordinary circumstances would have been a comfortable living for him in his own country, as is the case here?—I am not sure about that.

2298. Is not one native Indian displaced wherever an European is placed? Take, for instance, a Judge of the High Court of Calcutta. If he is an European, he displaces an Indian; a native would be there if it were not for the European?—On the other hand, if there were no Europeans in India there might be no High Court in Calcutta.

2299. I am not now entering into the question of the merits of the employment—English or native—I am only asking the economic question whether it is not a fact that the European displaces the Indian who would have got that place?—No doubt, other things being equal, if an European is employed there is a native unemployed.

2300. As to the policy and the merits of it, that we shall discuss at some other time. Now, besides that—that loss which arises through the European displacing the Indian—there is also this, that whatever the European wants in this country, or whatever pension he draws in this country, and everything that is spent in this country out of the revenues by the Secretary of State for India, is so much an annual drain from that country, is it not?—Well, it is money earned in the country and spent out of it no doubt.

2301. And in the whole arrangement of the Budget and of expenditure the Indians themselves have no voice whatever?—Of course, they have no direct and immediate voice; but there is no doubt that the Government of India does pay a certain attention to public opinion in India; every Government does.

2302. But they have no direct voice in the matter?—No direct voice as far as I can see.

2303. By the Act of 1861 (19), without the permission of the Governor-General no member can introduce any measure (which virtually amounts to exclusion) about matters affecting the public debt or public revenues or for imposing any charge on such revenues, or the discipline and maintenance of any part of Her Majesty's military or naval forces. This means that, as far as the spending of our money is concerned, the Legislative Council is simply as if it did not exist at all?—I do not think the Legislative Council as it is now constituted, has no influence, but it has not much direct influence upon expenditure.

2304. The Legislative Council is of course the primary source and the authority for expenditure. It is in the Legislative Council that the Budget of India is settled?—No, it is not passed in the Legislative Council.

2305. It is first passed by the Executive Council, and then it is legalized?—No, it is never legalized at all. It is merely read and discussed.

2306. Then it is so much stronger on my side—the Legislative Council has no voice?—It has power of discussion. The Budget is read in the Council, and they may discuss it, but they have no other power, and, if you ask me, I tell you it would be impossible to give it the power of interference.

2307. That is a different thing. I only wanted to say that the people have no voice whatever in it. All things which shall be done by the Secretary of State shall have the same force and validity as if this Act (1861) had not been passed This gives full arbitrary power to the Secretary of State to spend what money he likes from the Indian Revenue?—I should not say it was quite arbitrary, but no doubt the control of the Indian Revenues is entrusted by Parliament to the Secretary of State.

2308. Then by the Act of 1892: No member shall have power to submit or propose any resolution or to divide the Council in respect of any such financial discussion, or the answer to any question asked under the authority of this Act or the rules made under this Act. You have already answered that the Legislative Council have no power whatever?—Only the power of discussion; no power to interfere with it directly or indirectly.

2309. I do not suppose this country would submit for a single day to that system of government?—They have been accustomed to something very different.

2310. Sir Henry Fowler has said that in this country the people pay taxes for the expenditure on State purposes at the rate of 2*l.* 11*s.* 6*d.* per head per annum. In India 2*s.* 6*d.* taxes are paid. Well, when you take the revenue really, it is more than 2*s.* 6*d.*?—Possibly; it is not very much

2311. Now the whole of this 2*l.* 11*s.* 6*d.* returns to the people in this country: it comes back in expenditure to the people themselves?—I suppose the greater portion of it does.

2312. It cannot go anywhere else?—There might be some expenditure abroad.

2313. Abroad, yes; but that is very insignificant. I am talking of the ordinary expenditure. If that sum were allowed to India, the production of the wealth of the country, from which the State has to draw, would not be impaired; but on the contrary, as in this country there would be increasing prosperity, and not only greater trade for British produce, but the State would be able to raise large revenues as it does here, because the fund from which the revenue is raised would remain intact in the country?—I think you exaggerate the value of that. I do not think, if the Government raises 100,000*l.* in this country, and spends it in this country that the wealth of the country remains the same as before by any means.

2314. It does not go out of the country?—No, but the thing which was purchased with that 100,000*l.* goes out. Whatever was purchased with that 100,000*l.* goes out of it, it is consumed.

2315. But that is enjoyed by the people themselves, whatever is purchased?—I do not think if the Government raised 100,000*l.* to buy steel rails that, if they purchased them abroad, the country would have lost 100,000*l.* I think the country might be said to have lost the profit on the transaction, something like that—a small per-centage of it.

2316. (*Mr. Caine.*) And the wages?—The men who would have made those rails which sold for 100,000*l.* would, we must assume, turn their hands to something else.

2317. They might be out of work; however it is not worth while discussing?—It is not a question of losing the whole of the money—there is a loss, but it is of what you call the profit; it is a per-centage of the total.

(*Chairman.*) Are we not getting somewhat outside financial machinery in this last question. I do not want to suggest you should stop if there is any point that bears fairly upon the branch with which we are now dealing; but do not you think the question you are putting is as to what happens under a certain system of policy?

(*Mr. Naoroji.*) Yes. If I am able to go into other branches afterwards I am quite willing to stop here and ask no more questions. We shall have an opportunity of examining Sir David Barbour again on other branches.

(*Chairman.*) Of course we know that what we have to take up next is the progress of expenditure, and it will be a question then as to whether the progress of expenditure includes methods of raising money. The only point to which I draw your attention now is that we are now actually engaged upon the machinery of finance, and it struck me that your questions were getting a little bit outside that subject.

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(*Mr. Naoroji.*) My question arose from this circumstance, that we had just now said two or three times something about the weakness of the finances of India, and naturally, therefore, I wanted to point out one particular weakness which is at the very bottom of the whole difficulty; and, if that can be disposed of hereafter, of course I have no objection to postpone these questions; we shall leave them without committing ourselves, of course.

(*Chairman.*) You will admit with me that we should confine ourselves now to what bears upon financial machinery.

(*Mr. Naoroji.*) I may also say that the weakness of finance may possibly not be fully discussed from the finance question being discussed without inquiry being made.

(*Chairman.*) I think I could not commit myself to say that a certain line of evidence will come hereafter absolutely within our instruction; but that would have to be considered. I think we shall agree that at the present moment this line of evidence does not bear upon the branch of enquiry we have got now before us.

(*Mr. Naoroji.*) I am quite willing to abide by your ruling.

(*Witness.*) In case there should be any misapprehension I might mention that what I referred to was the weakness of the system for the control of expenditure, and not the weakness of the finances or the inability of India to pay its way, the latter is a separate question.

(*Mr. Naoroji.*) I rather understood it was the weakness of the finances on account of the peculiar unstableness and unsteadiness of the finances. Then I will postpone that. Then, also, in the same way, the apportionment of charges is a future consideration.

(*Chairman.*) That will be a distinct subject.

(*Mr. Naoroji.*) That will be a distinct subject altogether.

2318. It was said here, I think, that the Government of India was to be considered as analogous to the House of Commons in respect of audit. Is not the independent audit to the House of Commons a distinct check on the disbursement of the Executive Departments, and the report to be made to a higher authority, namely, the House of Commons?—I am not sure that I caught the question exactly. Perhaps you would repeat it.

2319. The independent auditor here reports to the House of Commons, while the auditor in India reports to the Government of India, and it was said that the Government of India was analogous to the House of Commons. Now, is there not this difference—that the House of Commons is a body that represents and draws its authority from the people of the country, while the Government of India is only an executive body, like the departments here?—I think, when I said that the Government of India represented the House of Commons in this case, and stood in an analogous position, I meant that in the one case the House of Commons sanctioned the expenditure, and that in the other case the Government of India sanctioned the expenditure, and that so far as the sanctioning of the expenditure goes, the position was analogous. I never meant to say that the Government of India was elected by the people of India.

2320. Then the consent of the House of Commons for the expenditure does not mean that it also is the executive body which carries out the expenditure, but it is the department of the Cabinet which is the executive body?—I understand the House of Commons is not the executive body that carries out the expenditure.

2321. So the report and audit made to the House of Commons is distinctly a report to a higher authority than the executive body?—Higher than the body that administers expenditure; yes, it is.

2322. While in the case of India the audit is reported only to the executive body itself?—I do not quite agree to that. It is reported to the Government of India.

2323. To the Government of India and to the Secretary of State which are both executive bodies?—The Finance Department is hardly an executive body. It is possibly as regards some matters, but not as regards most.

2324. Would it not therefore, be an improvement that there should be, in some shape or another, as has already been suggested by Sir William Wedderburn, an independent audit, and an independent committee in Parliament which should consider Indian affairs so as to make the House of Commons familiar with the necessities of Indian affairs?—I do not think that an independent audit is necessary. I may be mistaken, but that is my opinion. If there were some means by which members of the House of Commons, or a certain number of them made themselves familiar with Indian expenditure, and could give information to the House upon the subject that would undoubtedly be a good thing; I assent to that general proposition.

2324*a*. (*Mr. Ryder.*) There is one point I should like to ask you with regard to the audit which you have called the day-to-day audit by local officers throughout India. Do they confine their examination to the question of the authority for expenditure?—They take up everything connected with it. There must be a proper voucher for the expenditure; it must be within the Budget limits, it must be sanctioned by the proper authority, and so forth—a complete audit.

2325. Do they beyond that consider it their duty to draw attention to any points affecting financial order?—They would notice any irregularity.

2326. For instance, if they noticed that a considerable amount of money had been advanced from time to time to a contractor, and had not been accounted for, and that accounting for advances had fallen much into arrear, is that a sort of thing they would report?—That would be in the Public Works Department with which I am not so familiar. But I understand that it would be within their province to say "The advances are very "large; what is the reason for this?"

2327. And again, say, if they noticed that there were arrears of revenue which had not been recovered for a long time, would they think it their duty to notice that?—That would not be so much within their province, but I think they would notice it if there was a falling off in revenue. They would not know that there were arrears of revenue. It would not come before them, but if anything of the sort did come to their notice—any falling off in the revenue—they would probably call attention to it. The question of the collection of revenue rests with the Revenue Board and the Revenue Officers.

2328. And if they noticed that there was a great accumulation of stocks, or a sudden depletion of stocks, is that a thing they would call attention to?—That would be in the Public Works Department. Yes, I think they would consider themselves bound to notice that.

2329. If they noticed that goods were being obtained by private arrangement from the contractors instead of by public advertisement?—Well, the general rule is that we do not purchase stores in India. If they saw that stores were being purchased in India which ought to be got from England—which is rather the cheaper way of getting English stores—they would certainly call attention to that.

2330. Really the purpose of my question was to find out whether they cover the same field that our own Comptroller and Auditor-General does?—I think that so far as the audit goes, they do; but as regards these rather subsidiary matters I do not know that the information comes before them in such a form as to make their interference always possible or effective. There would be some other department which would deal with that; but if they found anything wrong they would no doubt bring it to notice.

2331. (*Sir Ralph Knox.*) You said that whenever a plan was recommended or under consideration by the Council, it was open to the Financial Minister to object to it on financial grounds, to enter a protest?—A dissent. It is open to any Member of the Council to dissent on any subject or any question.

2332. Of course, making a formal protest on financial grounds is a somewhat delicate and invidious thing to do, if the Minister stands alone?—It is.

2333. And is it usual when any plan involving an increase of expenditure is under consideration, that with that plan or course recommended by the Council, the Financial Minister sends home a Financial Report explaining the exact financial effect of such a proposal in his view, and the means, either easy or difficult, of meeting that expenditure?—Well, it is usual in referring anything for sanction to the Secretary of State to put forth what the exact financial effect is—I do not think the Financial Member of Council does it. The despatch

would come from the Department and have to be signed by the Financial Member of Council.

2334. That is to say as regards the cost of the scheme?—Yes.

2335. Would the despatch at the same time point out the difficulty that might be created in reference to the finances and the revenues of India, supposing such a course should be adopted?—You see that question would only arise in case it was a very large expenditure. Recommendations come home for the sanction of the Secretary of State, where the expenditure is sometimes comparatively small, perhaps only a few thousand pounds, and you could not say such expenditure would really have a serious effect on the finances of India. If it was a very big matter, of course that question would have to be dealt with when you came to meet the expenditure.

2336. Would it be dealt with at the same time the expenditure was under consideration?—Oh, yes, certainly, if it was of sufficient magnitude to require it. If it was only a small matter it might be held with reasonable certainty that there would be an improvement of, say, Rx. 400,000 in the revenue every year, and that would be sufficient to provide for a small outlay.

2337. Would it not assist financial control if it were laid down that a report of that kind should always come home from the Financial Department with any proposal for the increase of expenditure?—It does come home; I mean to say the amount of expenditure does come home—the amount of expenditure is stated. Of course it is understood when you propose expenditure that you are in a position to meet it. If it was a large expenditure, suppose you proposed to increase the expenditure by two millions, you would certainly have to say what tax you proposed to put on, assuming such a thing to be possible.

2338. The Comptroller and Auditor-General now applies the test audit to all the expenditure?—He has officers who apply the test audit, and I think that that is a very valuable change. It was made at the time the original proposal was put forward for a separate Comptroller and Auditor-General. I think that is a good and valuable change which has worked well. It has brought the different audit officers up to the mark.

2339. And that is in the nature of an independent audit?—That is quite an independent audit.

2339*a*. Does it go into very minute details?—I fancy, so far as it goes, it goes very fully into the question of audit.

2339*b*. And, therefore, has a considerable moral effect as to the audit?—Yes, it has a very considerable moral effect of course, because the officers do not know what particular portions will be passed; and I think it is thorough as far as it goes.

2340. And that moral effect, if produced, is one of the most powerful engines for keeping things straight that you could have?—I think so; and that was part of the proposals, and I think that portion of the reform has been very valuable. I have expressed my opinion.

2341. (*Sir James Peile.*) You said the Financial Department of the Government of India was weak in practice, though strong in theory. Do you think it is weaker or stronger than any one of the other Departments?—There are times when it is stronger, but it really depends on the Viceroy for the time being.

2342. The Financial Department has the advantage of the Order that if the Finance Member differs from the rest of the Council, and the Viceroy supports him, the action is suspended, and the question has to be referred to the Secretary of State?—I think I explained that practically that Order was of no value; but at times the Financial Department is strong. It really depends on circumstances. There is not a certainty that it will be strong, but at times it is strong—that is to say, when the Viceroy inclines to economy.

2343. It entirely depends on the Viceroy agreeing or disagreeing with the Finance Member?—It does entirely depend on that.

2344. Therefore the ultimate force is the personality of the Viceroy?—Yes, but there are two forces. The tendency is ordinarily for pressure to be put on the Financial Department to incur expenditure. It is practically pressure. The other departments are always pressing to spend more money; their demands are persistent and continuous. It is uncertain whether the Viceroy will support the Financial Member of the Council or not. If he does not give him support, the Financial Department is weak; if he does give that support, the Financial Department is strong.

2345. The personality of the Viceroy is not a matter that you can regulate by system?—Not by rules. At the same time I must admit it is necessary to maintain the authority of the Viceroy in the interests of the good government of India.

2346. You said that you think it desirable that the Secretary of State's knowledge should be increased so that greater weight might be given to financial considerations?—I said that if the Secretary of State was to exercise greater control over Indian expenditure, it was very desirable that his information as to Indian financial conditions should be improved.

2347. His control is really the control of the Secretary of State in Council?—When I say the Secretary of State, I mean Secretary of State in Council.

2348. And in the Council there are men of long Indian experience to increase his knowledge?—There are.

2349. Among others, for instance, former Financial Members, such as Sir John Strachey?—Very possibly. You observe what I said was, that if he is to exercise control in greater detail, it is necessary that he should have greater information. When I said information, I did not mean that the ability or the experience of the Members of Council should be increased; I meant that they should be more in touch with the actual financial conditions of the day in India.

2350. But there is no limitation as to what the Government of India may furnish, in the way of information, to the Secretary of State, or in what he may choose to call for?—Absolutely none.

2351. As a fact, a great deal is supplied?—A great deal. What I say is I think it would be a pity that greater control should be exercised in details unless there was a greater knowledge of what I may call the current financial conditions in India. I think with all deference, perhaps, from the nature of the case, that you do not quite keep in touch with the progress of events there. Information comes in time, but I do not think it comes immediately.

2352. If the Financial Member is overruled he has full power to write, at any length he chooses, the whole of his views on which he bases his dissent?—He has; but if he is opposed to the Viceroy it is a very serious thing to overrule the Viceroy. It ought not to be done very frequently. It could not be done very frequently.

2353. Still, he sends a long dissent, and that is very probably printed, and perhaps made public?—It might be, of course; it might be made public.

2354. It is occasionally done?—Yes.

2355. A Member of Parliament may move that the papers may be printed, and then they are published in a Blue Book?—He may, and dissents may be published; or he may be told it is contrary to public policy to produce them.

2356. (*Chairman.*) You were mentioning those tables of wages which were published in India. You have given attention to this question, and therefore your criticism would be valuable upon that. Do you consider that they are carefully compiled?—I think they are fairly compiled. You must not suppose there is any very exceptional degree of accuracy in them, but they are quite sufficient for the general purpose, that is, to show that the income of the people of India is small; and further than that you cannot go safely. If you attempt to get more than that, to estimate the income exactly, you break down.

The witness withdrew.

Adjourned until to-morrow at eleven o'clock.

At the India Office.

FIFTH DAY.

Wednesday, 13th November 1895.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN), PRESIDING.

SIR WILLIAM WEDDERBURN, Bart., M.P.
FIELD MARSHAL SIR DONALD STEWART, Bart., G.C.B., G.C.S.I.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. DADABHAI NAOROJI.
MR. COLIN G. CAMPBELL, *Secretary.*

Sir H. Waterfield, K.C.S.I., C.B., and Mr. E. R. Cave-Browne. C.S.I.

13 Nov. 1895.

SIR HENRY WATERFIELD, K.C.S.I., C.B., recalled and further examined.

MR. EDWARD RABAN CAVE-BROWNE, C.S.I., called in and examined.

2357. (*Chairman.*) Would you, Mr. Cave-Browne, describe your position in the India Office?—(*Mr. Cave-Browne.*) I am Accountant-General in the India Office. I was appointed Accountant-General in 1893, but I have had charge of the home accounts since January 1872.

2358. Were you then for the first time appointed to the India Office?—No; I was in the service of the East India Company, and I have been in the Accountant-General's Department since 1860.

2359. Sir Henry Waterfield, we propose to take to-day the question of the financial machinery of the Home Government. Would you describe to us the services on account of which payment is made at the India Office?—(*Sir Henry Waterfield.*) The following are the services charged in the accounts as expenditure against the revenue of the year:—

Interest and management of debt, and payment of annuities in respect of purchased railways, and of interest to existing railway companies.

2360. May I ask, are you following the heads of the accounts?—They are heads given in the accounts, but I am following the order which is given in the statement in the Explanatory Memorandum, which, I think, will be rather more convenient. The next head is—

Payments on account of the civil administration of India, such as passage and outfit of officers, allowances and examination expenses of candidates for appointments in India, &c.
Postal subsidy.
Telegraph charges.
Civil Engineering College, and other expenses connected with the supply of officers for the Public Works Department.
Payments to the Admiralty for the Indian squadron, Indian defence vessels, &c.
Maintenance of lunatics sent to England, for whom the Secretary of State is responsible.
Charges for the Persian Mission and diplomatic and consular establishments in China, pensions to the families of Maharajah Duleep Singh, and of the Nawab Nazim of Bengal, &c.
Charges for the India Office, including the Store Department, and for the Auditor's office.
Payments to the War Office on account of the home charges of British troops serving or having served in India.
Payments for the troop service and transport of troops to and from India, &c.
Payments for stores of all kinds for India.
Furlough pay to officers on leave from India.
Pensions of retired officers.

Besides these, there are the following payments not charged as expenditure on the revenue of the year:—

Capital outlay on railways and irrigation works.
Discharge of debt.
Payments to railway companies from capital subscribed, and some minor payments from deposits, &c.
Payments to Her Majesty's Imperial Government on account of sums received in India.
Payments for stores chargeable in India to certain railways, and for stores and other services chargeable to local funds and Native States.
Family and miscellaneous remittances.
Payment of bills drawn by the Persian Mission in respect of advances made on Indian account; and a few miscellaneous payments to be brought to charge or recovered in India.

2361. In the Explanatory Memorandum of the Secretary of State for India on the East India accounts and payments, the account given of the home charges on page 14 is generally divided into heads corresponding to those which you have just described to us?—That is so.

2362. And we see in that account the actual expenditure, under each head of the account, for 1893-94, the revised estimate for 1894-95, and the Budget for 1895-96, showing a total of Rx. 28,855,900 as the budget estimate for 1895-96?—Yes, that figure is Rx., including exchange; it is 15,739,600*l.*, and the exchange Rx. 13,116,300. The burden of the home charges, in the budget estimate for 1895-96, is Rx. 28,855,900.

2363. You are obliged to state the question in that way, I suppose, because India pays in rupees, and where the costs are paid over here, the payment is made in sterling?—The payments are made in sterling, and the cost to the Government of India is in Rx. The burden which the Government of India have to bear includes the exchange.

2364. Is that Rx. 13,116,300 the total sum that the Indian Government has to provide in rupees for exchange?—It is the exchange on the sterling expenditure brought to charge against revenue.

2365. Yes, the exchange; not the actual extra charge of the exchange, but the actual sum drawn which Indian revenues must provide?—I think I must explain that there are two sums, either of which may be called the exchange. In order that the Government of India may pay in the year 1895-96, according to the Budget estimate, 15,739,600*l.* sterling, they will have, taking the rate which was fixed in the Budget as probable, to pay from their treasuries in India Rx. 28,855,900; but the actual burden of exchange which will be borne will depend upon the amount of bills sold during the year, which may not exactly correspond, and probably will not exactly correspond, with the sterling expenditure.

2366. I think I follow you so far, but I see that the Rx. 28,855,900 equivalent of sterling payment consists of the sterling payments with the exchange in Rx. added?—That is quite right.

2367. And is not that the addition of two sums stated in different coinages?—Entirely so.

2368. Therefore the Rx. 28,855,900 is a composite total?—Yes. (*Mr. Cave-Browne.*) No; it is strictly

rupees. This is simply a mode of showing that the sterling will cost a certain number of rupees.

2369. May I put it in this way: It is estimated that that 15,739,600*l.* sterling will be paid in London?—Yes.

2370. To meet that charge in India Rx. 28,855,900 will be required?—(*Sir Henry Waterfield.*) That is so.

2371. (*Mr. Buchanan.*) And that Rx. 13 116,300, which you put down to exchange, really is not a sum in the accounts. That is merely because you conventionally assume that the 1*l.* sterling is worth 10 rupees; you then say that is the extra sum which was due to the fall in exchange? — You are quite right; it is not really Rx., but we have no clearer way of expressing it in the accounts. It is really the amount which must be added to the sterling figure in order to obtain the Rx. which will be equivalent to that sterling figure.

2372. Is it of any value in the accounts to keep up the representation of a figure of that sort and a column of that sort?—It is the only way that you can express against each head of the charge what really has been the cost to India of that head of charge. In former days, going back before the year 1884, the accounts showed the charge for exchange under one figure at the end. It was entered as a charge for exchange, so much; but it was found more convenient that it should be known what really was the cost of the Army charges in England, or of the railway charges, or of the interest on debt, and the plan was devised of allocating to each head the figure which, added to the sterling, would represent the number of Rx. that that head of charge cost.

2373. But still it is based upon the old conventional idea that 1*l.* sterling is worth Rx.?—Oh, no; I do not think that. If you look at that column, you will see that against every head of charge there is the sterling amount. Then there is appended in the next column the amount which must be added to the sterling figure in order to obtain the Rx. which the Government of India has to pay against that head, and then you will get the total which is the real rupee charge that the Government of India has to bear for that head.

2374. (*Chairman.*) I think I understand it in this way, the charge in sterling is an actual fact?—That is so.

2375. As I understand, the endeavour of the Financial Department of the India Office is to present to the Secretary of State and to Parliament a record of actual facts. The first column shows actual facts, so much sterling is paid out?—Yes.

2376. But in order to obtain that sterling, the equivalent of which has to be derived from Indian revenues collected in rupees, you state the sum necessary to make up that sterling charge in rupees. That turns out to be Rx. 28,855,900. The difference between the sterling and the Rx. 28,855,900 represents the sum in rupees that the operations of exchange require?—That is quite right. I may add that the Home accounts laid before Parliament are entirely a sterling statement, and do not include exchange. It is only in this explanatory memorandum or the accounts of the Government of India that the rupee charge is brought in.

2377. Is not that second column, namely exchange, rather founded on the idea that Mr. Buchanan has just put forward, that 15,739,000 should represent the rupee at 2*s.*?—No; it is the sterling payment. I do not think I can admit that it is the figure entered as the rupee charge at 2*s.* a rupee; it is the sterling payment.

2378. Quite so. But when you have to add to that the Rx. 13,116,000, making up the Rx. 28,855,900, it is an endeavour to show what the cost of the exchange is?—Yes.

2379. And that cost of the exchange is based upon the idea that the normal value of the rupee is 2*s*?—No; I am quite prepared to admit that it is the same thing as if you entered the sterling in Rx. at 2*s.* the rupee, but at the same time I do not say that it is based on that. It is the difference, as your Lordship expressed it very clearly, between the sterling amount and the rupee amount, which has to be stated in Rx., in order to arrive at the cost of exchange.

2380. I think we are very near agreement upon it. I should have thought the statement would have been sufficiently complete if it had simply put the amount of sterling paid (column 1), 15,739,600*l.*, equivalent of the sterling payments in rupees (column 3), Rx. 28,855,900. You know what I may call your client's requirements better than I do, but it strikes me that the second column, Rx. 13,116,300, is a little bit of surplusage in the account?—No doubt we could leave it to members of Parliament to make the subtraction for themselves, but they would not see what was the exchange charge for any particular item, such as the railway revenue account, unless it was put down in that column.

2381. (*Mr. Buchanan.*) But is it really conveying any valuable information to members of Parliament or anybody else—is it really representing the cost of exchange to the Government of India, because it is merely subtracting? I take an item at random, and it is just such as the Chairman has said; this exchange column is merely a subtraction sum?—That is so, but it is the fact that if on railway revenue account you have to pay in England a sterling sum of 5,746,200*l.*, you will also have to add a charge for exchange of Rx. 4,788,500, in order to know what your real charge will be.

2382. But is that so? I mean, is not that playing with words? Is not the real fact this, that for this sterling charge the Government of India has got to pay so many millions of rupees, varying from year to year? Is there any value in putting down a separate column in your accounts in which you put down a series of figures which are obtained simply by subtracting the total sum from a conventional exchange of 10 rupees in the 1*l.*?—I am not prepared to say it is of any real value; it is found convenient, and it has rather arisen out of inquiries which have constantly been made, where it has been represented that the charge is only so much sterling. It has been pointed out that the real charge for the Government of India is so many Rx., because you must add that amount of exchange.

2383. (*Sir Andrew Scoble.*) Does not the exchange column just show this—the extra number of rupees that you have to pay for your sovereigns, because the rupee is no longer worth 2*s.*?—Exactly so.

2384. (*Chairman.*) And that brings us back to what I think does lurk in the minds of people both here and in India, that by a sort of what I may call a supernatural arrangement, the rupee ought to be 2*s.*, and if it is not, a special arrangement will have to be secured which will bring it up to 2*s.*?—It is undoubtedly the outcome of an arrangement made for convenience.

2385. (*Mr. Buchanan.*) The only other thing I was going to ask was this. Does it not give rather an unfair presentation to the public of the amount of loss caused to the Government of India by exchange? You can hardly fairly say that the whole of that extra sum is due to the fall in exchange, because the rupee, I suppose practically, has never been worth 2*s.*?—I should not admit that. The rupee was for many years worth about 2*s.*

2386. (*Chairman.*) I think of old times we used to reckon the rupee—except for a few years when silver was over 60*d.* an ounce—at about 1*s.* 1*d.*, was it not? and you took 2*s.* really as a convenient and rough method of reckoning the rupee in sterling?—No, it really was worth more nearly 2*s.* than any other rate. For some years it was over 1*s.* 1$\frac{1}{2}$*d.*, and it was decided that for convenience the account should be shown at 2*s.* the rupee; but, after it had fallen seriously below that rate, an alteration was made.

2387. You must be going back beyond all our memories. Some of our memories go to the time when silver bore a very high price, in the late fifties; but if we went to the beginnings of the fifties and to the forties, we should have found that it was 1*s.* 1*d.*?—You are quite right, but, after the Mutiny, it was for some years considerably over 1*s.* 1*d.*

2388 What Mr. Buchanan says would strike many people; viz., that the 2*s.* is a conventional rate?—It is.

2389. And that being so, at all events a question might arise as to whether it is quite fair to reckon the whole of the difference between sterling converted at this conventional rate of 2*s.* and the sum of rupees actually required, as loss by exchange?—Yes; but I must say we are very careful not to call it "loss by exchange" for that very reason. It is the exchange.

2390. Are the whole of the money payments mentioned in this account made through the India Office?—Yes.

2391. On what authority are payments made?—On the authority of the Secretary of State in Council given in some form or other.

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2392. Either by standing order, as, I suppose, in the case of an establishment, or by special order in the case of a special payment?—Yes.

2393. In what form, and by whom, is the approval of the Secretary of State in Council signified?—By a minute or draft letter or despatch marked by the Clerk of the Council as having received such approval.

2394. Can you describe the process by which that approval is obtained? I mean by that, in what form do applications or demands for payments come before the India Office, and in what form do they pass on to the Council in order to receive that approval?—On the receipt of a letter in the Registry Department, it is sent to the Department which in the ordinary course would deal with it. Usually a minute or draft letter is prepared in the Department and submitted by the head of the Department to the Under Secretary of State, who sends it to the Secretary of State indicating the Committee or Committees to which the paper should be referred. (I perhaps should say that before that step is taken, it is usual for the Secretary of the Department to refer the paper for observations to any other department that seems likely to be interested in the subject.) If the Secretary of State sees no *primâ facie* objection to the proposal, he refers it to the Committee; after approval or alteration by whom, it goes back to the Under Secretary and the Secretary of State, and is then laid before Council for discussion at the next meeting. In the less important matters involving small expenditure, some of these stages are omitted; and the approval is signified by the Clerk of the Council after the paper has been laid on the table for a week without comment.

2395. Then, in fact, claims for payment, we will say, go twice before the Secretary of State?—If they are claims for payment in ordinary course, they would very likely be sent by the Under Secretary direct to the Council to lie there for a week, without troubling the Secretary of State in the matter; but if it is a point that requires special decision, it would go twice before the Secretary of State, before and after reference to the Committee charged with it.

2396. Would you describe to us the branches into which the India Office is divided?—The Correspondence Department includes six departments: the Finance, Military, Judicial and Public, Revenue and Statistics, Public Works, including Railways, and the Political or Foreign, which includes the Secret Department.

2397. The Public Department, I presume, includes charges for civil administration?—It includes administrative charges of a miscellaneous character which do not come under one of the other branches distinctly; but proposals for increase of expenditure generally come from India in the Finance Department, and the question whether they are dealt with in the Finance Department or in one of the other departments depends very much on the character of the reference. If it is a mere question of a slight increase, it would probably be dealt with in the Financial Department, after reference to the Judicial, or the Public Works, or whatever department was concerned. If it was a reorganisation of a whole system, it would be transferred at once to that Department.

2398. But in order to understand clearly the division of business, let me take such a question as an education question, which, as I think you explained to us before, in India falls under the Government of India in the Home Department?—Yes.

2399. What branch would deal with that? — The Judicial and Public Department.

2400. Then I suppose that the department of the India Office which is charged with the Home financial business, and with the keeping of Home accounts, is the Finance Department?—That is so. The business is divided between the Financial and the Accountant-General's Department. The Accountant-General's Department deals with the compilation of the estimates and accounts, the management of the cash balance, the computation and issue of furlough pay and pensions, the examination of all claims, and the payment of all sums in this country on account of India.

2401. Then the Accountant-General's branch is not included under that general head, the Correspondence Department?—No, it is an independent department.

2402. And it is a branch independent of the financial branch?—Yes.

2403. Is any other branch besides the Accountant-General's branch outside that division which you have described to us? — The Director-General of Stores' Department. There are other departments, but not dealing with correspondence. There are the Registrar and Superintendent of Records—correspondence about records would be in his department—and the Funds Department; and then there are the Legal Adviser, and various miscellaneous officers; but I have mentioned the chief departments.

2404. They are a part of administrative machinery which, of course, is always attached to a great office, but which does not fall into the main divisions of business?—Quite so.

2405. Is there a Committee of Council on Finance, under whom the Financial Secretary is the chief officer?—Yes.

2406. Does that Committee of Finance meet on specified days? — Yes, always once a week, and occasionally a special meeting of the Committee is summoned.

2407. And does all financial business pass through it to the Council? — Through that Committee of Council, if referred to it by the Secretary of State; in ordinary course it would always be so referred.

2408. What is the strength of the department of the Financial Secretary?—One secretary, receiving 1,200*l.*, with, at present, a personal allowance of 200*l.*; one assistant, 800*l.* to 1,000*l.*; one senior clerk, 600*l.* to 800*l.*; one redundant senior clerk, 500*l.* to 700*l.*; one junior clerk, 200*l.* to 600*l.*; one clerk for examination of Army non-effective accounts, 400*l.*; seven second-class clerks, 70*l.* to 350*l.*, making 13 in all.

2409. You mentioned one clerk for examination of accounts. From what you said before, I would rather have anticipated that the examination of accounts would lie with the Accountant General?—It is a very special arrangement; it is the Army non-effective accounts, and the examination is not such as is ordinarily conducted in the Accounts Department. It involves a great deal of reference to orders connected with the retirement of officers.

2410. It is a convenient arrangement?—It is a convenient arrangement that it should be in my department.

2411. Does that give the whole of the clerical staff?—The whole of the staff which is under the Financial Secretary. The copying of the despatches, and so on, is done in the Registry Department.

2412. You have in the India Office, have you not, a division of establishment which corresponds to the Upper Division and the Second Division of the Civil Service?—Yes.

2413. Is your department manned to any extent by the Second Division?—Seven out of the 13 are second-class clerks.

2414. And there is one officer who is redundant, when he retires will the strength of the Upper Division be reduced by that?—It will be so. He will probably be replaced by a second-class clerk; at any rate by one of lower standing than he is himself.

2415. Then I conclude, from what you have stated before, that the Accountant General's branch is entirely independent of the Financial Secretary's branch; will you give us the strength of that department?—The Accountant General's Department comprises—

1 Accountant General, 1,200*l.*
1 Deputy Accountant General, 800*l.* to 1,000*l.*
5 Senior Clerks, 500*l.* to 800*l.*
8 Junior Clerks, 150*l.* to 450*l.*
31 Second Class Clerks, 70*l.* to 350*l.*
1 Keeper of the Records, 120*l.* to 150*l.*

making 47 in all.

2416. You have alluded to the duties of the Accountant General, but perhaps Mr. Cave Browne will give us somewhat more at length what the duties of his department are?—(*Mr. Cave-Browne.*) I have entire charge of the Secretary of State's cash balance, a portion of which, under a system that we inherited from the East India Company, is temporarily invested; I have to watch from time to time the payments required to be made, and the amounts that can be spared, which the stockbroker lends out temporarily. All the home accounts and the estimates are prepared in my department. One branch of my department is confined to the payment of furlough pay, pensions,

and salaries, and all such allowances as are paid either under regulations or under special sanctions by the Secretary of State. All claims for stores are submitted to me for examination, having been previously certified as to the delivery of the stores. I have to satisfy myself that all claims are in order before they are passed for payment. Then there are payments to various railway companies; in fact, all the payments that appear in the Home Accounts are made by me and superintended and examined in my department.

2417. In fact, those payments which you have described—furlough and the like, non-effective—added to the railway payments and the debt payments would make up between eleven and twelve millions out of the fifteen and three-quarter millions which you pay?—I pay the whole.

2418. Yes, quite so, but I am alluding to those items?—The interest on the debt?

2419. I am taking out those items which really are the main and the principal items of the payments that you make?—Yes.

2420. The furlough and non-effective payments are very large?—Yes. There are the payments to the Imperial Government for the effective and non-effective Army charges. Those are all paid through my department, as well as those on account of the troop service.

2421. I think that anybody who is cognisant with that kind of payment is aware that non-effective payments are usually very heavy in their details?—Oh, yes.

2422. And that was in my mind when you were giving the strength of the Department; it is a large department?—Yes.

2423. It becomes quite intelligible when one sees what a very large amount of that kind of payment, such as non-effective payments, is concerned?—Yes.

2424. That concludes your description?—Yes. Of course there is all the account keeping.

2425. You say that the cash balance is in your charge. I will now ask you a question as to investments. Are the amount you can invest, and the method of investment a matter of consultation between yourself and the Financial Secretary and through him with the Committee of Council?—No; that is all done, under the approval of the Secretary of State in Council, of course; but each transaction I decide myself.

2426. There are general regulations under which you exercise a discretion?—Exactly so; what descriptions of security should be taken is settled; but each day I am in constant communication with the stock-broker, and tell him what he can lend and when I shall require loans to be repaid, and so on. (*Sir Henry Waterfield.*) I may, perhaps, add that a weekly report is made to the Finance Committee of the transactions, and we are in personal communication with the chairman of the Committee from time to time; but it is left in the Accountant General's hands to deal at the moment with any application that comes up, unless it is of a very exceptional character.

2427. I see that in the last Home accounts the revenue which you realised under that heading appears to be about 10,000*l.* a year?—That is an unusually small amount.

2428. The very first item?—Yes. The cash balance was low, owing to the sale of bills being restricted, and I think also that the rate of interest obtainable was very low in that year.

2429.—I am afraid it is lower this year?—It is so.

2430. On the other hand, do you often have to borrow to keep up the cash balance?—(*Mr. Cave Browne.*) Oh, no.

2431. Not here?—Occasionally we borrow from the Bank of England; but, as a rule, we accumulate a balance sufficient to meet the approaching disbursements.

2432. Here you follow the same principle as is adopted by the Indian Government, viz., that you work upon a balance sufficient to meet the demands upon you?—Yes, just so; as a rule.

2433. Is that a matter that has been considered at the India Office, whether the maintenance of a large balance is better than the maintenance of a moderate balance with occasional borrowings?—(*Sir Henry Waterfield.*) We have occasionally been obliged to obtain assistance from the Bank of England, but it is not a satisfactory plan for the Secretary of State to be in the hands of the Bank; he has not the same position which the British Government have with regard to the Bank, and he might have to pay somewhat heavier charges than the Treasury would under similar circumstances. (*Mr. Cave-Browne.*) Besides, we always have to bear in mind the uncertainty that attends the sale of bills; we have to sell our bills when we can, and, therefore, it is desirable that we should not be in arrear of our requirements,

2434. I suppose your debt payments fall due at the beginning of the quarter, do they not?—Yes.

2435. Would you not find it convenient to borrow any sum that was required beyond a moderate balance in order to meet those payments, with an arrangement that you would pay off that debt from day to day as your revenue comes in?—(*Sir Henry Waterfield.*) I think that, for the reason Mr. Cave Browne gave, it would be a very undesirable plan. We might find, if we did not sell the bills when there was a market demand, that we had borrowed from the Bank, and were unable to repay them.

2436. And your revenue here does not come in in the same form as the Imperial Revenue does, day by day and week by week, by taxes; you derive it by the sale of bills?—By the sale of bills.

2437. Your other revenue, I suppose, is very small?—A mere nothing

2438. I am asking these questions really with the view of understanding whether the question has been maturely considered, and whether it is a definite judgment founded upon your peculiar circumstances?—Yes, it is the decision of the Secretary of State in Council, come to from time to time when the subject has been considered.

2439. You have a special arrangement, have you not, under which you invest your balance temporarily?—It is usual to keep a balance of half a million always at the Bank of England, but it may be necessary to keep a much larger one; for instance, as you were saying, at the beginning of the quarter, when the dividends are due, we might for a day or two have a balance of 2,000,000*l.*

2440. But you have a special arrangement, have you not, under which you lend surplus balances?—(*Mr. Cave-Browne.*) Yes.

2441. It is not necessary for you to invest in Treasury Bills unless you please?—We lend upon the security of Treasury Bills, but the question has been considered, more than once, whether we should purchase Treasury Bills, and it has been determined that it was not suitable for us to do so.

2442. I thought you had an arrangement under which you lent through brokers, or through the Bank of England dealing with bill brokers, for short periods and with power to recall in short periods, the surplus balance you hold?—That is so; through a broker.

2443. Then I suppose the Committee of Finance, assisted by the Financial Secretary, constitute the financial advisers to the Secretary of State?—(*Sir Henry Waterfield.*) Yes, with the assistance of the Accountant General.

2444. Your mentioning the fact that all claims for expenditure go before the Secretary of State implies that all measures or proposals increasing or tending to increase the public expenditure go before him, and obtain his sanction?—Yes; the extent to which the Secretary of State personally looks into such papers depends very much upon himself. In certain cases the Secretary of State has desired not to be troubled with small matters. Other Secretaries of State have insisted upon every paper that was going to Council being submitted to them beforehand.

2445. That, of course, is the method in which the Secretary of State chooses to do business?—Quite so.

2446. The tradition of the office is that every measure involving expenditure must go before the Secretary of State, and therefore he must see every proposal involving increase of expenditure?—That is so; no paper can in theory go to the Council without first passing through the hands of the Secretary of State, who may delegate to the Under-Secretary the power to pass him by if he pleases.

2447. Does the Finance Department of the India Office, besides controlling and directing the expenditure at home, exercise any supervision on behalf of, or for the

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Secretary of State, over expenditure in India?—Speaking generally, proposals for expenditure in India, which require the sanction of the Secretary of State in Council, must come to the Financial Department. There are, however, exceptions; the supply of stores, for instance, is supervised by the Director-General of Stores and the Stores Committee, not by the Financial Department.

2448. But we may look upon the Finance Department as the department that criticises for the Secretary of State proposals from the Indian Government involving increase of expenditure?—Yes.

2449. In what form and by whom are the Budget returns, the returns of income and expenditure, and financial returns of that character received from India, examined and criticised at the India Office?—The financial statement, with the accompanying returns, is forwarded by the Government of India, with an explanatory despatch, which is examined carefully in the Financial Department.

2450. And I suppose the same course obtains with other financial information which the Government of India send?—Certainly.

2451. Is that course followed with regard to the Comptroller and Auditor General's Appropriation Account?—Yes, it is. The Comptroller and Auditor General's Report is forwarded by the Government of India, and a copy of the accounts is at the same time sent; and a despatch is always written for the Secretary of State's approval, carefully reviewing any increase of expenditure that has appeared in the accounts as compared with either the previous year or the estimates for the year.

2452. And that implies that any remarks that the Comptroller and Auditor-General makes in his report which accompanies his audited account, receive the attention of the Finance Department, and through the Finance Department would be brought before the Secretary of State?—Certainly.

2453. And any despatch conveying the opinion or decision of the Secretary of State upon those points would be drafted in the Finance Department, I suppose?—It would.

2454. What is the form of communication to the Finance Committee, and through the Finance Committee to the Council. Do the remarks of the Financial Department take the shape of reports to the Finance Committee and to the Council, or minutes upon the papers?—In the case of the review of the Budget, a despatch is drafted in which the main points are summarised and criticisms passed on any matters that appear to call for comment. This is laid before the authorities in the manner that I have described, and closely considered in the Finance Committee. If it were a matter of more exceptional moment, a minute would probably be laid before the Secretary of State and the Committee, before the draft of a despatch was prepared.

2455. Are currency despatches and questions of that character examined and reports upon them prepared for the Secretary of State in Council, and draft replies drawn up in the Finance Department?—Yes.

2456. That, I suppose, of late years has been a very heavy and a very important part of the business of the Finance Department?—There have been some very important despatches on the subject.

2457. (*Mr. Buchanan.*) Do you mean that when a proposal from the Government of India which involves increase of expenditure comes, it comes first to the Financial Department here, and then the Finance Department proceed to draft a despatch in reply to the Government of India, which you then send on?—Yes, it is a matter for my discretion whether I shall draft a despatch without instructions. I may perhaps verbally ask the Under Secretary of State, or the Secretary of State himself, what he would wish done; but the more common course is for me to put my own opinions forward in the shape of a minute arguing the subject, and very possibly a despatch is drafted in the sense that I would suggest.

2458. What is the next stage? Where does it go after you have prepared this despatch?—It goes from the Finance Department to the Under Secretary of State, from him to the Secretary of State, and from him to the Committee.

2459. And from the Committee to the Council?—Perhaps, as is frequently the case, more than one Committee would deal with the subject.

2460. And then does it eventually go before the Council?—Then it goes back to the Under Secretary of State, who, if necessary, will send it again to the Secretary of State; or he may, if the Secretary of State has delegated to him the authority, send it straight to the Council; but in theory, and frequently in practice, it is seen by the Secretary of State both before it goes to the Committee which deals with it, and again before it goes to the Council.

2461. (*Sir Ralph Knox.*) Would that be the course in the case of increased military expenditure?—Certainly it would. The only difference from what I have described is that, if it were a question dealing rather with the army organisation, it very probably might be drafted in the Military Department after reference to the Financial Department, and put before the Secretary of State by the Military Secretary. Then it would go to the Military Committee, and from that to the Finance Committee, then again to the Under Secretary of State and Secretary of State, and finally to the Council.

2462. (*Sir James Peile.*) And the Department's draft may be amended by the Committee, may it not?—It may be amended by the Committees, and frequently is. If it was at all an important subject, probably the Committees would make material amendments.

2463. And it comes before the Council as amended by the Committee?—And quite possibly again to the Secretary of State.

2464. The Departments' draft is merely proposed for adoption?—That is so.

2465. (*Chairman.*) The Council meets once a week?—Yes, always; occasionally it is summoned specially.

2466. And in case a reference is necessary from the India Office to an Imperial Department, say the War Office, at what stage is that made? We will take a case where a reference is made for the opinion of the War Office on a question submitted by India. At what stage of the proceedings would that be made?—If the matter was one rather of departmental inquiry, the Military Secretary might send it on to the War Office at once, acting for the Under Secretary of State in that case. But, if it was a matter that involved an important alteration, the draft letter to the War Office would go before the Secretary of State and the Committee and Council in the way I have described.

2467. In fact, you have what is a very well-known distinction in the public service, namely, that a simple reference to a department, asking, "What is your opinion?" is constantly sent on on the authority of what I may call a subordinate officer?—Of the Secretary of the Department.

2468. Of the head of a department; but, if it involves an expression of opinion by the department making the reference, then it goes through the ordinary process?—It does so.

2469. By what department of the India Office would questions affecting revenue and taxation be examined or reported upon?—Correspondence regarding taxation is usually conducted in the Revenue Department, but the question of imposing or remitting taxation would very probably be first considered in the Financial Department.

2470. Therefore take such a case as that of the imposition of the cotton duties, that would be considered by both departments, would it?—Yes. The recent imposition of those duties formed part of the proposals for the Budget, and was considered in the Financial Department, but the precise method of taxation to be adopted was determined in correspondence in the Revenue Department. In practice the secretaries of the two departments would almost always be consulted by the Secretary of State. I do not know whether I have made my meaning quite clear. The question whether taxation involving a million and a half of money was necessary, formed part of the Budget proposals, and had to be considered in the Finance Department. The question whether, if taxation were to be imposed on cotton goods, it should be on all counts above twenties or twenty-fours, was a matter of detail for the Revenue Department, although a very important detail.

2471. Quite so; but would the opinion of the Finance Department be taken on the question of a form of taxation, such as whether the imposition of the cotton duties is a desirable form of taxation?—Yes, that was taken in the Finance Department.

2472. And in discussions, before the Budget came on, in which the Indian Government alluded to or suggested change of taxation, would that be considered in the first instance by the Revenue Department, and in conference with the Finance Department?—It would depend very much upon what the proposal was. The proposal that some taxation should be put on, and that that taxation should involve a certain amount of money, would certainly be taken in the Finance Department; but if it was a proposal for some definite charge, such, for instance, as the taxation of cotton goods, it would be considered in both departments. I am not quite certain which would take it first, but the Secretary of State would consult the two departments and put it before the two committees.

2473. The point I want to come to is whether the Finance Department would not only express an opinion that taxation was necessary, which is, naturally, part of its duties in connection with the Budget, but would also have an opportunity of expressing an opinion as to the form that that taxation should take?—Yes, as a matter of fact, the case to which you are referring was, to a great extent, conducted in confidential correspondence between Sir James Westland and myself.

2474. I understand from what you have said that important proposals on the subject of taxation and of currency, would go to the Secretary of State in the ordinary course before they went to the Council?—Oh, certainly.

2475. They would pass from you to the Under Secretary, from the Under Secretary to the Secretary of State, and from the Secretary of State to the Committee of Council?—Yes, I have no power to send any paper to the Council; I can only send it to the Under Secretary and the Secretary of State.

2476. Therefore, not only is the Secretary of State made aware of what the circumstances of the Indian Government are, and of what the intentions or suggestions of the Viceroy in Council are, by his own private correspondence with the Viceroy, but every important paper he sees at a very early stage, and practically before it has had more than the consideration of the Department charged with that branch of business?—Yes.

2477-8. Reverting now to the home expenditure, I should like to run through the headings with you, in order to give you an opportunity of giving some explanations on any heads on which you think we ought to have some further explanation. First of all, are there any general regulations under which payments are made here? In describing the Indian expenditure, you have shown us that almost every class of expenditure in India is regulated by code. I want to know whether that system is extended to the India Office, and whether the method and system of payment is regulated by code?—No, we have no code of orders in the India Office. Copies of minutes bearing on payments are kept in the Finance and in the Accounts Departments, and action is taken in accordance with them.

2479. I think it may be convenient, in running through these heads of account, to follow the statement which you gave us early in your evidence in preference to taking the Home Accounts; but, perhaps, wherever necessary, you will refer to the Home Accounts, so that we may see where the items are given in greater detail. And, first of all, you mentioned the interest and management of debt, payment of annuities, interest on purchased railways and interest to existing railway companies; would you tell us under what regulations those are paid? For instance, the quarterly or half-yearly charge for debt?—Every loan is effected on terms and conditions authorised by the Secretary of State in Council, and these include the payment of interest at the rate or rates and dates prescribed. The claim of the Bank of England or of the Bank of Ireland, or of the railway company, as the case may be, for the payment of interest, is closely examined in respect of the amount of principal on which interest is claimed, the rate of interest, the period for which it is payable, and the calculation involved.

2480. And where the claim is found to be entirely in accordance with the authorities given by the Secretary of State, does the Accountant General then pay without reference to a higher authority?—Yes.

2481. And the same course, of course, is pursued in the case of management of debt?—Yes.

2482. You then pass on to the payments on account of the civil administration in India, such as passage and outfit of officers, allowances and examination expenses of candidates for appointments in India. And, first of all, before you enter upon that subject, would you give us some information upon the following point: I think I am right in saying that the establishment of the Secretary of State in England is regulated by Order in Council, is it not?—Yes.

2483. Has the Secretary of State any power temporarily to add to that establishment, or must an amending Order in Council be obtained in order to make payments to new officers or additional payments to officers legal?—He cannot add to the establishment; he can make temporary appointments, but he cannot add to the establishment without an Order in Council, though, after the Secretary of State in Council's sanction has been given, some little time may elapse before the Queen's approval in Council can be obtained.

2484. The basis of all financial business is want of confidence; and we will suppose that the Secretary of State increases his establishment and does not care to get an Order in Council; should you consider it the duty of the auditor to report after a time that this expenditure was going on without being embodied in an Order in Council?—Certainly he would report it to Parliament, or, more accurately, he would report it to the Secretary of State, and his report would go to Parliament.

2485. Is there any other class of payment which the Secretary of State makes which is regulated by Order in Council?—I think not.

2486. For instance, I see that the contingencies of the office are very large. The Secretary of State has complete authority with regard to that?—Yes.

2487. And those payments on account of civil administration, passage and outfit of officers, allowances, examinations, scientific inquiries—every charge of that kind is completely at the discretion of the Secretary of State?—In a few cases it is regulated by Act of Parliament, but I do not think there are any cases governed by an Order in Council.

2488. Orders in Council are confined to the establishment?—Yes, I believe so.

2489. And outside that the Secretary of State has full power?—Yes.

2490. What is the course followed with regard to proposals for increase of expenditure in England itself? How do applications for an increase of expenditure, or for the incurring of a new class of expenditure arise, and how are those applications or proposals considered?—They originate from the necessity arising for some service which has not been foreseen, and for which there is, consequently, no authority under regulation. The case is submitted in a minute to the Secretary of State in Council, who authorises the expenditure. The claims, when preferred, are examined, like others, to see that they have been duly sanctioned.

2490*a*. Such a proposal or application would originate in the department of the India Office charged with the business to which the new expenditure applies?—Yes, in almost every case it would arise on some letter addressed to the office.

2491. And, in that case, does the proposal pass from the Department directly to the Secretary of State, or would it go through the Finance Department first?—The rule is, that any letter or despatch which involves expenditure shall be referred to the Finance Department for observations, before going to the Secretary of State, but I do not think that that is quite invariably carried out. But, after being seen by the Secretary of State, it would, if it involved expenditure, go to the Finance Committee, and in that way the Finance Department would become cognizant of it.

2492. But of course there would very often be cases in which a proposal to incur a new service, to appoint a new officer, to incur a new class of expenditure, originates within the Department itself; in which case, I suppose, it would originate in a minute of the head of the Department. In that case, would that minute come direct to the Secretary of State, or would it pass through the Finance Department before going there?—If it was an addition to the establishment, it would be dealt with by the Under Secretary, who would refer it to the Secretary of State, and then it would come to

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the Finance Committee; but the Finance Department would not necessarily have seen it in the first instance. But if it arose—and unless it was a question of addition to the establishment, it almost certainly would arise—from some letter addressed from outside, whether from the Government of India, or some other department or individual in England, it probably first would be referred to the Finance Department for consideration.

2493. (*Mr. Buchanan.*) And then go though all the stages which you have previously described?—The stages which I have described are those which are formally laid down, and which are adopted in all important matters; but as I said, it depends very much on the Secretary of State personally to what extent he is troubled with details.

2494. When a new charge is put on the revenues of India, which is originated at home, at what stage is the Government of India first consulted?—It is a very rare thing for a new charge to be put on the revenues of India originating at home. Such a thing might, however, happen, and in that case the Government of India would most likely be consulted by a despatch before it had been adopted. But in a case of urgency, the charge would be borne here, and the Government of India would be informed, if it was a matter which concerned them. Such questions as the Chairman was putting to me, relating to the increase of establishment in this Office, would not be communicated to the Government of India.

2495. No; but the more important ones. We know that certain charges have been put on the revenues of India originating at home?—Could you give me an illustration of what you have in your mind?

2496. Well, I was thinking of what was alluded to yesterday, about the aid to the Mauritius and Zanzibar cable?—The Mauritius and Zanzibar cable was laid at the request of the Government of India; the proposal originated in India.

2497. (*Chairman.*) Perhaps, if we turn to the Home Accounts, we could pick out some instances of what Mr. Buchanan means. I take this, page 3: "Payments "under postal arrangements to the Lords of Her "Majesty's Treasury, 61,475*l.*;" would not that be an arrangement made between the India Office and the Post Office?—Yes; but not without consulting the Government of India.

2498. But it would originate here, would it not?—When the time came for the revision of the contract with the Peninsular and Oriental Company, the Treasury, or the General Post Office through the Treasury, communicate their views to the Secretary of State, who informs the Government of India, and calls for any observations which they have to make on the arrangements that are proposed. The actual division of cost might be settled here between the departments without the Government of India having been previously informed, because it depends very much on the final arrangements made between the Treasury and the Company at the last moment. But the Government of India would have been consulted beforehand, and would be informed of the result afterwards.

2499. I can understand that in that case a reference would be made to the Government of India. But supposing, to take purely Home Accounts, the Government here were to think fit to have a special train to bring up the Indian mails, involving, perhaps, several thousand pounds a year—I suppose the Government here would settle that without reference to the Government of India?—The question of transit of the mails across the Continent was not settled without reference to the Government of India.

2500. It was part of the postal service?—Yes.

2501. But still, there might be cases such as I have described, in which the Secretary of State would settle without reference to India?—It is possible; particularly if it was a very small amount. But care is, as a rule, taken that a charge shall not be put on the revenues of India without acquainting the Government of India with it, and, if possible, obtaining their opinion beforehand.

2502. Take a very ancient charge, the Sub-marine Indian Telegraph. If I remember aright, in the very infancy of sub-marine telegraphy, and immediately after the Mutiny, it was thought necessary to adopt the very earliest means of establishing telegraphic communication with India. It was so early in the day of telegraphs that the cable immediately broke down. The charge which had been incurred, which was a guarantee, I think, was turned into an annuity for 50 years, and eventually formed part of the debt of India to England, being divided between the two countries. I suppose any cases of that kind, converting a liability into an annuity of 50 years, would be made in concert with the Government of India?—It was made by Parliament, and I am not prepared to say that Parliament does not impose charges on India, sometimes, without the Government of India being consulted.

2503. When you say it was made by Parliament, it was made by Parliament on the initiative of the India Office, by Bill?—I think not on the initiative of the India Office, was it?

2504. Well, on the initiative of the Government?—Yes, on the initiative of the Government.

2505. But in a case of that kind, would the Indian Government be consulted?—Now-a-days I make no doubt they would be consulted, because it would be possible to do so by telegraph. It was not possible in those days, and therefore the Act may have been passed without consultation with them. It was in 1861, and I am not able to say, without reference, whether they were informed beforehand. I rather think that a guarantee had been previously given to the company, and that the annuity was granted in substitution for that.

2506. That was so?—Therefore, it was not imposing a fresh charge on India, I think.

2507–8. My recollection is that the Indian Government and the home Government were alike alive to the necessity of speedy communication?—Yes. What I mean is that I think the Government of India were responsible to the company for a dividend of 4½ per cent. jointly with the Treasury. The Act, which was passed in 1861, declared that the guarantee had not been given conditionally on the telegraph being in working order, and the further Act of 1862, after the line had ceased to transmit messages, transferred the property to a new company, and the guarantee of the old company was then converted into an annuity of 36,000*l.* for 46 years. The result was, therefore, I think, that the charge, although perpetuated without the service being rendered, was a reduction of that for which the Government of India were already responsible.

2509. Well, that was the settlement of it?—It was settled in that way.

2510. Now, I will take such an instance as this. It is a small charge at page 7. "Allowance to an officer in "attendance on His Highness the Gaikwar of Baroda "during his visit to England." That would be settled by the Secretary of State without reference to the Government of India?—The Government of India deputed the officer to attend on the Gaikwar of Baroda. I think probably the exact payment to be made to him while he was at home was left to the Secretary of State's discretion, but he was sent by the Government of India especially to attend on the Gaikwar of Baroda.

2511. Therefore that would not be an instance in which the Government here, small as the charge is, would be acting without the knowledge of the Government of India?—No.

2512. Well, now take such cases as the mission to the Court of Persia; I see 7,000*l.*?—Yes

2513. Is that the share of the diplomatic establishment at the Court of Persia?—It is the extent to which the Government of India bears the cost now.

2514. As you remember, that question, with others, was a long time under discussion between the India Office and the Treasury?—It was.

2515. Ending in a reference to the Prime Minister?—Yes.

2516. Would the decision then arrived at—the Secretary of State agreeing with the decision made by the Prime Minister—would that have gone to India *before* being finally confirmed?—There was frequent correspondence with the Government of India on the subject. I think that the final meeting of the committee of the Cabinet on the subject decided it without a fresh reference to the Government of India.

2517. But it was a settlement, and presumably a reasonable settlement, of a question of which the Government of India was fully seised, and in which they had agreed that some charge would be undertaken by them?—Yes, and it was a reduction of the charge

they were paying. In 1880 the payment had been reduced to 10,000*l.*, and in 1891, when the committee of the Cabinet met, it was reduced to 7,000*l.*

2518. Is not that what generally happens when you confer with the Treasury?—Sometimes we are able to relieve the revenues of India.

2519. I will just read other heads; but I think you have described generally the process by which expenditure is incurred, and, therefore, unless there is something that particularly calls for attention, I do not know that I need delay you over them. You mention in this memorandum, among the heads of Payment of the Postal Subsidy, Telegraph Charges, Civil Engineering College, and other expenses connected with the supply of officers to the Public Works Department; that is the establishment at Cooper's Hill?—Yes.

2520. Now, I suppose expenditure connected with that service is made with the knowledge of the Indian Government?—The College was set up originally without the knowledge of the Government of India, but they were at once informed of the plan. The budget for the College each year is not referred to them; it is decided by the Secretary of State in Council.

2521. And any increase of expenditure which he may think necessary is granted without reference to the Government of India?—Yes, certainly; any alterations of building, for instance.

2522. Payments to the Admiralty for the Indian squadron, Indian defence vessels, &c. That, I think we know, has been the subject of full communication with India?—That has been very fully referred to the Government of India.

2523. "Maintenance of lunatics sent to England "from India, for whom the Secretary of State is "responsible." "Charges for the Persian mission" and "Diplomatic and consular establishments in "China," "Pensions to the families of Maharajah "Duleep Singh and the Nawab Nazim of Bengal," &c. "Charges for the India Office, including the "Store Department, and for the Auditor's Office." This is the place where, I think, we should ask any questions about the Store Department. Would you explain to us the form in which demands for stores come to the Home Government, and the method followed for procuring them? And, first of all, I understand that the Store Department is a very great service?—Very large.

2524. A very large part of the stores required for public works and, of course, for military purposes in India, are paid for in England?—Yes.

2525. And obtained in England?—A very considerable proportion of them.

2526. Would you tell us about the stores, then?—Orders for stores originate in India except on rare occasions. They are occasionally ordered on the requisition of an officer deputed from India for a special service.

2527. Therefore the Secretary of State does not initiate the purchase of stores?—No. The general rule is that the Director-General buys the stores. But, with reference to ordnance stores, some are manufactured by the War Department specially in compliance with Indian orders; others are procured from the War Department stock; and others are obtained by means of contracts entered into by the War Department on behalf of the India Office. Stores for India are procured on requisitions received from the several Governments in India, the indents for which are submitted by the Director-General of Stores for the sanction of the Secretary of State in Council. This sanction constitutes the authority for the requisite payments in respect of them. Contracts for the supply of the stores are obtained by the Director-General of Stores, such contracts being approved by the Chairman of the Stores Committee of the Council. A copy of the contract so approved, certified by the Director-General of Stores, is furnished to the Accountant-General for his guidance. The claims of the contractors for payment are prepared in duplicate, and received in the first instance by the Director-General of Stores, who transmits them to the Accountant-General's Department with his certificate on the claim that the stores therein enumerated have been inspected by the officers of his department, that the quantities are correct, that they are in every respect fit for the service of the Indian Government, and either that they have been taken into his charge preparatory to being shipped, or have been shipped per vessel named, to a port in India specified. In the Accountant-General's Department the rates and calculations are examined, and the quantities and the sums charged are recorded on the copy of the contract, care being taken that the aggregate of the claims passed for payment in respect of a contract correspond therewith. In all cases the indents from India have received the sanction of the Secretary of State in Council; and the claims for payment are closely examined in every respect possible. Tenders for the freight of stores to India, prior to their acceptance by the Director-General of Stores, receive the approval of the Chairman of the Stores Committee. The accepted tenders are recorded in the Accountant-General's Department. The claims for payment, as in the case of those for stores, are prepared in duplicate, and are received in the first instance by the Director-General of Stores, who transmits them to the Accountant-General's Department with his certificate that stores of the weights and measurements specified in the claim have been shipped. The rates charged are compared in that Department with the record of the freight tender or contract, and the calculations are examined prior to payment. Four-fifths of the total amount of a freight claim is paid in this country (claims of less than 50*l.* being, however, paid in full); the remaining one-fifth is payable in India, excepting in the case of a few outlying ports, when the balance is paid in England on receipt of the out-turn certificate. The duplicate of each store and freight claim, corrected if need be, is returned to the Director-General of Stores to form the basis of an invoice to be transmitted by him to India. Statements are transmitted to India monthly, reconciling the sums paid for stores and freight with the invoices despatched to India.

2528. This is a heavy charge, and I suppose the Director-General of Stores has a large department?—It is a very important part of the office.

2529. Could you tell us what the strength of his department is?—The Store Department at the India Office comprises—one director-general, 1,200*l.*; one deputy director-general, 800*l.* to 1,000*l.*; seven senior clerks, 500*l.* to 800*l.*; three junior clerks, 150*l.* to 500*l.* (in future to 450*l.*); 12 second-class clerks, 70*l.* to 350*l.*; one surveyor of shipping, 600*l.*, making 25.

2530. Twenty-five in all?—Twenty-five in this part of the building—in the Director-General's branch. Besides that there are at the Store Depôt—one superintendent, 800*l.*; one assistant superintendent, 700*l.*; nine supervisors, 250*l.* to 500*l.*; 15 second-class clerks, 70*l.* to 350*l.*; 27 examiners and assistant examiners, 150*l.* to 350*l.*; seven miscellaneous officers, 50*l.* to 300*l.*, making a total of 60, or, with the staff in this office, 85.

2531. Do you happen to know what the cost is?—The cost of the officers whom I have read was, in 1893–4, 25,388*l.* But that does not include the cost of labourers and artificers, of whom there is a very large number altogether. The cost of the Store Department in the year 1893–4, including inspection, ground rent, rates and taxes, &c., was 53,488*l.*, of which 3,477*l.* was paid for the Stamp Branch employed at Somerset House.

2532. Your stamps are procured in concert with the Inland Revenue Department?—Yes; the Inland Revenue Department procure them for us, having a small staff for the purpose, the cost of which we pay.

2533. It is a part of their staff?—It is a part of their staff. They took over those who were employed at the Store Depôt.

2534. (*Sir Ralph Knox.*) Have you a summary of the cost of the stores which pass through the hands of the Store Department, of all kinds?

2535–7. (*Chairman.*) I was just going to take you through the items of the stores. I see that the stores which you expected to buy, in the year 1895–6 amounted in round figures to may we say a million?—A little more than a million. I think it is 1,057,000*l.*

2538. Of that 705,000*l.* is for military stores. Would those military stores be obtained through the War Office, and with the assistance of the War Office staff?—A large part would, but not the whole. The clothing for the Native Army, for instance, is bought by the Director-General of Stores himself.

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2539. Are there any other stores that the Director-General buys himself?—Yes; the miscellaneous stores for the Military Department. It is those of special and particular patterns, which are required for the European troops, and the Ordnance Stores, for which application is generally made to the War Office.

2540. Therefore, I suppose that a very considerable portion of this 700,000*l.* is not bought by the sole action of the Director-General?—Not by his sole action.

2541. Do you make any payment to the War Office for their assistance?—There is an imprest given to the War Office—a standing imprest of 150,000*l.* on account of the orders from the Ordnance Department.

2542. But do you pay the War Office anything for their assistance?—There is a per-centage—5 per cent. is charged.

2543. Then, I see that the civil and public works stores amount to 184,600*l.*?—Yes.

2544. That figure does not, I suppose, include all the stores required by the Public Works Department; for instance, railway stores would not be included there?—No, these are only such stores as are charged on the revenues of the year; not those for railway construction. The great charge for railway materials would be included in the table at page 15—capital outlay on construction of railways.

2545. The 184,600*l.* would include all stores which in England would be charged to revenue as coming under the head of maintenance and upkeep, not on capital expenditure?—That table relates to stores for the State railways; not for the companies' railways.

2546. I thought I saw somewhere that stores were obtained through the India Office for the guaranteed railways?—Payments for them are made from the India Office; but this statement to which your Lordship is referring, at page 14, is one of the expenditure charged on the revenue of the year, and therefore it does not include stores obtained by the companies. The companies obtain their own stores, but the payments are made from this office, which is, I think, what you refer to.

2547. Yes, that is what I was referring to. The company obtain their stores, but the payment is made through you, and, therefore, so far, thrown and added to that amount for which you have to incur the inconvenience of the fluctuations of exchange?—Yes; but we have probably received the money already from the company in sterling in some previous year; they deposited with us funds from which they draw as occasion requires.

2548. Then, besides that, the expenditure under those two headings approaches very nearly to 900,000*l.*?—Yes.

2549. And that leaves only about 150,000*l.* for other services?—Yes. The stores for special defence works, 46,000*l.*, would also probably be obtained from the War Office.

2550. Therefore the amount of stores bought actually by the Director-General of Stores is not very large?—(*Mr. Cave-Browne.*) It is very large. We have no statement before us here which shows only what is bought by the Director-General of Stores. That statement includes the War Office stores. But then there is the purchase of State railway stores, which is a very large business. I have here a statement for 1894-5, and the amount of the stores purchased was 1,768,000*l.*

2551. That is entirely done by the Director-General?—No; you have to deduct from that probably 350,000*l.* roughly, which might be obtained through the War Office

2552-3. You are speaking of the railway stores?—No. I am speaking of the total of stores altogether when I say that.

2554. That is to say, 700,000*l.* worth of stores, which would be obtained for railways is charged to capital, and a million we have seen already charged to revenue?—Roughly.

2555-7. (*Sir Andrew Scoble.*) Can you give us a statement showing the amount of stores that are bought through the direct agency of the Director-General of Stores for the last two or three years?—Certainly. The following table shows the payments for stores obtained by the direct agency of the Director-General of Stores, and by other agency, during the last three years:—

Year.	Direct Agency of Director-General of Stores.	War Office.	Admiralty.	Bank of England (Currency Notes).	Taken to India by Troops.	Total.
1892-93	1,968,420	581,897	10,041	18,765	76,688	2,656,211
1893-94	1,613,670	518,876	9,568	23,956	77,680	2,245,750
1894-95	1,695,624	357,013	8,912	25,903	48,415	2,045,867

2558. (*Chairman.*) After that we come to furlough pay, and pay to officers on leave. I suppose you would include in that heading superannuations?—(*Sir Henry Waterfield.*) No; that comes under non-effective charges—the last entry on the table.

2559. And then there are the payments to the War Office, and payment of troops, and payment of transport; those are all made in accordance with regulation, I suppose, and in communication with India?—Yes. But the payments vary from time to time. They are not paid, as a mere matter of form, under regulation; in each case the sanction of the Secretary of State in Council has to be obtained.

2560. (*Sir Ralph Knox.*) Is the expenditure for stores included in the Indian Budget or in the Home Budget?—Payments in this country are included in the home accounts.

2561. (*Mr. Buchanan.*) Do you mean that I shall find them scattered through this return—the Home Accounts?—Yes.

2562. Is that the only published account of the money spent on stores that is submitted to Parliament or available here?—There is a summary in the explanatory memorandum on page 14. (*Mr. Cave-Browne.*) You will find one in the Finance and Revenue Accounts. (*Sir Henry Waterfield.*) You will find it in the Indian accounts. The Chairman referred to the Budget, and we have not such a statement in the Budget laid before Parliament, but in the accounts there is a charge shown under each head. (*Mr. Cave-Browne pointed out the document.*) (*Sir Henry Waterfield.*) You will find the summary in the Finance and Revenue Accounts for the past year.

2563. (*Chairman.*) That is not presented to Parliament?—Oh, yes; it is laid on the table of the House.

2564. Then besides that, we come to Non-Effective payments. Those, of course, are under strict regulation?—They are under the published regulations. The payments to the War Office are dealt with under a system which your Lordship knows. I do not know whether you would wish me to explain it? The payments to Indian Officers are dealt with under the orders which have been published in India from time to time.

2565. Perhaps you will just briefly describe the payments for the non-effective of the Army?—The War Office pays the full charge for the British soldiers who come on the non-effective list. Every year a statement is rendered by them and checked at this office of the service which each officer or soldier admitted to pension within the year has rendered in India on the Indian establishment and elsewhere, and a calculation is made of the amount due in respect of his Indian service, and the Indian Government is charged with it. The practice which has been adopted for some few years now, for convenience, is that, instead of the Indian Government attempting to follow the course of each pensioner's life, involving the production of certificates from time to time, the India Office should pay year by year the value of the annuity that is due to the pensioner; the amount due is spread over the man's probable expectation of life; and we pay every year according to that table.

2566. I do not think we need enter further into that question now, because clearly that is one of the questions that comes up upon the "apportionment" part of our inquiry, and I only asked you to give a brief description of it, because of its forming part of the summary which you have given us?—I have explained it more fully in the papers which have been communicated to the Commission.

2567. (*Sir Ralph Knox.*) It is a very simple arrangement for the India Office, is it not?—It is very simple; it obviates a great deal of trouble in the way of ascertaining whether the pensioners are still living or not, while it is actuarially perfectly fair.

2568. (*Chairman.*) Next we come to a number of payments not charged on the revenues of the year. For instance, Capital Outlay on Railways and Irrigation Works; what charges are defrayed by the Home Government on that account?—Almost the whole of that charge is for stores on the requisition of the Government of India, for the construction of railways and canals.

2569. Of course, various questions arise on this method of acquiring stores, but they do not fall under our present inquiry?—No; and probably the Director-General of Stores would be a better officer to give you information.

2570. Well, then discharge of debt; that, of course, is an ordinary service. At certain times debt falls due; I suppose you have not very often a question of paying a debt which has not fallen due, which you have merely the power of paying?—On certain occasions an opportunity has been taken to discharge bonds or convert stock before the time when the debt fell due.

2571. You have made some very important conversions?—Yes.

2572. In a case of that kind do you correspond with the Government of India before you do it?—No. I think that the conversion of the sterling debt was decided without reference to the Government of India.

2573. It resulted in a considerable economy, did it not?—In a very large saving.

2574. Then come payments to railway companies and capital subscribed; what are those?—The contracts under which payments are made to the several Indian railway companies have been approved by and executed under the authority of the Secretary of State in Council. The examination of claims for guaranteed interest has been explained under the head of interest on debt. The claims for payment of the annuities, by means of which several of the Indian railways have been purchased by the Secretary of State in Council, undergo a similar examination. Indents for stores are received from India by the railway companies, and after the indents have been referred to the company's consulting engineer, tenders for the supply of the stores are invited and considered by the Boards, at which the Government Director is present. A list of the accepted tenders is entered on the Board minutes, the approval of the Government Director being specially requested where the tender exceeds the Indian estimate. Tenders for freight are invited when stores are ready for shipment, and the contracts are duly entered on the minutes, which also contain sanction to the rates of marine insurance on such stores. The Board minutes are forwarded to this office, and, after they have been initialled by the Government Director and the members of the Public Works Committee of the Council, they are forwarded to the Accountant-General's department where a register is kept of the contracts for stores, freight, &c. When the contractors deliver the stores and present their claims, these claims, accompanied by the consulting engineer's certificate that the goods have been delivered in proper condition and quantities, are submitted to this office for payment, and care is taken that the quantities and prices accord with the amounts sanctioned by the Board minutes. Claims for freight and insurance are presented in a similar way, and, by means of the bills of lading which accompany the freight claims, it is ascertained that the stores supplied have been duly shipped. All bills for sotres, freight, &c., contain full details, which are examined and checked. In a subsequent examination of the companies' books and accounts by officers of the Accountant-General's department, it is ascertained that the amounts issued by this office to the companies have been paid over to the contractors and their receipts obtained; and out-turn certificates received from India afford evidence that the stores purchased have duly reached their destination. Claims for inspection of stores, and bills for stamps, stationery, and other requisites, are periodically presented to this office and paid after examination. Payments on account of furlough pay, sick pay, and family allotments, are made in accordance with the Board minutes and regulations approved from time to time by the Secretary of State in Council. The salaries of directors and consulting engineers and the cost of office establishments are fixed by the Secretary of State in Council, and any alterations require his sanction. Thus, all payments to the railway companies are made upon general or specific authorities of the Secretary of State in Council, and the proceedings of the companies are supervised at all stages so as to prevent irregularities. Any disputes upon questions of principle arising out of the terms of arrangement are submitted for the decision for the Secretary of State in Council.

2575. Then practically the India Office makes all the payments for these railway companies. We are now talking of the guaranteed railway companies?—Yes. (*Mr. Cave-Browne.*) We either pay the money to the railway companies, or place it to their account at their bankers; they pay all the details; but they have to submit to us all the claims received from their contractors, and so on.

2576. The object of that being that you may satisfy yourselves of the amount they have received before you pay any sum on account of the guaranteed interest?—Their capital is paid over to us, and the expenditure is supervised at this office in this manner. (*Sir Henry Waterfield.*) In the case of a guaranteed company, the capital is always paid to the credit of the Secretary of State in Council.

2577. Is there any particular object in the stores being obtained for these railways by the Director General. Why should not the railroad be left to get its own stores?—(*Mr. Cave-Browne.*) Oh, the Director General of Stores does not obtain any of the stores for the railway companies' railways. The Director General simply procures railway stores for the State railways.

2578-9. And here you only pay for State railway stores?—In detail. We pay to the railway companies the cost of their stores in lump sums to disburse.

(*Sir Henry Waterfield.*) If your Lordship will refer to the Home Accounts, on page 23, you will see that there are among the charges which are entered in the Remittance Account, East Indian Railway Company, advances for purchase of stores, &c. 254,720*l.*, South Indian Railway Company, advances for purchase of stores, &c. 82,692*l.*, Bengal and North Western Railway Company, advances for purchase of stores, &c. 8,359*l.* Those are three railway companies to whom the Secretary of State makes advances for the purchase of stores, because the first two are working, on the part of the Government, State railways which have been purchased by the Government at different times, and the Bengal and North Western Railway Company is working the Tirhoot Railway which was constructed by the State.

2580. "Payments for stores chargeable to provincial local funds and to Native States," what are they?—Stores chargeable to provincial and local funds and to Native States, 213,109*l.* Those are stores demanded by the Government of India for railways in Native States and for works which are under the charge of municipal bodies and port trusts.

2581. "Payments to Her Majesty's Government on account of sums received in India"?—They are mainly postal and money order transactions, 114,941*l.*

2582. Are they sums levied in India on account of the Imperial Post Office here?—Yes, sums payable here on account of receipts in India.

2583. Then "Family and miscellaneous remittances"?—Those are payments made chiefly through the War Office on behalf of regiments in India, principally for soldiers, but there are also some officers' remittances among them.

2584. That, I think, about completes the list of payments made by the India Office here?—I think your Lordship has referred to the important headings.

2585. In conclusion, I should like to ask you by whom, and at what period of the year, is the estimate of the whole expenditure drawn up?—The estimates are compiled by the Accountant-General, after communicating with the various departments in which expenditure is likely to occur. He brings them together in the course of November, and prepares for consideration remarks in this form.

2586. This is the estimate, is it?—This is a specimen of the estimates which are prepared. They include a revised estimate of the current year, the preliminary estimate for the coming year, and two papers of comparisons of the revised estimate with the Budget for the

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current year, and of the preliminary estimate with the Budget estimate for the previous year. (*Copy of estimates exhibited.*)

2587. I see you follow the Indian system, and have a revised estimate here?—Yes; those papers, which include remarks prepared by the Accountant-General and myself in explanation of any alterations that have occurred, are sent out in a despatch by the Secretary of State, at the beginning of January; and in that despatch, it is the practice to state what is the amount of the sterling payments that are expected to fall due, and the mode in which those payments will be met. About six weeks afterwards, the Government of India, when they are preparing their Budget, and are in possession of those papers, telegraph to know whether any alterations are needed. A careful revision is then made of all the figures, and a telegram is sent out early in March, which makes any needful corrections of the figures that are in those papers. That enables the Government of India to compile into their financial statement all the figures which relate to the Home expenditure.

2588. And the Government of India is given ample time to criticise or remonstrate against charges which may occur in the Home estimate as sent out to them?—They have time to do so. In practice they would probably not at that time of the year make a remonstrance against anything, except on the great points, on the amount of bills to be drawn and the amount to be met by borrowing. On these two points it is very common to have telegraphic communication before the Financial Statement is published.

2589. In what form would the Indian Government remonstrate, if it thought necessary, against a charge under, we will say, some agreement between the Secretary of State and the Home Government, if they did not approve of the bargain that had been made? Would that remonstrance come on the estimates?—It would come in the shape of a despatch from the Government of India, after a consideration of the papers which had been laid before them; but it would probably not be made in direct connexion with the estimates, because it would require more mature consideration.

2590. Quite so. In fact, the criticism and remonstrance of the Indian Government upon any charges undertaken by the India Office and charged to Indian Revenues, would take place upon a specific question being raised before them rather than upon the Budget?—Yes.

2591. But, at the same time, they have ample time for remonstrance if they think it necessary before the Budget is brought out in India?—Yes, if those papers contain sufficient information to enable them to form an opinion upon the point. But the probability is, that there would be nothing in those Estimates increasing the charge in any material degree, which had not already been communicated to the Government of India.

2592. Of course, some questions may arise hereafter, which concern the India Office here, as to the method of providing money. But I think that falls rather into the branch of progress of expenditure than into that of machinery; therefore, I do not propose to ask any questions upon that point now?—Yes.

2593. (*Mr. Buchanan.*) With regard to the last questions of the Chairman, would it be possible for either a new or an increased charge to be put on the revenues of India, and communicated to the Government of India for the first time in this January Despatch, which transmits the Budget?—If the circumstances had very lately arisen which made it necessary, in the opinion of the Secretary of State, to impose a new charge in the coming year, no doubt the amount would be included in the Estimates; and there might not have been time for a formal despatch, discussing the subject with the Government of India, to have gone out. But I do not think that could arise to any very great extent. It would be only in the case of small charges that any such amount would, as I may say, be sprung upon the Government of India.

2594. So far as your knowledge and experience goes, is it only in small matters that such a case has arisen?—I think so.

2595. With regard to the question which we were discussing a short time ago, about the entries of stores, would it not be possible in the Home Accounts, which are presented to Parliament, to have a summary of the amount that is expended by the Home Government upon stores? Of course, although the Finance and Revenue Accounts are laid upon the table, you are aware that they are not circulated?—I think there would be no difficulty. As the Commission has suggested it, we will see whether such a statement as that which is made in the estimates can be added to the Home Accounts.

2596. There was another point which I think would be of great importance. You were explaining to us at the beginning of the Chairman's examination, the constitution and division of work in the India Office. To those of us who are ignorant in these matters, I do not think the statement as here submitted is very intelligible, because all the important departments are crowded together under the head Correspondence Department?—Yes, that is the term which was used when the two offices of the East India Company and the Board of Control were amalgamated in 1858; all those departments were ranged under one large heading of the Correspondence Department, and that is the form which is adopted in the establishment as approved by the Queen in Council; it would make the statement very much longer if all the clerks there were divided into special separate departments, but there is no difficulty in doing it.

2597. What struck me, when I was listening to your evidence earlier and comparing it with this paper, was that there are much greater details given in it with regard to the smaller departments in the India Office, than with regard to the larger and more important ones?—It is a report of the establishment as approved by the Queen in Council. I will consult the Under Secretary whether we should give any more detail, if you please.

2598. I think it might be indicated under Correspondence Department, that that includes the large departments, such as the Financial?—There will be no difficulty at all in expressing what the Correspondence Departments are. That is merely to give the six names; that can easily be done.

2599. (*Sir William Wedderburn.*) I should like to clear up that point about the way that exchange is shown. I understand that the object of having the separate column of exchange is not so much to fix such and such a definite sum, as for the purpose of comparison between different headings of expenditure, and different years of the expenditure?—I would rather say between the same head of expenditure in different years.

2600. Yes, but also, I suppose, to see where the exchange falls—under which different headings the exchange falls from year to year?—It has that advantage.

2601. It would be practically impossible to try to follow the actual exchange, because it changes almost from day to day one may say. You are forced, for the purpose of convenience, to take some standard—some fixed standard?—Yes. The amount which is entered as exchange is calculated on the average rate at which the bills have been sold during the year, or which are estimated to be sold, in the case of the budget.

2602. Yes, but what I rather meant was this: I understand that it is rather to keep some sort of comparison between the accounts; the accounts rendered to Parliament are sterling accounts?—They are sterling payments.

2603. And it is to keep before the eye some sort of relative idea between pounds sterling and Rx.?—It is to show the additional charge which is borne by the Government of India in consequence of its having to make these payments in sterling.

2604. But is it not also for the purpose of showing the comparison between pounds sterling and Rx.?—It has that advantage, but it is not adopted for that purpose.

2605. You will observe that it is necessary to incorporate into the Indian account, the sterling expenditure. The Indian accounts being rendered in Rx. some figure must be added to show what that sterling expenditure is as represented in Rx. That is the column of exchange. Taking the figures from the printed statement of the exchanges, supposing we take two periods of 10 years. Roughly, in 1874 we may say that exchange was 1*s.* 10*d.*; in 1884, 1*s.* 7*d.*; in 1894, 1*s.* 1*d.* Well, if a charge was incurred in 1874, there would be by 1884 a fall of 3*d.* in the rupee?—Yes.

2606. How would that 3*d.* be shown?—The statement does not show that. It does not show the

additional charge arising during any particular period; you must obtain that by subtracting the exchange as shown in the year 1874 from the exchange as shown in the year 1884. You would have to work out the sum. For instance, a payment of 5,000*l.* a year may have represented in 1884 Rx. 7,000, the addition being Rx. 2,000; and in 1894 it may have represented Rx. 9,000, the addition being Rx. 4,000. You must then deduct Rx. 2,000 from Rx. 4,000, and you find that the increased cost of exchange in the 10 years is Rx. 2,000 on that sum.

2607. Then, if a sterling charge is incurred in 1884 the charge would be accompanied by the 3*d.* of deterioration, so to say, since 1874?—Yes.

2608. And then, if that same charge continued to 1894, it would be burdened with 9*d.*?—It would.

2609. One may make a distinction between that 3*d.* and that 6*d.*, that the 3*d.* may be said to have been incurred with eyes open, but the 6*d.* is automatic or followed involuntarily upon the original expenditure?—Yes; it is possible so to divide it. In the year 1884, taking the hypothetical figures which I have given, it was known that the payment of 5,000*l.* meant the payment of Rx. 7,000; that, without any alteration of the sterling, payment may have automatically become 10 years afterwards Rx. 9,000; and therefore, you may say that the fall in exchange in those 10 years has added Rx. 2,000 to the amount which it was known would have to be paid in 1884. But, at the same time, in 1884 there was the possibility that exchange might have risen. It was not a fixed charge of Rx. 7,000 that was incurred, so that it is difficult to say exactly what was undertaken at that time, and how much has automatically arisen since.

2610. Quite so, and to correct the column about exchange at any particular time, one must make a calculation upon the actual condition of exchange on that date, I suppose?—To arrive at the calculation which you are trying to bring out, you must make that calculation, but it is not a correction of the charge for exchange. It was an actual fact in 1884, and is again recorded in 1894 accurately.

2611. (*Chairman.*) May I ask a further question in passing. As I understand, Sir Henry, taking that account at page 14, the expenditure in sterling for 1893–94 was 15,633,361*l.* The Rx. in the third column, was 25,792,938. Each of these expresses a fact, does it not?—Yes.

2612. You paid 15,633,361*l.* in England, and Rx. 25,792,938 was the exact sum required for that purpose in India?—At the average rate of exchange for the year.

2613. That is what I want, "at the average rate," because that is a calculation; it is not a fact?—It is impossible to say what the payments which are going on from day to day have cost throughout the year, except by taking the average. The bills are sold weekly, but they are not sold to meet a specific charge as it has arisen, but generally to replenish the balance of the Secretary of State.

2614. But in the end you must know that a certain number of rupees have gone out?—In the end you know that the 15,633,361*l.* sterling cost you Rx. 25,792,938.

2615. But it is a fact that they did cost you that sum in rupees?—They did cost that amount, calculating at the average rate, which is known.

2616. But it does not necessarily follow that the calculation of the average rate would exactly correspond with the actual?—I think I see your point. The payment of the 15,000,000*l.* does not comprise all the payments which the Secretary of State made. He drew bills for other sums, which I have mentioned as being outside the revenue account, and the average rate of bills is calculated on the total amount, not only on the amount needed for the 15,000,000*l.*

2617. An average is, of course, correct in the main, but how is it arrived at in this case? Do you say "I know that Rx. 25,792,938 was paid in India, I know "that my charge here was 15,633,361*l.* sterling. To "what average does that work out?" That would be absolutely correct of course?—Yes.

2618. But if you begin by calculating the average rate of exchange during the year, and then saying "I "know I paid 15,633,361*l.*, what number of rupees will "that represent?" it does not necessarily follow, does it, that the actual number of rupees paid out will correspond with the rate so arrived at?—No; it does not necessarily follow that it is quite so. What is known is that the Secretary of State sold bills, we will say, for Rx. 30,000,000, and that he thereby received 18,000,000*l.* sterling, and the average rate was so much. He then says, "Now I have to pay 15,000,000*l.* which "I have charged on the Revenue, and at the same "average I paid Rx. 25,000,000.

2619. It is practically correct, but it is not the actual fact?—It is a calculation.

2620. It is very closely approximate?—It is a calculation made on actual facts.

2620*a.* (*Mr. Naoroji.*) I want just to understand that a little more clearly. We will take just one year 1889–90, and the average rate is put down at 1*s.* 4·566*d.* Is that average taken by simply adding up the rates of all the 52 weeks and dividing by 52, or is it the average after taking into account the amount actually sold?—It is the average obtained by taking the total amount of bills sold throughout the year, and dividing that by the sterling amount received in respect of those bills.

2621. (*Chairman.*) In continuation of the answers you gave us about the military stores, I think I gathered from you that a considerable portion of the military stores is obtained through the War Office, but a certain portion is obtained direct from the Director-General of Stores, and you noted especially, I think, the clothing obtained for Native troops. At page 14 of this explanatory memorandum the stores procured through the War Office are not given in detail, but in your Budget they are given in detail, and I think if you look at that it will enable us to dissect the different accounts. Perhaps you would read them out, beginning with the clothing, clothing for English troops?—In the Estimate for 1894–95 framed in January 1894, the European clothing was taken at 204,500*l.*

2622. That would be obtained from the War Office?—That would be obtained from Pimlico.

2623. Then next comes the clothing for Native troops?—The clothing for Native troops, 34,450*l.*

2624. And that would be obtained by the Director-General?—Yes.

2625. Now, would you go on?—Ordnance and miscellaneous, 305,700*l.*

2626. As far as that is Ordnance, that would be obtained through the War Office, would it not?—The bulk of it would, I think; it is possible that we should obtain some of our ordnance stores by purchase by the Director-General. Medical, 25,400*l.*; that, I think, would be entirely done by the Director-General. Commissariat, 21,160*l.* That, I think, would be entirely done by the Director-General.

2627. Then there are Special Works, are there not?—And the Special Defence Works, 38,800*l.*, would probably be from the War Office.

2628. Therefore, when we come to dissect by that means the military stores obtained through the War Office, and the military stores obtained through the Director-General, it points to the result that a very large portion is obtained through the War Office?—A large portion.

2629. Probably out of 700,000*l.*, or 800,000*l.* worth of stores, 600,000*l* worth were got through the War Office?—I am afraid I cannot assent to that figure without an examination. I do not know what the proportion is.

2630. (*Sir Donald Stewart.*) I think it is almost entirely ordnance stores that are obtained from the War Office?—Mainly ordnance stores and European clothing.

2631. (*Chairman.*) That would carry you up at once to 600,000*l.*?—It may; I would rather look into the matter. Perhaps the Commission would allow me to put in the accurate figure if I can. In 1894–95, I find, the payments to the War Office amounted to 357,013*l.*, and the military stores purchased by the Director-General to 255,982*l.*

2631. (*Sir Ralph Knox.*) As regards the amount which is included in the Budget for stores furnished by you to the Indian Government, you have previously received a demand from the Indian Government, for the stores that they will require to be sent out, have you not?—Yes. They are all obtained on indents from India.

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2633. Then, on receiving a demand for stores you make the best estimate you can of the cost?—Yes.

2634. Either in communication with the War Office or under your terms of contract, and so on?—Yes.

2635. Then you include that figure in the statement which is rendered to the Indian Government which they include in their Budget?—Yes.

2636. After you have made an estimate of stores in that way practically on their demand, when they have received the figures in India, do they frequently demur or modify their demands?—Yes. It is not uncommon for them, if they find that the estimate which has been sent out is more than they are prepared to pay for in their military budget, to postpone some part of the demand, by telegraph, to a future year.

2637. Then the demand that you receive earlier in the autumn is not a final demand for stores upon which you could act or give orders?—Action is taken; and, if at a later date the Government of India correct it, the correction is made, if practicable. It may sometimes be that the correction comes too late to be adopted.

2638. (*Chairman.*) Before you go away, Sir Henry, I should like to ask you whether you have an explanation to offer with regard to the point that Mr. Naoroji raised,* namely, the saving that might accrue from the employment of Natives instead of Europeans in certain circumstances?—I was asked what proportion of the 60 lakhs of rupees which (according to page 48 of the Correspondence on Financial Control) was in 1889 paid to officers of the Account and Audit Department, was drawn by Europeans, with the view of seeing to what extent it might be possible to effect a saving by the substitution of Native agency. We have been able, in some measure, to make an estimate as regards the Civil Department and Post Office, which, according to the estimates, now cost 26½ lakhs. The portion of this sum paid to non-domiciled Europeans, including Exchange Compensation Allowance, is about 3½ lakhs, of which a considerable part is personal to the existing officers, and will, in any case, be reduced as vacancies occur. On the salaries now paid the saving by the employment of native agency would be about 1½ lakhs, if it could be assumed that the officers to be employed in the higher offices could be paid at a rate less by one-third than the present scale. I am unable to say how far a proportionate calculation can be properly applied to the Military and Public Works Departments; but, if it be adopted, the total saving on the 60 lakhs would be about 4 lakhs. It is, however, to be remembered that a lower scale of pay has already been applied to the larger number of those in the Account Department, and that it is not probable that the two-thirds rule could be enforced on this scale.

2639. (*Mr. Naoroji.*) There is some misunderstanding about what I mean. I just took the Europeans and their salaries, and said that if Natives were appointed in their place to rise to higher salaries of Rs. 500 and upwards, they could be appointed, or should be appointed in justice to the taxpayer at two-thirds the salary. Well, wherever such an appointment is made, there will be a saving of one-third, that is what I mean. I do not know how it has worked out, and of course I cannot say anything more about it than that there is some misunderstanding about what I said. Taking say the whole Civil Service by itself, the Uncovenanted Civil Service and all the higher pay officials, if any number of European officials were displaced by Indians and these Indians were paid only two-thirds of their salary, the saving therefore would be one-third of those salaries?—Your question referred to the Account Department.

2640. That particular department, yes. I took in that particular department, and the European portion of it?—The two-thirds scale of salary to which you refer has been adopted in regard to the Natives in the Covenanted Civil Service.

2641. In the Statutory Service?—In the Statutory Service, I should say. The exact two-thirds has not been adopted in fixing the scale of pay for the Provincial Service, but approximately it is so. The salaries for the Provincial Service are fixed at a scale which is about two-thirds of that which is paid to the Imperial Service. My point is that that provincial scale has already been applied largely in the Account department, that the Europeans who are employed there, and the Natives, draw the same scale of pay, and therefore that no reduction can be anticipated by substituting Native for European agency. That remark does not refer to the few European officers at the head of the department, who undoubtedly are drawing more than Natives would in their places; and to that extent I have allowed for a possible reduction, although I do not think it would be effected in practice.

2641*a*. (*Mr. Naoroji.*) Well, I will not go further at present, because I say that there is some misunderstanding. I am only talking of those Europeans who are paid on the European scale of salaries?—Yes.

2642. And if Indians were placed in their places, they would receive so much less?—Yes.

2643–4. That is only one element of saving, where the European is paid at the European scale of salary, while an Indian substituted for him would receive two-thirds. That is all I mean?—I see your point; but you must not suppose that on the 60 lakhs in the Accounts Departments, anything like one-third could be reduced by the substitution of Native agency for Europeans.

2645. I do not say that it could be reduced. I only wanted to direct attention to the rule of the Secretary of State, to show that if the rule is enforced in all the higher departments, there will be so much saving?—Yes.

2646. Have you made a calculation regarding what you stated just now, giving the details of how you worked it out, or only the statement?—I have only given the calculation, for what it is worth. If you wish to have it accurately, we must refer to the Government of India.

2647. I mean this particular statement that you made just now, in which you calculated that the difference would be only so much?—Yes, I have not put in the details.

2648. Perhaps you can supply me with the details by which you made this out?—If Mr. Naoroji would allow me, without troubling the Commission—it is a very imperfect calculation—I will show him how I arrived at my figures.

2649. That is all. I do not want to trouble the Commission with all these details. That is all I mean?—I will do that.

The witnesses withdrew.

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MR. WILLIAM GODSELL called in and examined.

2650. (*Chairman.*) What position do you hold at the India Office?—I am Auditor of the accounts of the Secretary of State for India in Council, under the 52nd section of the Act 21 & 22 Vict. cap. 106.

2651. How long have you held that post?—Since last January.

2652. Would you read the section of the Act under which you were appointed?—"It shall be lawful for "Her Majesty, by Warrant under Her Royal Sign "Manual, countersigned by the Chancellor of the "Exchequer, to appoint, from time to time, a fit person "to be Auditor of the accounts of the Secretary of "State in Council, and to authorize such Auditor to "appoint and remove from time to time such assistants "as may be specified in such warrant; and every such "Auditor shall hold office during good behaviour; and "there shall be paid to such Auditor and assistants out "of the revenues of *India* such respective salaries as "Her Majesty, by warrant as aforesaid, countersigned "as aforesaid, may direct; and such Auditor shall "examine and audit the accounts of the receipt, "expenditure, and disposal in *Great Britain* of all "monies, stores, and property applicable for the "purposes of this Act; and the Secretary of State in "Council shall, by the officers and servants of the "establishment, produce and lay before such Auditor, "from time to time, all such accounts, accompanied "by proper vouchers for the support of the same, and "shall submit to his inspection all books, papers and "writings having relation thereto; and such Auditor "shall have power to examine all such officers and "servants in *Great Britain* of the establishment as he

* *See* Q. 1017-8.

" may see fit in relation to such accounts, and the re-
" ceipt, expenditure, or disposal of such monies, stores,
" and property, and for that purpose, by writing under
" his hand, to summon before him any such officer or
" servant; and such Auditor shall report from time to
" time to the Secretary of State in Council his approval
" or disapproval of such accounts, with such remarks
" and observations in relation thereto as he may think
" fit, specially noting any case, if such there shall be, in
" which it shall appear to him that any money
" arising out of the revenues of *India* has been appro-
" priated to other purposes than those of the
" Government of *India*, to which alone they are
" declared to be applicable; and shall specify in detail
" in his Reports all sums of money, stores, and pro-
" perty which ought to be accounted for, and are not
" brought into account, or have not been appropriated,
" in conformity with the provisions of this Act, or have
" been expended or disposed of without due authority,
" and shall also specify any defects, inaccuracies, or
" irregularities which may appear in such accounts,
" or in the authorities, vouchers, or documents having
" relation thereto; and all such Reports shall be laid
" before both Houses of Parliament by such Auditor,
" together with the accounts of the year to which the
" same may relate."

2653. That is rather an unusual provision, is it not, in Indian appointments; that is to say, the Warrant is countersigned by the Chancellor of the Exchequer, not by the Secretary of State?—The Secretary of State nominates; the Chancellor of the Exchequer, I believe, has the right of veto. That was, as I understand, the arrangement that was entered into a few years ago.

2654. There was a question, was there not, between the Chancellor of the Exchequer and the Secretary of State, as to the meaning of this provision?—There was.

2655. And that was the arrangement finally arrived at?—Yes.

2656. But the object of that provision is to establish the independence of the Indian Auditor?—Quite so.

2657. I mean his independence *quo ad* his relation to the Secretary of State. The Queen's Sign Manual is countersigned by the Chancellor of the Exchequer, and the officer so appointed holds office during good behaviour?—Yes, With regard to myself I might say that in consideration of the new Treasury regulations with regard to limit of age, I have accepted the condition of retirement at the age of 65, but that does not interfere with my independence.

2658. Would you describe the duties of your office?—The system of audit in operation may be considered under three heads: (1) The correctness of the items (receipts and payments) in detail; (2) the appropriation of those items to their respective heads of account; and (3) the correct appropriation of the expenditure as against the revenues of India, provided for in the 52nd section of the Act 21 & 22 Vict. cap. 106. The receipts and payments are recorded by the Accountant-General in a series of registers, the totals of which are carried into a monthly cash account, which is submitted for audit. By a system of carrying forward, these cash accounts not only show the transactions of the month, but also the aggregate transactions of the financial year to the close of each month. I have brought one account which I can lay before you. That is the account for the month of June last (*exhibiting account*).

2659. That is the account which is brought before you?—That is submitted to me for audit. I merely submit it to you to show the form.

2660. Quite so?—The correctness of the Accountant-General's register is first verified by a comparison of the entries with the vouchers in support thereof, and after making the necessary additions, &c. the totals are compared with the cash account. The vouchers are then examined in detail as to authority and accuracy, and any objections taken to them are submitted as queries to the Accountant-General, who either replies to them himself or furnishes the reply of a departmental officer concerned in the transaction. If the reply is satisfactory, the item is passed; if not, a further query is made, and eventually the item is surcharged or disallowed (as the case may be) if the explanation is still unsatisfactory. Many of such surcharges and disallowances are adjusted within the period of the financial year, and only those items which remain unadjusted are mentioned in the Auditor's Report to the Secretary of State in Council for submission to Parliament. The authority of the Secretary of State in Council is usually accepted, but occasional items have been reported when, although so authorized, the provisions of the Act do not appear to have been complied with. A similar course is pursued in respect of stores and other property of the Secretary of State, the Director-General and others being substituted for the Accountant-General. The foregoing applies to the Post-Audit duties of the Department, as considered under the three heads above referred to; but it has been found both convenient and to the financial advantage of India that the Auditor's duties should not be strictly limited to a Post-audit. There are many cases in which Receipts and Payments are to some extent pre-audited, either (*a*) because the vouchers and papers in support of an account have to be sent away (this is chiefly in regard to claims on the Imperial Government by the Government of India), or (*b*.) because the opinion of the Auditor is desired by the India Office Department concerned before admitting a claim, on the ground that prevention is better than cure. It has further been a traditional practice to refer many questions of principle, contracts about to be made, arrangements with other Government Departments, &c., to the Auditor, as focussing in some sort information derived from the papers of all the various Departments, and because such matters frequently involve the question of the due appropriation of Indian Revenues in conformity with the provisions of the Act.

2661. What staff have you?—My staff consists of 18 officers and clerks.

2662. And I think I gathered that the cost is from 6,000*l.* to 7,000*l.* a year?—About; it is so stated in the last return to Parliament.

2663. What return are you quoting from, the Home Accounts?—Yes, page 5, of the Home Accounts for 1893-4, presented on the 3rd May this year, 6,723*l.* 12*s.* 0*d*; the cost was slightly reduced, I think, in the subsequent year.

2664. The section of the Act which you have read, under which you hold your appointment, directs you to make a report on the accounts of the year, when they are laid before you, and to present that report to the Secretary of State; and it orders further that all such reports shall be laid before both Houses of Parliament?—Yes.

2665-6. I have before me your report for the year 1993-4, and I notice that the form of that report corresponds generally with the form of the report which the Comptroller and Auditor-General here makes upon the Imperial accounts?—I have really followed the form which was introduced by the late Auditor, who came from Somerset House.

2667. In this particular account there is no irregularity that would require any particular notice, but as a sample of the manner in which you have discharged the duty, I will take paragraph 15, relating to the subsidy for manning and maintaining Indian Government vessels:—"The amount of the annual subsidy " is 59,600*l.*, the balance of 1,408*l.* being an adjustment " in respect of the year 1892-3. Evidence asked for by " my predecessor of the fulfilment of the conditions " upon which the subsidy is payable not having been " furnished, I am unable to certify the correctness of " this item"?—Yes.

2668. That is a fair sample of the manner in which you note any irregularity, and call attention to it?—It is the first time I think that such an item has been reported in that way, and my difficulty will be how to deal with it next year. I might be guided perhaps by the Commission on such a point.

2669. Well, in this case there is a difference between yourself and the India Office?—Yes, quite so.

2670. The India Office demur—do I gather that—to supplying you with information?—To supplying information.

2671. How do you interpret the powers given to you by the Act? This section, as I read it, does not directly give you the power of disallowance. It refers to a power of disallowance, but I do not see that it gives it you: "Such auditor shall report from time to time to " the Secretary of State in Council his approval or " disapproval"?—Yes.

2672. That wording hardly carries, in my mind, the absolute power of disallowance?—No; we have adopted this plan in the case of direct short recoveries or overpayments; we have surcharged or disallowed

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them respectively. Mr. Cocks inaugurated this plan, and, I think, with some success.

2673. In cases where there is difference between yourself and the India Office the question would arise immediately as to your powers?—Yes.

2674. There can be no question of the power to report your disapproval, but that does not, I think, necessarily carry a power of disallowance. Your powers, to my mind, derived from this Act, more resemble the powers of the Comptroller and Auditor-General here. The Comptroller and Auditor-General has no power of disallowance; he reports to the House of Commons; and that looks to me like the form in which this report is drawn?—Yes.

2675. But in this case you report the disapproval to the Secretary of State?—Yes.

2676. And therefore it would lie with the Secretary of State, in a case in which his own office was concerned, to press the charge to which you objected or not?—I suppose that is so.

2677. No remedy is provided?—Not at present.

2678. And then the report is presented to the House of Commons; there is no procedure by which the House of Commons could take notice of such an omission on the part of the Secretary of State?—No.

2679-80. Therefore that audit, though it approaches very closely in its efficiency to the audit of the Comptroller and Auditor-General, wants that final sanction which secures, in the case of the Imperial Government, that the officer committing an irregularity shall be brought actually to book?—It appears to me that that is just the one lack, and that if there were such a power of reference, as in the case of the Comptroller and Auditor-General, to a committee of the House of Commons, or perhaps to a committee of both Houses of Parliament (the Auditor's report in accordance with the Act is presented to both Houses), it would, I think, tend to support the independence of the Auditor, it would give finality to his report, and it would also strengthen the hands of the Secretary of State in his dealings with other public departments.

2681. Do I understand you that this instance, paragraph 15, page 25, to which I have called your attention, is the first instance which you know of, since the Auditor has been appointed, in which there has been any difference between himself and the office of the Secretary of State as to the manner in which required information should be supplied?—It is the first instance in which the Auditor has reported in the face of a Council minute definitely sanctioning or passing a payment after it has been questioned by the auditor.

2682. Therefore, so far it is a good instance by which to test the word you used now, the finality of the audit?—Yes, I have here a report by Sir Charles Jackson on the account of 1872-73 in which he drew attention——

2683. Was Sir Charles Jackson the predecessor of Mr. Cocks?—Yes, the predecessor of Mr. Cocks. He took exception to the payment for the Consular establishments in China.

2684. Would you read the form of his objection?—I am afraid it is rather too long to read.

2685. Never mind, tell us the substance of his objection?—The amount in this particular year was 19,655*l.* 18*s.* 11*d.*

2686. And what were the grounds of his objection?—He considered that India was not chargeable, on principle, with so large a sum. The result was that the matter was taken into consideration by the Secretary of State in Council; and the sum of 12,500*l.*, I think you will find, is the amount now paid on that account. Such was really the result of this report of Sir Charles Jackson, although no action was avowedly taken upon the report.

2687. I suppose he reported under the powers given to him: "Each auditor shall examine and audit the "account of the receipt, expenditure, and disposal in "Great Britain of all monies, stores and property "applicable for the purposes of this Act"?—Just so.

2688. That is rather a wide interpretation of the power is it not? As I understand, that criticism is rather a criticism of policy than of irregularity of account. He did not dispute the power of the Secretary of State to charge this amount, did he? Does not the conclusion of his remark sum up what he objects to?—Yes: the statement in the certificate runs thus, "That the payment referred to in the charge printed "in italics, being the second charge under the head of "Political Agencies and other Foreign Services on "page 7, and amounting to 19,655*l.* 18*s.* 11*d.*, for Her "Majesty's establishments in China, although in "accordance with previous payments, does not appear "to me, for the reasons contained in my separate "report annexed, to have been appropriated in con-"formity with the said Act, clauses 2 and 52." That is, I think, the only report of the kind which has been so definite.

2689. "And all the territorial and other revenues of "or arising in India, and all tributes and other "payments in respect of any territories which would "have been receivable by or in the name of the said "Company if this Act had not been passed, shall be "received for and in the name of Her Majesty, and "shall be applied and disposed of for the purposes of "the Government of India alone, subject to the "provisions of this Act." That is clause 2. Then you would consider it a part of your duty to report if in any respect the Secretary of State exceeded his powers?—That appears to have been the view taken by Sir Charles Jackson, who had been a Judge of the High Court in India.

2690. I understand that you, in the case of minor charges, actually disallow, and that the India Office then enforce the disallowance?—Yes, as a rule. Occasionally the amount is written off under the authority of the Secretary of State in Council.

2691. You have reported this disallowance, and the Secretary of State passes the amount?—Yes, that is so.

2692. Of course, very often the Auditor reports a charge for disallowance because the payment is irregular, but he does not at all mean by that that the amount ought to be disallowed against the accountant?—No. There is a case in point in this particular report, on the following page under Clause 28: "An erroneous "payment of 250*l.* 14*s.* 3*d.* included in this amount must "be disallowed." It was a pension granted erroneously, contrary to the regulations, and about 102*l.* has been recovered from the widow to whom it was paid, and the remainder, being irrecoverable, was written off by the Secretary of State.

2693. Therefore, as far as the practice goes, you report the disallowance, and the Secretary of State exercises his judgment, and either removes the disallowance or enforces it?—Yes; and the amount so disallowed would in the next year be reported as disposed of to clear the account.

2694. Yes. But now, coming to that case in which information has not been given you to enable you to notify it, I suppose it is too early to ask what course you will pursue in case the same circumstances occur next year? The difficulty has not yet arisen, and perhaps it is not a fair question to put. I will therefore not put it if you have no precedent?—I have no precedent; that has certainly to be considered.

2695. Does the Secretary of State take any action upon your report? Is any minute or letter written dealing with the different points which you have raised?—The report is laid before the Secretary of State in Council with a statement showing, in regard to each point of my report, what action, if any, has been taken.

2696. Is that minute not laid before Parliament?—The minute is communicated to me, but it is not laid before Parliament.

2697. That would be a matter for consideration, whether the minute which the Secretary of State passes upon the report, should not be added?—I think it might.

2698. Following the case of the Imperial Government, possibly you are aware that the Treasury always draws a minute which is laid before the Public Accounts Committee, recounting its action upon every item to which the Comptroller and Auditor-General has called attention, and upon which the Committee has expressed an opinion. Therefore, the Committee in the following session has its attention directly called to those points upon which the Treasury has not given effect to its suggestions or recommendations?—I have seen such a minute.

2699. But nothing is laid before Parliament showing the action of the Secretary of State upon your report?—Nothing.

2700. (*Mr. Buchanan.*) This report of yours is sent to the Secretary of State, and by him laid before Council, and a minute passed upon it?—It is presented to Parliament before it is really laid before Council.

2701. And there the procedure ends?—My report has to be laid before Parliament "within the first fourteen "days during which Parliament may be sitting next "after the first day of May in every year," and it is usually dated only a few days before presentation.

2702. I see in this report there is another case in which you say you are unable to certify the correctness of certain amounts; paragraph No. 22?—That is so.

2702*a*. Has anything been done?—Nothing has been done yet on that report.

2703. (*Sir William Wedderburn.*) The warrant of your appointment is under Her Majesty's Sign Manual, countersigned by the Chancellor of the Exchequer?—Yes.

2704. Can you give the Commission a copy, or show the original?—I can show the original. I will send for it, if you please.

2705. I should like to see the form. (*Witness exhibited the Royal Warrant for his appointment.*) Under Section 52 it is part of your duty "to examine and audit the "accounts of the receipt, expenditure and disposal in "Great Britain, of all monies, stores, and property "applicable for the purposes of this Act"?—Yes.

2706. "The purposes of this Act" is also used in Section 2, at the end?—Yes.

2707. I should like to ask you whether you consider that those words "the purposes of this Act" include anything beyond the internal administration of India?—Stores and property in this country.

2708-9. I wanted to understand how far those words were supposed to extend? "For the purposes of this Act" would apply generally to the Government of India, I imagine—the internal Government of India?—The Government in India, do you mean, as well as the Government by the Secretary of State?

2710. I mean, do you consider that this restricted the expenditure to purposes connected with the internal administration of India in matters outside India?—Yes; Indian stores, property of the Secretary of State. I have no control over any other property excepting that which is vested in the Secretary of State in Council.

2711. (*Chairman.*) The words of the section are, "The "accounts of the receipt, expenditure, and disposal in "Great Britain"?—Quite so.

2712. It confines your powers to the action of the Indian Government in Great Britain?—In Great Britain—Yes.

2713. (*Sir William Wedderburn.*) Yes, but those stores are applicable "for the purposes of this Act." I wanted to understand what "the purposes of this Act" were; whether you considered they were purposes confined to the use of the internal Administration of India; and if not, what other purposes could it be supposed to be?—The stores upon which I have to report are, speaking generally, those which are purchased by the Director-General of Stores, and shipped to India for the purposes of the Government of India. There are, however, books, maps, and other property in England the purchase and disposal of which come under my examination.

2714. They are for the most part indented for by the Government of India?—That is so.

2715. What I would like to know is how you ascertain whether a home charge arising out of transactions in India is expenditure "for the purposes of the Act"?—I should accept an indent from India as being an indent for stores required for the Government of India.

2716. You have no means of testing whether those stores are to be used "for the purposes of the Act"?—No.

2717. (*Chairman.*) You see what becomes of them; that they are sent out to India?—We trace them to their arrival in India.

2718. (*Sir William Wedderburn.*) Then under the section you are entitled to receive from the Secretary of State accounts accompanied by proper vouchers with all books, papers, and writings having relation thereto?—Yes.

2719. Have you experienced any difficulty in obtaining all those vouchers and papers that you require?—No. I think I may say no to that; my relations with the Heads of departments in the India Office are friendly, and I have really no difficulty.

2720. Then you have power to summon witnesses?—I have.

2721. Can you give me the name of witnesses who have been summoned by you or your predecessor?—No—no one has been summoned. Our examination is done chiefly by correspondence, and we have had no difficulty in obtaining information in reply to queries excepting on one occasion, and that we settled verbally.

2722. Can the Secretary of State be included among the witnesses?—I am not quite sure.

2723. "All officers and servants in Great Britain"?—Yes, I do not think that the Secretary of State is included.

2724. (*Chairman.*) "The Secretary of State in "Council shall by the officers and servants of the "establishment"—that distinguishes the officers and servants of the establishments from the Secretary of State, does it not?—Yes, I think so, "to examine all "officers and servants in Great Britain"; they represent the Secretary of State I imagine.

2725. (*Sir William Wedderburn.*) Can you produce specimens of reports of approval and disapproval. "Such auditor shall report from time to time to the "Secretary of State in Council his approval or dis-"approval of such accounts with such remarks and "observations." Are such reports of approval or disapproval apart from this report which has been placed before Parliament?—No, this is a summing up of the year's transactions and the Auditor's report on the transactions.

2726. Then there are no reports of approval and disapproval?—Well, they would be scarcely termed reports in the sense of the word in the clause. We write reports on different subjects at the request of the Secretary of State, as stated in my leading evidence.

2727. Can you give instances in which you or your predecessors have reported cases of money out of the revenues of India being appropriated to other purposes than those of the Government of India?—The one that I referred to as reported on by Sir Charles Jackson.

2728. That is a long time ago?—That is so; I have no recollection of any other case.

2729. Under Section 55 of the Act the consent of both Houses of Parliament is required for expenditure on military operations beyond the external frontier of India. How do you ascertain that due authority has been obtained for expenditure arising out of those operations incurred in Great Britain?—I do not think that expenditure would come under my cognizance at all; it would be incurred in India.

2730. But you would provide the stores?—But the stores would be provided for the purposes of the Government of India. As to their disposal by the Government of India, over that I have no control.

2731. Have you no cognizance, for example, if a war beyond the frontier is going on? If stores are sent with reference to that war, do you have no cognizance of the purposes for which those stores are to be used?—I might perhaps have such cognizance, but it would, I think, be beyond my functions to question the disposal of stores by the Government of India.

2732. (*Chairman.*) It would not be the disposal of the stores in Great Britain?—No.

2733. (*Sir William Wedderburn.*) But would there not be reason to think that under Section 55 those stores were not going to be used "for the purposes of this Act"?—That would hardly justify me in making a report on the subject.

2734. Then do you not consider that you have any duties under Section 55 to decide whether the consent of both Houses of Parliament has been obtained for such expenditure?—I have no powers under that clause.

2735. Except so far as the question arises whether the expenditure is "for the purposes of the Act"; that is to say, for Indian purposes?—For Indian purposes.

2736. (*Chairman.*) I suppose if you found Indian stores being applied for the use of the War Office here, you

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would consider that would not be a disposal according to the Act in Great Britain, and you would report that probably—I am putting, of course, an impossible case?—I can give you an actual case in which a large gun was ordered for the Government of India from Woolwich, which was snbsequently transferred to one of Her Majesty's ships, and the Government of India was repaid for it, or rather the advances made in respect of it were repaid, and another gun substituted; but I should not consider it necessary to report such a transaction.

2737. (*Sir William Wedderburn.*) But if stores were being sent to Persia or Egypt or Abyssinia from your stores under the control of the India Office, would not that be a case where it would be necessary to check the use of the stores?—Yes, if they had been paid for by the Secretary of State in Council; but we see that such stores are shipped to and delivered in India, or that the Secretary of State recovers their value. I have a query in point. It is a small item, but it will illustrate the particular point. It is a payment to the Birmingham Small Arms and Metal Company on a contract made by the War Office on behalf of India. The total number of cartridges supplied and paid for was 4,870,166, whereas the total shipments amounted to only 4 869,680, showing a short shipment of 486. Information was requested how this discrepancy had arisen, and how it would be adjusted. The Director-General of Stores made the following reply:—"I regret to find that the "case is as stated by the auditor. The 486 cartridges "in question whilst at Woolwich were damaged. "Steps are being taken by the War Office to credit "their value to India." That is, of course a very small item, but it illustrates what we should do in the case of stores not being shipped to India that were paid for by India.

2738. Can you point out in the accounts items of expenditure incurred in Great Britain arising out of the Chitral Expedition?—No.

2739. You have no means of knowing what is done with those stores, or of exercising any control over their use?—No.

2740. Then it does not come within your province to consider whether, for example, Chitral is within British India, and whether money expended there is money expended "for the purposes of this Act"?—That I say will be dealt with by the authorities in India; It is not expended by the authorities in Great Britain.

2741. I ask these questions because I believe that very great importance was attached to the institution of your office when the Act of 1858 was passed. As you are aware, there was careful inquiry on each occasion before the renewal of the Company's Charter; and I think the object of this appointment was in great measure to exercise that check over financial expenditure which was exercised by those enquiries. I ask these questions, therefore, to ascertain whether, supposing the stores to be obtained here and not used for the purposes of India, "for the purposes of this Act," you have any means, if the matter is brought to your notice, of preventing wrong application of those stores or of funds in any way beyond the proper purposes of India. That is the object of my question?—I have no knowledge whatever of the disposal of stores in India.

2742. You would not consider it necessary to make any inquiry as to whether those stores were being used for, as you might consider, a wrong purpose?—No, I think not.

2743. (*Chairman.*) You could not go, under the provisions of that clause, beyond the question of the disposal in Great Britain, could you?—I think not.

2744. (*Sir William Wedderburn.*) In carrying out your audit you decide whether there is any legal or technical objection to any particular item of expenditure?—Yes.

2745. Would you also consider whether the expenditure on a particular item was necessary and reasonable, and judicious?—Yes, in some instances. Here is another query to the Store Department. This is a claim from Messrs. Baron Harvey & Co. for drugs. "There is in "this claim an item of 38 lbs. of Oleum anisi, at 9*s.* 3*d.* "per lb.—17*l.* 11*s.* 6*d.*, and bottles 4*s.* 9*d.*, together "17*l.* 16*s.* 3*d.*, to meet a demand in the 1894 Annual "Bengal Medical Indent, Eastern Circle. But this "demand seems already to have been met by the supply "of a similar quantity at 7*s.* 3*d.* per lb. on voucher 3064 "October 1894 attached. As the second supply appears "to be in excess of the Indian demand, it is requested "that the sanction of the Secretary of State in Council "may be obtained for the expenditure of 17*l.* 16*s.* 3*d.*" This is the reply. "The annexed Council Minute, dated "12th July 1895, sanctions the expenditure of "17*l.* 16*s.* 3*d.* for the duplicate supply."

2746. (*Chairman.*) But that is a question of the double supply, not of the reasonableness of the supply. Sir William Wedderburn asked you whether you would look into the reasonableness of it. But I think the way the auditor looks at it is whether the expenditure is duly vouched and incurred under proper authority. It hardly falls to him to consider the reasonableness of it. The instance you give there is a most proper instance for an auditor to call attention to, viz., a double supply; he only asks the authority of the Secretary of State for this second supply. That is a different question from that whether it was reasonable Would you, as an auditor, think it part of your duty to inquire whether a certain set of coats are made of a reasonable kind of cloth, or in fact any other instance you might pick out?—Not as regards the post-audit system. As, however, we have papers and documents coming to us from all departments of the India Office, we are sometimes able to raise questions of the character referred to, which, as I have already explained, do not come within the limits of post-audit. I will give an instance: Some years ago at least four different departments were making passage allowances to officers proceeding to India, at different rates for similar grades. With this information before us, we raised the question as to whether it would not be desirable that the passage allowances should be reconsidered with a view to the rates being assimilated in all departments. That report was taken into consideration and adopted, and the rates are now quite different to what they used to be.

2747. (*Sir William Wedderburn.*) I would give an example to test what I was saying about this Chitral business. Would you consider that payments for telegrams when sent to places beyond the external frontier, with regard to affairs beyond the frontier and paid for here, were expenditure for the purposes of the Act?—It was decided a few years ago when Lord Salisbury was here, that the Auditor was not to see the telegrams, as they were more or less of a confidential nature. The private secretary to the Permanent Under Secretary of State certifies that the account for telegrams is correct, and we have to accept that certificate. We are, therefore, not acquainted with the contents of the telegrams.

2748. Yes, but you would know where they were sent to, perhaps?—They would be sent probably to Simla, or to Calcutta, as the case may be.

2749. (*Chairman.*) You would not be aware whether the telegrams were sent outside the frontier?—No, we should not be aware.

2750. (*Mr. Ryder.*) I have been very much struck Mr. Godsell, by one power of criticism which seems to belong to you. Apparently if you met with a payment in this country which is on account of some service outside India, it is open to you to consider and form your own judgment whether that service properly belongs to the Government of India, and whether therefore, the payment is one which you ought to pass without comment or not. Take an instance. You might find that here in England, a payment was being made to the Admiralty for the services of ships in Indian waters. It would be open to you to consider, first, whether the services of those ships were properly Indian services; then, further, whether the value attached to those services was a correct one or not; and, even though the value put upon them had been settled by the Secretary of State for India in Council and by the Government here in England, the British Cabinet, you would nevertheless form your own opinion of the value, and say that instead of 100,000*l.* only 80,000*l.* was the value, and you might attach a report in that sense to the Home Accounts, and have it sent to Parliament. Is not that so?—I think that may be so.

2751. It is entirely a matter of discretion with you?—Yes.

2752. However important the question, however much it involves a policy, you are perfectly at liberty to form your own judgment upon it, and to express a judgment in a report which has to be laid before Parliament. Is not that so? For instance, under paragraph 22 of this report you will observe that the soldiers in India are paid for at the rate of 7*l.* 10*s.* per head?—Yes, I should say that is so. If I could have

discovered that that 7*l.* 10*s.* was clearly an unreasonable rate, I think I might have reported that to Parliament.

2753. Although it might have been agreed to by all the highest authorities of India and England?—Yes, there might be some difficulty; it would require to be very carefully put.

2754. I only wish to bring out the very extraordinary power which you seem to possess; I do not know any precise parallel to it?—I may mention that some few years ago many questions were raised on the payments for ships in Indian waters. The Auditor disputed the right of the Admiralty to include the two ships which were employed on slave duty in the Red Sea as part of the six ships for which 70,000*l.* a year was paid.

2755. That would be a matter of detail, which naturally would belong to the Auditor, no doubt. You would say "A certain agreement has been made, and I "think that the particular payment is outside that "agreement." But your powers go far beyond that; it would be open to you to say, "Notwithstanding that "agreement, it was a wrong thing that India should "be charged with any payment at all for ships on the "high seas," if you thought so?—Yes.

2756. That seems to me a very remarkable power indeed?—But, in that case, the agreement, in all probability, would be laid before Parliament, and, therefore, it would be unnecessary to report it.

2757. Would it be enough to have a simple reference to it in the estimate presented to the House of Commons? would you think that that implied the sanction of both Houses of Parliament so as to come within the terms of the Act under which you act yourself?—The accounts of the Secretary of State in Council in which such items paid under agreement are distinctly shown, are, in fact, laid before both Houses of Parliament.

2758. You would not require any formal record of the approval of both Houses of Parliament of the agreement?—No, I think not.

2759. You think it would be enough to have a reference to it, in a footnote of an estimate?—I think so, if that estimate had been approved by Parliament, as taken in connexion with a proper description of the item in the accounts of the Secretary of State in Council presented to Parliament.

2760–1. (*Sir Ralph Knox.*) These accounts that you examine and report upon have undergone a previous examination, have they not, in the India Office?—By the Accountant-General. They are examined by him before they are paid.

2762. But, for instance, here is a case of the Royal Engineering College: do not the accounts that are sent in from there undergo any examination in the Accountant-General's Department?—Yes, but it would be before they are brought into the cash account submitted to me for audit.

2763. But here I find that you have called for several small amounts (11*l.* 9*s.* 11*d.* and 9*l.* 1*s.* 5*d.*, due for the sale of provisions, &c., and garden produce respectively) not having been received, to be surcharged. Does that show that the non-receipt has not been noticed by a previous examiner?—They were items which should have been recovered; one item had been outstanding for several months. Three months are allowed for such recoveries to be made, *e.g.*, any outstanding amounts recoverable in the month of December would be surcharged at the close of the financial year.

2764. These claims had not been written off in the books of the College; they were still liabilities which they contemplated realising?—Yes, that is so.

2765–6. But you thought they had not done so in time?—Yes. Probably these amounts will be recovered, as in former years: some amounts do lapse, but we take this particular form of dealing with such items.

2767. I see you have recovered on an item of 10,055*l.* 4*s.* 8*d.* the sum of 2*s.* for army non-effective. What was the nature of that; was it a computation that was wrong?—I am not quite sure that I can give you that information off-hand. In all probability it would be a computation. The 2*s.* is a trifling amount, but we endeavour to be consistent.

2768. Do all the amounts in every detail undergo an examination by your department?—Yes, with a few exceptions.

2768A. It is not a test examination in any way: it is a complete examination?—There are a few accounts which are tested.

2769. Do they involve large sums of money?—The Indo-European Telegraph accounts, for instance, are tested, and it was reported by the late Auditor, in a previous report, that it was his intention to do so. This was not disputed, and that plan has been adopted.

2770. I see in regard to this subsidy to the Admiralty, as to which you raised a large question, you say, "Evidence asked for by my predecessor of the fulfil-"ment of the conditions upon which the subsidy is "payable, not having been furnished, I am unable to "certify the correctness of this item." What evidence did you expect to receive about it?—The conditions require the supply of a certain number of men, and we had no evidence that those men were on the station.

2771. It distinctly requires a certain number of men?—There are certain complements of men required for the harbour defences of India, and we have had no information that those complements have been maintained.

2772. Would the certificate of the Secretary of State that the ships had been manned and maintained be sufficient?—I think not. The Secretary of State would hardly know whether they had or not. That was the nature of the query, and the query has not been satisfied—there has been no satisfactory reply.

2773. (*Sir Donald Stewart.*) You are not aware that that matter has been finally settled between the Secretary of State and the Admiralty?—That would be subsequent to the date of my report.

2774. (*Sir Ralph Knox.*) I see there is a contribution towards the expenses of Her Majesty's ships, employed in the Indian Seas, as to which an advance has been made, and which appears also to take the form of a subsidy. Do you require evidence of the service having been executed in that case?—That subsidy has only recently been fixed. The adjustment of the advances comes in a subsequent account.

2775. And is that for a definite service?—That is for a definite service of ships.

2776. As to the number of ships, and so forth?—Yes.

2777. Then would you require similar evidence in order to pass that charge to show that the service has been performed?—As in the case of the former subsidy of 70,000*l.* a year, I should require evidence that the ships were on the station in accordance with the agreement.

2778. What evidence of that was given you?—A quarterly statement by the Admiral on the station.

2779. That certain ships were in those seas?—Yes.

2780. (*Sir Andrew Scoble.*) I just want to ask you one or two questions with reference to the answers you gave to Mr. Ryder just now, with respect to these two paragraphs, 15 and 22. Do you consider yourself entitled to question the propriety of the amount of the annual subsidy to the Admiralty for those Indian Government Defence vessels, or do you consider yourself only entitled to require sufficient vouchers that that money has been earned?—I should consider myself entitled to report that the amount has been paid under a certain agreement which has been entered into between the Secretary of State in Council and the Admiralty, amounting to so much. With that I should leave the matter in the hands of Parliament and of the Secretary of State.

2781. Then your objection under paragraph 15 is simply that you have not got sufficient vouchers to satisfy you that that money has been earned. Is not that so?—That is so.

2782. Well then, in the same manner, with regard to paragraph 22, you would not feel entitled to question the capitation rate of 7*l.* 10*s.* 0*d.* per man, would you?—No. I described the item in my report, you will observe, "Capitation rate of 7*l.* 10*s.* 0*d.* on each man borne on the establishment."

2783. Then, here again you only want to ascertain whether that capitation grant has been earned, and you have not been satisfied with the vouchers tendered you that it has been earned?—Quite so, as to the numbers of men.

2783*a*. With regard to these two items, you do not go into the policy of the contract between the India Office and another Department. You simply object that you have not had sufficient vouchers to satisfy you that in these two items they were earned under those two contracts?—Yes, that is so; but, in describing the

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items, the nature of the transactions was also brought to the notice of Parliament.

2784. And that is the limit of your duty, is it not?—That really depends upon the interpretation of the Act.

2785. Well, do you consider that the limit of your duty or do you consider you ought to go further?—I should consider it the limit of my duty to report the nature of the transactions to the Houses of Parliament, and leave them to raise any question upon it.

2786. But do you consider yourself entitled to go behind these contracts, and to question whether or not they are reasonable?—As a matter of fact we have not examined them.

2787. I do not want to have matters of fact, I want to know what your conception of your duty is?—If I thought the amount was excessive, I think it would be possible to raise the question.

2788. If you thought the India Office was paying too large a price for the service, would you consider it your duty to raise that question in your report?—If it were such that it might be considered as a contribution to the Admiralty or to the War Office, as the case may be; in that sense I might report it.

2789. That is, if you thought the India Office had made a bad bargain with any other Department, you would consider it part of your duty to call attention to that in your report?—It would really depend. It is difficult to give a direct yes or no to that.

2790. But I thought you rather intimated to Mr. Ryder that you would consider it your duty; and I wanted to know whether, on reflection, you did really hold that view?—Certainly, I should be guided by circumstances.

2791. Well, would the circumstance that you considered it a bad bargain lead you to report it?—May I give you another illustration?

2792. No, I would rather you would answer the question?—Well, I will say yes, if I may illustrate it.

2793. (*Chairman.*) You give your answer to Sir Andrew Scoble upon the authority of this sentence in the clause, I suppose, that you are to "report from "time to time to the Secretary of State in Council "his approval or disapproval of such accounts, with "such remarks and observations in relation thereto as "he may think fit"?—Just so. I should not consider myself entitled to enter into questions of policy or administration as such; but only if, in my judgment, they clearly involved an appropriation of Indian revenues otherwise than for the purposes of the Act.

2794. You consider that as leaving you a considerable discretion in making your remarks?—Quite so.

2795. Or, otherwise, if you had to define the duties of an Auditor, may I ask whether you would go beyond this, that the duties of an Auditor are to see that the payments are properly vouched and are properly authorised?—Yes.

2795*a*. Would you go so far in defining the duties of an Auditor, as to say that it was his business to enter upon the consideration as to whether expenditure is judicious or not?—No, I should not.

2796. (*Sir William Wedderburn.*) With regard to telegrams, I see that there is an item in the Home Accounts, page 5, of 6,784*l.* 6*s.* 3*d.* for telegrams to India. Have you any knowledge as to where those telegrams have been sent, or to whom they have been sent. They are classed under the head of Telegrams to India?—The claim would be in a kind of tabulated form from such and such a place to such and such a place, or giving names possibly to whom the telegrams may be sent.

2797. I understand you have no means of knowing whether those telegrams are strictly on account of the purposes of the Government of India?—No, they are certified by the Private Secretary that they are so, and we accept his certificate.

2798. But is not that rather deputing your judgment to somebody else?—I think not. We are obliged to accept the certificates of responsible officers.

2799. I think this Act of Parliament seems to give you a power of insisting on any form of voucher or evidence that you think is right in order to make up your mind?—Well, if we went behind every certificate we should want double the staff, we should have to do the work over again, the work which has been examined by responsible officers, and certified to be correct.

2800. As I understand, whether or not this 6,784*l.* 6*s.* 3*d.* has been properly expended depends upon the certificate. You have not satisfied yourself in regard to that, but you depend upon the certificate of some other officer?—We had a claim by the company—the Indo-European or Eastern Telegraph Company, as the case may be—for the particular telegrams given in a certain claim in detail, which detail is certified to be correct by the officer responsible.

2801. (*Sir Donald Stewart.*) Certified monthly bills for telegrams giving details of the words are submitted?—Yes, but what we do not see is the copies of the telegrams.

2802. (*Sir William Wedderburn.*) There is no means of knowing whether or not they have really been sent "for the purposes of the Act"?—No, I cannot answer for that.

The witness withdrew.

Adjourned till Friday, at 11 a.m.

At the India Office.

SIXTH DAY.

Friday, 15th November 1895.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

SIR WILLIAM WEDDERBURN, Bart., M.P.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. W. S. CAINE.
MR. DADABHAI NAOROJI.
MR. COLIN G. CAMPBELL, *Secretary.*

Mr. S. Jacob, C.S.I.

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Mr. STEPHEN JACOB, C.S.I., recalled and further examined.

2803. (*Chairman.*) I think there were one or two points on which you thought the evidence you had given, wanted supplementing in some respects; they refer, I think, to the Questions 432*a*, 446, and 165?—Yes, I think so, and 176.

2804. Or, rather, I think it is Questions 176, 165, and 102?—Yes, those are they.

2805. Perhaps you will state the supplemental evidence which you wish to give,?—In Question 176 I was asked whether the establishment of Reserve

Treasuries was a matter which had been fully considered, and was the result of what might be called a matured policy. In connexion with this, the Commission might like to have their attention drawn to the despatch of the Government of India, No. 256, of the 30th June 1874, which recommended the adoption of this policy. I have the despatch here. They submitted it in connexion with a Bill for the Regulation of the Presidency Banks; the Presidency Banks Act was to be amended, and——

2806. That despatch has been published?—Yes, it has been published as an Appendix to the Financial Statement for the year 1889–90.

2807. (*Sir Andrew Scoble.*) Is it one of the papers we have before us?—No, it has not been printed for the Commission.

2808. (*Chairman.*) But it is available to us?—Yes.

2809. Perhaps you will continue?—The Government of India said: "We have been much impressed with "the consideration that the effect of the existing "agreements with the banks, which compels us to "place all the cash balances belonging to Government "in their hands, leads to consequences which may be "very inconvenient, if not worse, both to Government "and to trade. The only use of these balances to "Government is, that they may be made available the "moment the public service requires them. We have "had no difficulty in regard to the balances in the "hands of the Banks of Bengal and Madras: the Bank "of Bombay, however, protested against meeting drafts "upon it, and on the urgent representations of the "Governor of Bombay, we were obliged, on the 29th "January, to allow a month's time before drawing. "The Bank of Bombay, accustomed to high govern-"ment balances and relying on the maintenance of "those balances, had so employed them that they "were practically locked up; for, had we insisted on "withdrawing them more suddenly, we should have "done so in the face of a warning that we should "produce a commercial crisis, and therefore, for a time "the Government balances at Bombay were useless for "the purposes of the Government." They go on to say that they doubt whether there is any real advantage to trade from the large Government balances; and then from paragraph 9, again, they say:—"Had the Govern-"ment funds in the hands of the banks in January "last been limited to a fair working balance, and had "we had a reserve in our own hands, we think it may "be assumed that the market rise in the rates of "discount which has occurred would not have taken "place, and our business would have been transacted "without disturbing trade operations. The resources "of a large money market are not open to us, and we "do not think it would be safe to trust to being able "to raise funds readily and immediately in India. "The amount (350,000*l.*) that we wanted in January "out of our balance of about a million with the Bank "of Bombay, and the demand for which brought down "the remonstance that we should place in jeopardy "the trade of Bombay, cannot be considered as large. "Calcutta may have larger resources, but we cannot "suppose that even here the supplies immediately "available are really considerable. We are of "opinion that a Government subject to the contin-"gencies to which the Government of India is "exposed ought not to be without a reserve, and "that this reserve should be in its own hands. "This object might be attained by dissolving our "connexion with the banks and re-establishing our "treasuries. We are unwilling to take this course "unless forced to do so; the banks are useful institu-"tions, and the Bank of Bengal especially has upon "several occasions been of great assistance to the "Government. We should prefer, as an alternative "plan, to make a change in the agreements with the "banks, so that, instead of giving them the right to "hold all the Government balances, the stipulation "may be confined to engaging to pay them interest "when our balances are reduced below certain amounts. "If it be necessary to go further than this, we might "stipulate that the banks should have the use of our "balances up to certain limits, after which we should "be unfettered as to their employment." Then they conclude, in paragraph 14: "The amount to be kept in "reserve need not, in our opinion, be very large, as the "main difficulty is one only of time. The sense of "security which we should derive from the possession "of a reserve of two millions immediately available "for any emergency would, in our judgment, amply "repay the charge for interest on that amount."

2810. Therefore the position was that the Government, having a balance of 1,000,000 at the Treasury in Bombay, were practically interdicted from the use of it?—Yes, that was the case.

2811. The draft proposed to be made was only 350,000 out of 1,000,000?—Yes.

2812. And the Government was reduced to the position of being expected to keep a certain amount of money idle in the Bank of Bombay in order to be a convenience to trade?—Or to give them very considerable notice of any withdrawal.

2813. Do the Banks now pay interest on the balance?—No; we allow a certain minimum balance always to remain in the various banks; the amount varies with each bank.

2814. Do you happen to know what it is in the Bank of Bombay?—I think it is 20 lakhs in the Bank of Bombay, and I know it is 30 lakhs in the Bank of Bengal.

2815. What is that in tens of rupees?—300,000 Rx.

2816. What you may call a balance of 300,000*l.*?—Yes, very roughly.

2817. Was that measure carried out?—Yes.

2818. And what is the bargain now, do you happen to know?—That is the bargain now, that we keep with them a certain minimum.

2819. And in the case of the Bank of Bombay?—Yes, if our balance falls below that minimum we pay them interest on the difference between the minimum and the actual balance.

2820. But is it well understood that you may draw up to that minimum at any time?—Yes, we may draw up to that minimum without any charge at all, or notice.

2821–2. The Government are still, of course, liable, even in that case, to remonstrance, namely, that by drawing to the minimum permitted they may create a panic?—Yes, there was some such remonstrance in 1888, when I was in Bombay as Accountant-General. The question of the assistance to be rendered to trade through the Government balances was, I may add, discussed in the Financial Statement of 1889–90 by Sir David Barbour.

2823. Did Sir David Barbour make any remarks, to which you would like to call attention, in his Financial Statement upon this question?—He stated then that questions had been raised as to whether Government ought not to lend a larger amount of its balances to the commercial public, and as to whether it keeps too high a cash balance, and he refers to these questions in detail in the financial statement of 1889–90.

2824. Did he point to any conclusion of his own?—Yes. He said, in concluding his remarks on that point: "It has been urged that Government could "relieve the market by lending out the balance of "the Reserve Treasuries on favourable terms to the "banks; but, if this course were followed, the same "difficulties that arose when the Presidency Banks "held the whole of the surplus balances would again "occur. Trade would become accustomed to rely on "the resources furnished by the Government, and at a "time of pressure the withholding of the assistance "usually given by Government might have a very "serious effect." That appears to have been his conclusion.

2825. Therefore, you may say that his conclusion was against leaving balances at the bank, except under a very strict understanding as to the right of the Government to use them?—Yes. I may explain in connexion with this point that we do, in fact, sometimes lend money to the Presidency Banks at interest. There was also a memorandum written by the Hon. Mr. Westland, now Sir James Westland, with reference to the amount of our balances.

2826. I think the Commission would like to be referred to that?—It is rather lengthy, but the purport of it is that 8 crores was at that time—this memorandum was written on the 20th November 1888—absolutely the theoretical minimum upon which we could work.

2827. That is distributed through all the Treasuries?—Distributed through all the Treasuries; and he considered that practically we could not go much below 10 crores as a minimum; that is to say, that if we were reduced to 8 crores, a considerable movement of funds backwards and forwards would be involved, which would result in very great inconvenience and

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expense. One argument that he put forward for having such a balance, was that the amount was distributed over so many Treasuries—he says 200 treasuries and 800 sub-treasuries, but as a matter of fact the number of treasuries is 266, so that there are over 1,000 treasuries, over which the balance has to be distributed.

2828-9. Do you know how much of that 8 crores would represent the normal balance in the three banks you have mentioned—Bengal, Bombay, and Madras?—The ordinary balances would be from about 150 lakhs to 200 lakhs, that is, from 1,500,000 to 2,000,000 Rx., in the head offices of the three Presidency Banks, not including the balances held by their branches.

2830. And if you include the balances in their branches, would that make a very great difference?—Well, the branches sometimes hold very considerable amounts. Another of his reasons was that the revenue is to a large extent received in the sub-treasuries, and sometimes for a month or so after it has come in, it is really hardly available for expenditure; it takes some time to collect it at the Central Treasuries where our special liabilities occur.

2831. You mentioned just now, as a reason, I think, given by Sir James Westland, for keeping a large balance, the expenditure that would be incurred in moving coin from one district Treasury to another if a sufficient balance was not maintained at each Treasury. We gather from Sir David Barbour that there are throughout India considerable means of providing cash at the district Treasuries, inasmuch as there are a large number of native bankers to whom the Government Treasury could sell Bills?—Yes, the sale of Bills on our Treasuries has developed very much in the last 10 years. In 1893-94 the amount that we received as premium on Bills exceeded the whole cost of the transfer of funds from one district treasury to another. We realised during that year Rx. 32,106 as premium on Bills, and the whole cost of removing money from district to district was Rx. 22,805.

2832. Therefore, so far from the charge of moving specie being a charge on the taxpayer, the movement of funds is a source of profit?—At present it is. Ten years ago, in 1883-84, the premium amounted to only Rx. 15,000, and the remittance charges were about the same as at present. Then there was a net charge for remittance.

2833. That seems a very large premium. As a rule can the bills sold at a district treasury by the treasury officer be sold at a premium?—Generally; we do sometimes grant a transfer without any charge.

2834. But, as a rule, it is an easy method for the native bankers to transfer their funds, as well as for Government?—Yes, we charge a very low rate of premium; as a rule, four annas for a hundred rupees is the outside. Very often we only charge one anna for a hundred rupees.

2835. Then in what cases have you actually to send money?—Simply in the cases of outlying treasuries where there is no commercial demand. Our opium treasuries also have to be kept in funds by remittances of actual cash; they are large spending treasuries, and issue a great deal more money than they receive in the shape of revenue.

2836. Do you happen to know what the sum total of cash actually sent amounts to?—No. I could not say off-hand.

2837. I suppose you could calculate it roughly. If the premium that you charge on bills is an average one, you could give somewhat near the amount?—I could calculate the amount that we remit by bills pretty closely, but not the actual amount that we remit in cash.

2838. (*Sir William Wedderburn.*) The Hoondee system is very well known in India, and has been in practical working for very long periods, so that it is very familiar to the people, I think?—Yes, and the practice of remitting by means of drafts on our Treasuries is becoming much more familiar. I have drawn up a statement exhibiting the progress for the last ten years, and it shows that during the last three years we have made a profit on the premium; that is to say, that the premium has exceeded the expense of the actual remittance of cash.

2839. (*Chairman.*) The greater use of the system both by district treasuries and by the native bankers has resulted in an economy to the Government?—Yes. The European Banks also make large use of the system.

2840. Then, I think, you wish to call attention to Question 165 on the subject of the movement of funds?—That has been now done by the questions that have just been put.

2841. The two questions run into each other?—Yes.

2842. Then you mentioned Question 102?—Yes. In that question Sir Henry Waterfield was asked as to the connexion of the Comptroller-General with the Financial Member, and stated in reply that the Financial Member constantly takes the advice of the Comptroller-General. I was allowed to see Sir David Barbour's evidence, and I thought that the statement might, perhaps, seem at variance with Sir David Barbour's replies to Questions 2141 to 2144, in which he stated that the Comptroller-General communicated with the Finance Member only through the Financial Secretary. I thought I might, perhaps, be allowed to explain that the advice given by the Comptroller-General to the Financial Member directly is unofficial or verbal. All official communication between the Government of India and the Comptroller-General is carried on through the Financial Secretary.

2843. Quite so, and I will only ask you upon that, have you often these verbal communications with the Financial Member of Council?—I have had them very frequently with Sir James Westland, the present Financial Member.

2843*a*. It comes to this: the Comptroller-General is a high financial officer, whose office is, at all events, neighbouring to the Treasury. He is therefore constantly available, and if the Financial Member desires to obtain information he naturally goes to the officer who can most readily give it him?—Yes.

2844. The Comptroller-General has first of all a complete knowledge of the accounts; he is the first person who receives information from the district treasuries; therefore I suppose it must constantly be a matter of convenience for the Financial Member of Council to see him and ask him questions?—Yes, he does constantly send for him.

2844*a*. What is the next point on which you desire to supplement your evidence?—With reference to Questions 432A and 446, I was asked about the monthly accounts and statements submitted to the Government of India by the Comptroller-General for the information of the Financial Member. One important statement was not mentioned, namely, the Resource Estimate, which is compiled at the close of each month (about the 23rd) and estimates for the current month and the next two months the probable financial results, as far as can be gathered from the latest facts then available. This estimate not only enables the Comptroller-General and the Government of India to forecast the general financial position at the end of each month, about two months beforehand, but also furnishes the Comptroller-General with the means for deciding whether each province, as a whole, is properly supplied with funds or requires assistance.

2845. It is an estimate to guide the Comptroller-General in supplying funds, based upon the latest information within his reach?—Yes.

2846. Is there anything else?—Yes. In Question 510 and in some other questions the point of the inquiries made was whether a monthly report of irregularities was submitted by the Audit Officer to any superior officer and to the Government of India. The answers given indicated that no such monthly report is submitted; and it was explained that the reason for this is that the auditing officers have powers of disallowance, and that the necessary action for recovery, &c. is taken by them at once. The Commission may, however, consider it relevant to this point to learn that annual reports are submitted, showing in detail any long outstanding objections, and explaining why such objections have not been removed. The Comptroller-General reviews these, and submits them to the Government of India, who are thus kept informed of the fact that audit objections are promptly disposed of.

2847. (*Mr. Buchanan.*) Is that in your annual report?—Not in the Appropriation Report, in a separate report.

2848. Is that a published report?—It is not published, no.

2849. (*Chairman.*) Could you show us one of those reports?—I have not got one here. I could get one from India.

2850. Without much trouble?—Yes.

2851. I think, perhaps, it would be well if you could get us a sample of them, and I daresay Sir Henry Waterfield would give it us in when we meet again?—Yes.

2852. (*Sir Ralph Knox.*) Does that apply to objections raised by the different Accountants-General?—Yes.

2853. They report to you certain objections that they have made, and that have not been cleared up?—Yes, beyond a certain period—within a certain period.

2854. (*Chairman.*) The questions we have put to you, Mr. Jacob, only touch this point—that no report is made of irregularities which have been condoned by subordinate audit officers?—No, no report of them is made.

2855. Because, of course, there may have been important irregularities which have been amended, or there may be questions in which the subordinate officer has used a discretion in condoning which might be open to exception; and, as I gather, the Comptroller-General does not have any opportunity of forming an opinion upon such action of his subordinate audit officers?—No report is made of objections which have been removed, but the subordinate audit officer is not allowed any discretion. He cannot condone. He may admit that the rules have been observed on farther explanation, but if it is admitted that the rules have not been observed (except in very petty cases—as I think Sir David Barbour explained—amounts of 2 or 3 rupees) he is bound to require a report to be made to the authority whose sanction is needed.

2856. My point is, that where there is a power of disallowance, the subordinate audit officer may wrongly interpret the regulations under which he acts, and he may consider that the rule covers what is in reality an irregularity. It struck me that the superior audit officer ought to have some opportunity, if possible, of learning how his subordinate officers exercise that discretion of interpretation?—There is no such opportunity in the civil department.

2857. It may be difficult to devise a means of obtaining such information for the Comptroller-General, but still I think that the Comptroller-General should, if possible, have some idea of how his subordinate officers interpret the rules?—He does get an idea, through the cases which come up.

2858. (*Sir James Peile.*) And through the test audit also?—Yes.

2859. (*Chairman.*) And is a test audit used for that purpose? Would the Comptroller and Auditor-General's officer, who conducts the test audit, report to him if he thought the subordinate audit officer put a lax interpretation upon the regulations?—If he thought the interpretation was wrong, he certainly would report it, or even if it were doubtful.

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2860. Then, practically, the answer would be that in order to know how these subordinate officers do their work, you trust to your test examination?—Yes, practically.

2861. (*Sir Ralph Knox.*) Do the military accountants report to you in a similar way?—No, they do not report to me. I think they report to the military Accountant-General.

2862. (*Chairman.*) Is that all?—I would just wish to mention that I have written to India for samples of the test audit reports. I mentioned in my evidence that I had not got them here, but I have written for copies of them, and they will be submitted to the Commission at some suitable opportunity.

2863–5. Could you get also, at the same time, a few copies of your last Appropriation Report for 1893–4? Mr. Buchanan mentions to me that they are rather scarce?—Yes. I have also written and asked Mr. Cox, who is acting for me, whether he can, without any great difficulty, obtain any statement of the cost of the treasuries as to which I was questioned. We have not been able to make out any estimate in this country. The details are not available, but I have asked him to make them out, if he can do so.*

2866. (*Mr. Buchanan.*) May I ask a general question, I do not know whether you can answer it or not. Have you looked at the reports presented by the Comptroller and Auditor-General of England on the accounts?—I have.

2867. Would you say, as your conclusion therefrom, that the system you have in India adequately reports to the Government of India similar cases of irregularity?—I think it results in the irregularities being reported, not in the same shape or form, but they come up one by one.

2868. You do not think that there are many that escape notice?—I should say not, from the experience of my test audit. We have had this test audit system in force now for 13 or 14 years, and very few cases of irregularity, comparatively, have been discovered in them.

2869. (*Chairman.*) You apply your test audit also to military accounts, do you not?—Yes, to military and public works accounts.

The witness withdrew.

Sir AUCKLAND COLVIN, K.C.S.I., &c. &c. called in and examined.

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2870. (*Chairman.*) You held the position of Finance Member of Council in India, did you not?—Yes.

2871. During what years?—From October 1883 to August 1887.

2872. That was under Lord Ripon and Lord Dufferin?—Yes.

2873. Would you tell us what other positions you held in India?—Do you wish to know only the principal positions?

2874. Perhaps you would tell us when your employment in India began, and, generally speaking, what posts you held; of course the higher posts are the most important?—I was in India from the beginning of the year 1858 to the end of 1892, with an interval of about five years, during which I was absent in Egypt. During that term I held the posts of Settlement Officer for many years, Secretary to the Board of Revenue in the North-West Provinces, Magistrate and Collector, Secretary to the North-West Government, and Financial Member of the Viceroy's Council.

2875. And after that?—After that, Lieutenant-Governor of the North-West Provinces and Chief Commissioner of Oudh.

2876. Therefore in the earlier times of your service in India, you had considerable administrative experience of the manner in which the revenue was collected?—Yes.

2877. Would you have experience of revenue questions in most of those appointments you held, or would you not have had the same cognizance of them in the later and higher appointments, until you became Financial Member of Council?—Of revenue questions I should have been mostly cognisant as Settlement Officer and Collector, and as Secretary to the Board of Revenue.

2878. Where were you Secretary to the Board of Revenue?—In the North-West Provinces.

2878*a*. And the Board of Revenue there superintended the collection of what revenues?—The Land Revenue, Excise, Stamps, Local Rates, Provincial Rates.

2879. In fact those revenues which, we have learned, were handed over under Lord Mayo's and his successors' decentralization schemes more completely than previously to the Provincial Governments?—*Inter alia*, those revenues. The Land Revenue is not handed over to the provincial Government; the Land Revenue goes mainly to the Imperial Government.

2880. It is levied on behalf of the Imperial Government, but it is collected by the Provincial Governments?—Collected by them, yes.

2881. I think you have had the opportunity of looking through the evidence both of Sir Henry Waterfield and Mr. Jacob in the first instance, and then of Sir David Barbour?—Yes.

2881*a*. I think it would be most convenient if in the main, in the questions I put to you, I follow the line adopted with Sir David Barbour. We are anxious to get your view as Financial Member of Council, upon the same points and the same kind of information that we have obtained from Sir David. And, first of all, I should like to ask your view as to the position of the Financial Member of Council. Do you consider from your knowledge of the position of the Finance

* *See* Appendix 4.

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Minister in India, that, generally, the powers of the Financial Member of Council correspond to those of the Chancellor of the Exchequer in England?—I have no personal acquaintance with the functions of the Chancellor of the Exchequer, but from what I have gathered from the evidence given before you by Sir Henry Waterfield, Mr. Jacob, and Sir David Barbour, and the explanations that your Lordship offered, I should imagine that, theoretically, they correspond very closely.

2882. One distinctive power of the Chancellor of the Exchequer in England is the control which is put into the hands of the Treasury—of course you will understand that the Chancellor of the Exchequer is the virtual and active head of the Treasury—and that control is summed up in the statement that his assent, the assent of the Treasury, is required to every measure of the Government increasing or tending to increase public expenditure directly or indirectly. The power is almost as wide as you can describe it, and it extends to every measure, except in so far as any powers of independent action may have been delegated to a department. His assent is necessary to the addition of every clerk to an establishment, and, when it comes to such small questions as that, you will see that it covers every kind of increase of expenditure. Would you say that your power as Financial Member of Council was equivalent to that?—You speak of sanctioning expenditure.

2883. Yes, of sanctioning expenditure?—Yes; I should say it was.

2884. And had you security that every such measure was really brought to your notice?—Every fresh measure?

2885. Yes?—Yes; so far as it was necessary that my sanction should be given to it. It was not necessary, for instance, that every item of provincial expenditure should be sanctioned. That would not be brought to my notice so long as it was within the power of the Provincial Government.

2886. In such cases the Central Government had delegated a certain discretion to Provincial Governments, and therefore the Provincial Government was the judge?—Yes.

2887. In fact the Provincial Governments, after a manner, contracted to conduct certain services, and, so long as they did not exceed the sums allotted to them for those services, they had a considerable discretion within that sum?—Yes.

2888. But we had better deal with that point when we come to provincial expenditure. I may ask you, however, whether a very considerable power was not reserved to the Central or Imperial Government even in provincial expenditure? The Provincial Government could not increase salaries except by very small sums?—No.

2889. They could not incur new expenditure except within very narrow limits, so far, at least, as the rules went?—No.

2890. Then, I suppose, in those cases where they wanted to go beyond those limits they would come to the Central Government?—Yes; there was a fixed limit, I think, of 250 rupees increase of salary, and 50,000 rupees for public works projects. Anything exceeding 50,000 rupees would have to go to the Imperial Government.

2891. What was the security of the Financial Member that his assent would really be asked to such measures? With regard to increasing expenditure, the Comptroller and Auditor-General in England reports to Parliament, to the House of Commons, every case in which an increase in expenditure has been incurred, which has not received the assent of the Treasury. Therefore, since the passing of the Exchequer and Audit Act, in 1866, a great defect in financial administration has been removed, and now the Chancellor of the Exchequer has perfect assurance, or as perfect assurance as any regulations can supply, that no department has transgressed that rule. Has the Finance Minister in India any similar guarantee that the general rule of the service is observed in every case?—He has a system of audit of which the Accountants-General and Comptroller-General are the principal officers, whose duty it is to check all items of expenditure shortly after they have been incurred, and to bring to the notice of the officers concerned expenditure which has been incurred without due sanction.

2892. And you consider that that was a complete guarantee to you that the regulations of the service in that respect were being observed?—I think so; from my experience of that check during all the years of my service both as an executive officer and as Financial Member, I should say, in both capacities, it was quite sufficient.

2893. Then, so far as the power of control is exercised in detail in the manner described, you would consider the control of the two Treasuries over expenditure—I am comparing the English and the Indian Treasuries—to be equal?—As far as I can compare a system with which I am familiar with a system with which I am not familiar, I should imagine from the description which your Lordship has given of the English system that the control was probably equal. I may mention here a point which I do not see brought out in the evidence hitherto given. Among other means of checking expenditure which has been irregularly incurred, and a means which is possessed by every successive stage of official in the Government, is the practice of recording proceedings which are submitted by each department to the department above it. For instance, the Government of India sees the proceedings of each Provincial Government in all its branches, those proceedings embracing the correspondence of that Government in each branch. The correspondence on any important subject is recorded at length; in less important subjects merely a summary is given; but the attention of the Government would be at once drawn, and is drawn, in that way to an expenditure which would appear *primâ facie* to require explanation.

2894. Do I understand that these reports are in the nature of summaries of the action of a sub-department, which are handed on to the superior department?—That is so. Collectors' proceedings, for instance, would go before the Board of Revenue; Board of Revenue proceedings would go before the Provincial Government; Provincial Government proceedings would go before the Imperial Government; and I think all the Provincial Governments and Government of India's proceedings come here to the Secretary of State.

2895. Would the Finance Department be seised of these summaries of administration of the other departments? For instance, would you, as Financial Member of Council, have the reports of the Home Department before you?—No, as Financial Member of Council, I should not be seised of a matter submitted in the proceedings of the Home Department, unless the Home Member thought it had a financial bearing, which ought to be brought to my notice.

2896. So far I have been asking about the power of the Financial Member of Council over the expenditure of other departments; but of course there is another side to the question, namely, the check upon the Financial Member himself. Here the check upon the Chancellor of the Exchequer is, first of all, in the case of a difference of opinion between himself and a colleague, a reference to the Prime Minister. In more important cases there is a reference to the Cabinet; and, lastly, there is Parliament behind the Cabinet. Of course that involves the knowledge on the part of the Minister and of the Cabinet that probably a vote will be wanted, in which case the immediate and active criticism of Parliament will take place; and therefore there is a considerable check in what I may call anticipation of the action of Parliament. Now, when we come to India, I think I have gathered from the evidence already given to us that over the Finance Minister is, first of all, the Viceroy personally, that is to say, that the communication between the Viceroy and the heads of departments is really tantamount to that check which here exists in a reference to the Prime Minister from the Chancellor of the Exchequer. Then comes the Viceroy in Council, who, I presume, would correspond generally to the Cabinet here. Then comes the Secretary of State, and finally Parliament; but any anticipation of the action of Parliament is very weak in the case of India, as compared with what it is here. Would that describe generally the checks upon the Finance Minister?—I think so. I should say also that the anticipation of the action of Parliament would be stronger in the case of the officials who are nearest to the immediate sphere of Parliamentary action.

2897. That is to say, more powerful on the Secretary of State than on the Viceroy?—And on the Viceroy than on a member of his Council.

2898. But still it is true that though Parliament may, and often does, take up an Indian question, there is no necessity that it should do so. The action of the Indian Government will not, it may fairly be anticipated, in most cases call for the attention of Parliament; whereas here the knowledge that a vote has to be submitted to the House of Commons makes the criticism of Parliament inevitable. There is a very different result in these two cases, is there not?—Yes.

2899. May I ask you the general question, whether you would wish to strengthen the powers of the Finance Minister?—I should wish it, so far as it were possible.

2900. Is there any direction in which you think they might be strengthened?—Yes, I think they might be strengthened advantageously in so far as concerns the steps which precede sanction to expenditure; the deliberations, I would say, which precede such sanction.

2901. And that leads me to the important question of those deliberations which must precede the mere administrative action of the department. By the administrative action of the department, I mean the first absolutely official record of a measure leading to increase of expenditure which necessarily follows the adoption of a policy; and that policy must have been the subject of previous deliberations. Do you consider that the Finance Minister has an assurance that, when those deliberations take place, he will have ample opportunity of making known to the Viceroy and to the Council what the probable effect on the finance of the year will be, and how far the finance of the year will be able to stand the strain of any extra expenditure?—So far as when a policy is formed, its final results can be definitely foreseen, he has an opportunity. But a policy is very often like a child, it grows; you cannot tell what its features will be in a state of further development; or, if you can, it may not be more especially within the Financial Member's opportunities to see. In that case, I think that he has not always got the means of forecasting the expenditure, and that he is not always in so good a position as some of his colleagues to make an estimate of what the ultimate financial aspect may prove to be.

2902. That is to say, he has not the detailed knowledge that enables him to forecast the effect of an administrative measure?—Yes. He does not see behind the mind of those who are more immediately concerned with the birth and growth of that policy.

2903. That is a defect that must attend every financial system, must it not? The Finance Minister, simply charged with the conduct of the financial administration, cannot have that detailed knowledge of the effects of measures which his colleague at the head of the department concerned has?—Yes.

2904. Let me take an instance from this country. The Minister for Education is constantly revising the Code, and in his reforms he may propose measures which have a contingent result in increasing expenditure. It is difficult to say how it will act, under what circumstances the power of earning an extra grant will be exercised; and in such cases as that, the Finance Minister is in a worse position than the Minister at the head of the Department, in forecasting what the effect of a measure may be. I think that is a defect that is inseparable from financial administration. No Finance Minister can have universal knowledge. Does your criticism of the Indian system go beyond that, or do you think that the Indian Finance Minister is in a peculiar way worse off than Finance Ministers in other countries?—I am not aware whether in a case of that kind in England the Chancellor of the Exchequer would have ample opportunities of discussing the educational policy before it was finally adopted, and whether he would be aware of all the considerations which prompted it, and, generally, of the developments which it was likely to take.

2905. The Chancellor of the Exchequer is a member of the Committee of Council on Education. He is always summoned to the deliberations of that Council; and by that means it is supposed that he gets the internal knowledge of what is being proposed; but I think it has often been found, both by himself, and by his officers, that that information is not sufficient; he is not really posted up. That will, however, do as a sample of what I mean by the inherent defect in finance administration, that the Chancellor of the Exchequer or the Finance Minister cannot have universal knowledge?—No. The illustration which your Lordship gives, I think would place the Chancellor of the Exchequer in England favourably with regard to the Finance Member of India. Presumably in such a case he would be in a better position to judge what financial effect would follow upon a scheme of Education, than a Finance Minister of India would be to judge of what would follow upon a foreign policy.

2906. Then there is another difference in India. Sir David Barbour put it to us that in India you are dealing not with a country, but with a continent?—In India, no doubt, the element of the unknown is larger than, I should think, it would be even in public affairs in Europe.

2907. But upon the general point, do you think that there is any defect at present in the system under which the opportunity is given to the Indian Finance Minister to impress upon his colleagues what the result of incurring extraordinary expenditure would be?—I did not quite catch the precise form in which you put that question.

2908. Would you say that there is any defect in the arrangements under which the Finance Minister in India has the opportunity of impressing upon the Viceroy, and upon his colleagues, the effect on finance of extraordinary expenditure? For instance, would you feel assured that in the adoption of any policy, the Viceroy and the Council would be fully informed that such and such measures would probably entail—that most grave consideration in India—increase of taxation?—I think, with the reservation I made just now, that the Financial Minister has ample opportunities of impressing on his colleagues his view of the probable bearing on finance of any policy that is put before them.

2909. Sir David Barbour made a criticism, which I think all officers connected with financial departments must allow as a criticism of general application, namely, that sufficient attention is not given by the departments in India to the financial question. They hardly appreciate the gravity of it, and do not forecast what the financial effect of the measures on which they are bent may be. That, of course, is a defect common to all governments. The heads of different departments very seldom take a general view of the effect of their administration. They are anxious to carry out measures which they think important, either to the empire or to the results of their administration, leaving it to the Finance Minister to find the ways and means, and without sufficiently considering the dangers, especially in a country like India, that imprudent expenditure may entail upon the government. That is Sir David Barbour's view. Should you agree with Sir David Barbour upon that point?—Yes.

2910. That, as a rule, the Finance Minister does not get sufficient support from his colleagues, owing to imperfect information on their part as to the results of the measures which they bring forward?—One of my late colleagues is present, and, therefore, I must speak with caution. When I say that the Financial Member does not get sufficient support, I would wish to be understood to say that he does not get that support which he thinks would be sufficient for him. I would not be understood to say that he does not receive the support which, in the opinion of others, is due to him.

2911. Quite so. The point of Sir David Barbour's criticism, I think, might be put thus: that in a country like India, where deficits are more dangerous than they would be here, where new taxation is more difficult than it would be here, the Government, as a whole, does not give sufficient attention to what may be the financial results of measures which they adopt?—I agree entirely in that; and I would add to that, that in a country where the taxpayer is an alien, and is not able to make his voice directly heard, the need of giving close attention to economy in administration is greater than it would otherwise be.

2912. I suppose that the Military Department is a most important department in India, is it not? that is to say, that the greatest difficulty to Indian finance is that which results, or may result, from military expenditure?—That from the point of view of finance the military department is the most disturbing? Yes.

2913. Of course, I am not now entering upon any question of policy?—No, I quite understand.

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2914. With regard merely to the question of the relation of the Finance Minister to the departments in the control of their expenditure, would you apply what you have been saying as fully to the expenditure of the Military Department as you would to other departments?—As to the complete control of the sanction of expenditure?

2915. To the sanction, quite so?—No, because the control—the sanction of expenditure in the Military Department is carried out by the heads of that department. The Financial Member's control is exercised through his Military colleague in Council.

2916. But in the Military Department it is exactly the same, I suppose, as in the other departments? Increase of establishment cannot take place without his sanction?—No.

2917. Any increase of expenditure outside that which has already received direct sanction cannot be incurred without the knowledge of the Finance Minister?—No.

2918. And if any question arises affecting the safety of the Empire, which would be discussed first of all by the Viceroy with his military advisers, would you feel assured that you would be called in early enough in those deliberations to be able fully to impress upon the Viceroy and his Council what the effect of such military expenditure would be upon your finance?—Yes. I should be quite sure of that.

2919. Of course, one very disturbing element in Indian finance is the constant frontier troubles, small expeditions which with a nearly balanced budget may just have the effect of creating a deficit. In those cases would you know early enough to be able to warn the Viceroy?—Small expeditions, like small boils, are indicative of some disturbance in general health; you would learn its necessity when the expedition was about to take place, but, very probably, you would not know, while matters were growing up to the complication which formed the necessity for the expedition.

2920. I mention them because they form rather a peculiar danger to Indian finance, do they not? Expeditions like the Ashanti Expedition are rare in England; in India they are a constantly present danger, are they not? You have one every year?—There we should enter upon questions of policy. I should say not so much that they are inherent in the Indian system as that they have become more frequent of late in consequence of the adoption of a certain policy.

2921-2. But without entering upon that policy, and looking at facts, you have a constantly present disturbing element from which, to a very great extent, we here in England are free?—Since 1885 we have had it constantly present.

2923. I will not enter upon the question of policy; but you mention 1885. Of course it is very important in inquiring whether the financial system is thoroughly satisfactory, to know whether the tendency of authorities is towards the maintaining and strengthening the financial element in government, or whether it is rather towards weakening it. Now we have gathered, in the first place, from Sir David Barbour, that the economy of the Government very much depends upon the Viceroy personally. The Viceroy is very powerful, and if he is economical, the Government is economical; if he is liberal—I think Sir David Barbour used the word "liberal"—in his views, the Government is not so economical. Would you agree with that?—Yes. I do not think I should say that the Government, as a whole, necessarily followed the personal inclinations of the Viceroy—his personal view of policy; but the influence of the Viceroy makes itself necessarily very greatly felt in all questions that concern the administration of which he is the head.

2924. But, apart from that, with the development of the Empire, with the progress of finance, is the tendency of government, do you think, to weaken or to strengthen the controlling power of the Finance Minister?—I think that since the events of 1885 and the establishment of the Russian power in Central Asia, the balance of influence between the Financial Member of Council and the other members of Council—more especially, I should say, the Military Members—chiefly the Military Members—has been radically disturbed by the very great preponderance given to military considerations in consequence of the apprehensions raised in the minds of British officials in India.

2925. Putting entirely outside the question of policy?—Absolutely outside the question of policy.

2926. Assuming that policy to be correct, the result is a weakening of the financial power?—Necessarily. May I, perhaps, add, that any one whose experience of the post of Finance Minister dated before 1885, would, I think, scarcely be in a position to understand how great the disturbance has been in the balance in Finance, if I may say so.

2927. Have you ever considered whether there is any means by which the disturbance of that balance might be redressed, and greater power might be assured to the Finance Minister?—I have considered the matter very often. I cannot say that I have arrived at any conclusion that I should be willing to lay before the Commissioners as in any way likely to be useful.

2928. Well, the conclusion we must come to is that, in this case, the weakening of the Finance Minister must be the result of military policy? It may be a perfectly necessary military policy, but that must be the result?—I think so.

2929. But outside the Military Department, is not the tendency of modern times to make the demands for expenditure on almost every head of administration very much larger than they used to be? The consequence is, I suppose, that every Finance Minister has much greater difficulty in restraining his colleagues and keeping them within bounds on the ground that, however excellent the measures proposed may be in themselves, they will, if they are all persisted in, lead to a deficit, and be followed by a demand for increased taxation. I should say that is a permanent feature in modern government; but, in a country like India that is a peculiar danger, is it not, because of the difficulty of increasing taxation? Do you think, in that respect, that the control of the Finance Minister in India has been, as our experience is here, weakening?—The only other great department which is directly administered by the Council of the Governor-General of India, and represented in the Council, is the Public Works Department. In that department I should say that the same difficulty makes itself felt—the difficulty alluded to by your Lordship. But the internal administration of India, as a rule, is carried on by the Provincial Governments. They are only indirectly represented by the Home Member, who is not immediately charged with provincial administration, though he is charged with provincial interests; and the pressure, therefore, which is put upon the Financial Member only, in their case, recurs once in five years. I mean on the occasion of re-arranging with them the terms of their financial contract for the ensuing five years.

2930. Within that time they have more or less a free hand, and may commit themselves and the Government generally to an expenditure which may hereafter be a source of danger to the general financial system?—No. I do not think they could commit themselves to any scheme of expenditure which would endanger the finances of the Government of India, because any such scheme would have been discussed with the Home Member. If it had a financial bearing, it would have come before the Financial Member of Council, and he would have had ample opportunities of coming to an understanding with his Home colleague as to how far such a scheme was likely to be dangerous, and would be able, if thought necessary, to check it.

2931. Then I should rather take it that you have not felt in India so much as we have felt here, demands like those of the Education Department here; the improvement of local administration, the improvement in the administration of justice, these are constantly growing charges with us; and I should have thought it probable that the same kind of demand would have arisen in India, contributing to that weakness of the Finance Department of which you have been speaking?—The country being administered by distinct Governments, each of which has varying needs, and each of which is in a different stage of development, as a rule no one point is put before the Government of India calling for common improvement or expenditure in all the various Governments, unless it happens to be a point which the Government of India takes up on its own initiative—such, for instance, as a scheme for the reform of the police administration, which was taken up a few years ago, and emanated from the Government of India. It is only in that case that there would be a general pressure all over the country. But then in such a case the Provincial Government would have to find all or most of the funds for the required improvement. If the Government of India

insisted upon the improvement being carried out, and provincial funds did not in any case fully admit of it, the Government of India would probably aid.

2932. We have had a good deal of evidence on the power of dissent which the Finance Member of Council has, and Sir Henry Waterfield placed before us a return of a number of instances in which such dissents had been recorded. Sir Henry did not, I think, give us to understand that this was an exhaustive list, and Sir David Barbour pointed out one or two instances within his knowledge which had been omitted. Do you happen to have looked through the instances which Sir Henry Waterfield gave?—Yes, I saw them.

2933. Do you think it approaches to being an exhaustive list, or do any cases occur to you that are not mentioned there?—Well, I can only speak of my own cases, and I have not many besides the instances he mentioned. There were, I think, three or four other dissents. But I may say that in one or two cases they were not recorded as separate dissents, because the Council was divided by the Financial Member, some of the members agreeing with him, some disagreeing with him, and the views of the contending sections were respectively stated in the body of the despatch itself. There are two cases of dissents—where a colleague dissents from the majority of the members; or perhaps from one or more, where they may be equally divided or unequally, as the case may be, where some agree with him or some differ from him, in that case usually the despatch itself indicates the difference of opinion, and the grounds of it.

2934. But the dissentient members have always the power of putting their views in the shape of a formal dissent, have they not?—Always.

2935. Now, may I ask, bearing in mind that tendency rather to the weakening than to the strengthening of the power of the Finance Minister, does the Finance Minister lean much on the Secretary of State, as likely to support him, if possible,—that is to say, does he look upon the Secretary of State as rather an economical element in the Government of India, on whom, therefore, he would lean as far as possible?—He did in my time.

2936. The idea would be that the influence of the India Office would be rather in the economical than in the contrary direction?—In all regards, excepting possibly the question of the development of railways.

2937. That being the case, do you think that the Finance Minister has satisfactory and ample means of making known to the Secretary of State the reasons which make him apprehensive about the financial results of proposed measures?—I think he has.

2938. (*Mr. Buchanan.*) What are they?—The record of dissent embodying his views completely in a minute, which would be communicated in due course to the Secretary of State through the Viceroy in Council.

2939. That is a very formal kind of procedure, which he does not very often adopt, as I gather?—He has no other that I know of. He does not correspond with the Secretary of State otherwise than formally and officially.

2940. And you think that is adequate?—I think that where he had the support of the Viceroy it would be adequate; and that where he had not such support, neither that nor anything else would be adequate.

2941. (*Chairman.*) Supposing that the Finance Minister does not think it necessary to put on record a formal dissent, but is satisfied with the fact of his difference of opinion being recorded in a despatch. In that case the despatch represents rather the views of the Government of India; and the Viceroy, if he is taking a contrary view to the Finance Minister, may not really appreciate the reasons which actuate the Finance Minister in his opposition. In that case, the Viceroy, or his officer who drafts the despatch, would not probably be a very complete interpreter of the views of the Finance Minister. Then, again, we all know that the Viceroy is in constant correspondence with the Secretary of State, and, that being the case, the Secretary of State gets all his unofficial information from the Viceroy; but if the Viceroy has leaned to one party—he must take one side or the other—if his decision is against the Finance Minister, then the Finance Minister would hardly feel assured, would he, that the man who had decided against him is the best interpreter of the reasons which actuated him in his opposition?—The paragraphs embodying the Finance Member's views in a despatch of that kind would probably be drafted by the Finance Minister himself, and therefore he would have ample assurance that they expressed his views.

2942. Now take the source from which the Secretary of State gets all his unofficial confidential information?—With regard to that, of course it would be impossible for the Financial Member to have any cognizance, in any form, of the expression given to his views; but he would trust to the Viceroy, as a colleague, to give a fair and ample expression; and I have not the least doubt that he would be right in so trusting.

2943. But do you think it possible that the Finance Minister should have the right himself to communicate his views to the Secretary of State?—No; not unless such communication passed through the Viceroy's hands. I think there would be no objection to his communicating his views to the Secretary of State informally, provided that his letter went open through the Viceroy; certainly not otherwise.

2944. I think all officials, wherever they are employed, would fully agree with you that every communication of that kind passing to the highest authority should pass through the hands of the intermediate superior authority?—Yes.

2945. But still, subject to that provision, it would be a guarantee, would it not, to the Finance Minister that his views were thoroughly and completely made known to the Secretary of State?—The Financial Member in that case would probably only repeat what he had already said in the paragraph or the dissent embodying his official views. There might possibly be some consideration that he might not wish to put on the official record that he would like to bring before the Secretary of State; that would be the only advantage, I think.

2946. If the Secretary of State—as I think was Sir David Barbour's view—is an economical element in the Government of India, would it not be desirable that the Finance Minister should be able to communicate to the Secretary of State his views from time to time on the state of Finance in India? Such information would be very valuable coming at first hand from the man responsible for finance, thereby enabling the Secretary of State to form a judgment as to the financial dangers which really attend a policy?—Well, when we speak of the Secretary of State, I think it is necessary to bear in mind that he is the Secretary of State in Council; he has Members of Council, whose advice, I believe, he is constrained to take and to follow in financial matters; and it is always open to the Financial Member of Council to communicate with one or other of the Secretary of State's Council his views privately, I think.

2947. Oh, he can?—Certainly he can.

2947*a*. I mean that is an understood method?—Oh, quite; and, I think, is regarded as unobjectionable, and as having many advantages.

2948. Of course the other plan has advantages?—In such case he would, of course, be aware that the member, to whom he was writing, might put his letter before the Secretary of State.

2949. That method has not quite the advantages of the method that we were first talking of, inasmuch as the Viceroy, in that case, is not aware of what is being written?—No; not directly aware. The Viceroy is aware that his members are in correspondence with members of the Secretary of State's Council on various subjects, but he does not see their letters.

2950. Would it not be better altogether that the communication should pass through the Viceroy?—I think to pass it through the Viceroy to the Secretary of State would involve the Viceroy in a great deal of trouble; he would probably consider it his duty to comment upon it: he might object to expressions in the letter, which might lead to friction, to avoidable friction, between him and the Member.

2951. Then there is the case in which the Viceroy and Finance Member of Council agree, and the Council overrules them; has not the Viceroy, in that case, a power of suspending the execution of the decision of the Council, until the Secretary of State has decided?—He had not in my time; he has now. It was proposed in my time. It was opposed very much by the rest of the Council, and when I gave up the office it had not yet been passed. It was the first indication, I think, of the recognition by the Secretary

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of State in Council of the altered position of the Financial Member of Council after 1885. It was proposed in 1886, and it seemed to me to indicate a sense that the Financial Member's position required strengthening in a degree which it had not, up to that time, required.

2952–3. I think we learned from Sir David Barbour that the Viceroy has the power of overruling his Council if he thinks the safety of the Empire is involved; he quoted the Act of Parliament?—I believe so.

2954. I put one general question to Sir David Barbour, which I do not know whether you would like me to ask you, namely, whether there are any other points connected with the control of the Finance Minister which you think defective, and which you think might be amended?—In his powers of controlling the sanction expenditure?

2955–6. No; I mean in his general powers?—No; I do not think so, given the present constitution of the Government of India.

2957. What I should gather from Sir David Barbour and yourself is, that the tendency of the Government of India at present is rather towards weakening the position of the Finance Minister than strengthening it; and nothing occurs to you by which you think that the position of the Finance Minister might be strengthened?—I think the tendency is to weaken it for the reason that I have given in answer to a former part of your Lordship's questions. I think, again, that with all its advantages, the decentralising scheme has weakened the Financial Member's power a good deal indirectly, by throwing the balance of the Viceroy's interest into a class of questions in which he has more direct concern, and over which he has now exclusive control, such as the public works, military, and foreign matters. The Provincial Governments, since the decentralisation scheme was introduced and elaborated, have taken the internal administration of India from off the shoulders of the Council and of the Viceroy as representing the Government, in a degree which before was never dreamed of. The result is that, I think, the internal affairs of India occupy less the attention of the Viceroy than the external, which are costly. I am not speaking of the rightness of it, or the wrongness of it; but the external, which are costly—the public works, as well as military—engage his time, and engage his interest in a greater degree.

2958. I quite understand your meaning to be that, without prejudicing the question whether these measures are wise or not, the tendency of them is to be costly?—Yes; I am not speaking of their rightness or wrongness. With regard to the second part of your Lordship's question, as to whether I have anything to suggest as to strengthening the Finance Minister, I think that no one individual's suggestions would be in anyway adequate to meet a position of that sort. It would require a very careful and thorough examination of the circumstances, the conditions, under which the Government of India can be carried on, or presumably could be carried on.

2959. One great difficulty, of course, that you have in India is always a present danger, namely, the constant emergencies that occur, such as those of famine, which make it more desirable, than in a country like this, that the financial situation of the country should be kept essentially safe; I mean by that that there should be, as far as possible, a good surplus maintained against such emergencies. The general tendency of administration, unless it is very much checked, is to work expenditure up almost to the limit of the revenue. I think heads of departments, if they see that the revenue of the year is 90,000,000*l.* and the expenditure 88,000,000*l.*, look upon the intervening 2,000,000*l.* as fair to give away. Here there may not be much danger in doing so, but in India there may be considerable risk in doing so; would you take that view?—Yes; entirely.

2960. And I should take it as a weakness of the present system that the Finance Minister is the only check upon that tendency; he stands alone. The Finance Minister is the only person whose warning can check the tendency of the departments to spend up to the hilt?—Yes. The Finance Member, I would say more especially, in consultation with the Viceroy.

2961. In such cases, as a general rule, is it the tradition of the Viceroy to support the Finance Minister?—The Viceroy is the only member of Council, other than the Financial Member, who has a direct interest in economy, because he is the head of the administration in all its branches, and, therefore, within the limits of that interest, I think, generally, within my experience, that he feels the necessity, and acts upon it, of supporting the Financial Member so far as he possibly can consistently with his own views.

2962. Passing now to the question of estimates, I think we have learned from Sir David Barbour that on the whole he was very well satisfied with the arrangements under which the estimates are prepared and brought forward for the consideration of the Finance Minister. Do you agree in that view, or do you think there are any amendments in the system which are necessary?—No, I think I quite agree in that view. I read what Sir David Barbour said.

2963. He said he had ample time for considering the estimates when they were brought forward?—I think so.

2963*a*. And, further, that he had also ample notice in those deliberations that precede the adoption of measures on which estimates are based; and ample opportunity of making his views known beforehand?—I think so.

2964. In fact, he knows as well as anybody—as well as any other head of a department—what the programme of expenditure is before the estimates are actually put into draft?—Yes, he does.

2965–6. Were you satisfied with the organisation of the Revenue Departments in India? I called Sir David's attention particularly to the position in England, where the Chancellor of the Exchequer has, as it were, a standing Council in the persons of the Chairman of the Board of Customs and the Chairman of the Board of Inland Revenue; the whole of the administration of the revenue is centred in London, and these two officers, who are expert officers, every day engaged in the details of revenue administration, intimately acquainted with the law, and not only with the law, but with the operation of the law, knowing where the law pinches, are always at hand, and always in constant communication with him. Nothing of that kind is provided in India, I believe? You, as Finance Minister at headquarters, had no officers close by with whom you could communicate personally on these very important questions?—Well, I saw the replies to your question, and I am not quite sure that I should put my own reply in exactly the form in which it has been put by others. So far as departments are directly under him, as the Salt, Post Office, and so on, he has all the means necessary of informing himself. The head of the department is always by him, and is his immediate adviser. With regard to other departments, such as the Land Revenue, for instance, or Local Rates, he has always by him a colleague in the Revenue and Agricultural Department, to whom, in that section of the work, the several Provincial Governments are subordinate, and such colleague is, as a rule, conversant with all questions that are arising in them and capable of advising the Financial Member in many matters in which he would need aid. This colleague has the expert knowledge on all questions arising in those departments for discussion between himself and Provincial Governments; he has cognisance of them as having been directly referred to him, or as having learned them through the proceedings of these Provincial Governments, which are the record of their daily work. That is the first line of expert knowledge. Then if his colleague is unable to give him the information that he requires, or to advise him in the respect in which he wishes to be advised, he then would refer to the Provincial Government, or would ask his colleague to do it for him; that would probably be the way.

2967. That is, so far as the Salt and Land Revenue are concerned?—Some Salt, Northern India Salt, for instance, is directly under the Financial Department. So far as Land Revenue, Stamps, Customs, Local Rates, for example, are concerned.

2968–9. Is there any officer at headquarters responsible for Stamp Revenue, Excise, and Customs?—Other than the Member in charge of the particular Department of the Government of India concerned, there is no officer at headquarters.

2970. And that officer would not be intimately acquainted with the Custom law, or the Excise law, or the Stamp law?—Well, Sir James Peile was the officer in charge of the Home and Revenue and Agricultural Departments in my time. There would be revenue questions in that Department that would daily come

before him. I should say he would be very well acquainted with most, if not all, of them.

2971. Then on the whole you would not quite agree with Sir David Barbour?—That was the *lacuna*, as it appeared to me in the evidence given before, that those who gave it had not taken sufficient stock of the existence of departments at headquarters represented in the Council by Members whose business it is to focus all the information in the various sections of their departments, and all the questions arising in connexion with them.

2972. Now, let us suppose there is a question about spirit duties—presumably a no less important question in India than here. In any question of a change in the law relating to the interests of the revenue it is a most important matter how far an increase of tax might be accompanied by danger of smuggling or illicit distillation. Knowledge of the details of Excise administration is almost essential to an expert officer before he can give advice to a Finance Minister upon that subject. Were you satisfied when you were in India that you had at command an officer to whom you could refer easily and directly, on whose information you could rely, if you were considering a change in the duties on spirits?—The Excise Department is directly under the Finance Department; it is not under the Revenue. Therefore, I should have no colleague by me who could advise me on that matter. It would be under my immediate observation and control. On a question arising, such as your Lordship describes, which I might feel myself incompetent to decide, I should have probably to seek further information from the Provincial Government which was in charge of it.

2973. Then, I suppose, to a certain extent the same would apply to Customs. You have no central Customs offices in Calcutta?—I should imagine not, but happily in my time the Customs were at a minimum.

2974. There probably is a difficulty that is inseparable from the immense area of India; but, as a Finance Minister, if you could have a choice of the two systems would you not prefer such a system as ours, in which you had absolutely at your command officers thoroughly competent in all the details of administration, who are actually themselves the responsible persons under you for carrying on the administration? There is an advantage in that as compared with the system in India, would not you say?—I should scarcely say that the difficulty was inseparable from the system of administration, because I think it would be competent for the Government of India to appoint an officer, like the Postmaster-General, for instance, to be Inspector-General of Customs, who would go about to the various provinces, and in whom could be concentrated the control, the ultimate control, of the department; but I think that the cost of such a measure would not be compensated by the advantage to be derived from it.

2975. I asked Sir David Barbour a question upon this point, which is borrowed from the analogy of the French Government. As I understand it, they have a staff of Inspectors-General of Finance who are specially chosen officers of the very highest class, who are, as it were, the eyes of the Finance Minister, by whom they are sent about the country to conduct personal investigations or collect personal information for him. We learnt from Sir David that there is no such staff in India; but did you ever employ means analogous to that, by getting certain persons in whom you had confidence to collect information for you, because you could not move about very freely?—I have had the pleasure of being associated with some of these gentlemen in Egypt. My colleague in the Control was one of them, and the Secretary of the Control was another, and so I heard a good deal about it from them.

2976. You remember hearing of it in Egypt?—So much so that I thought of introducing the system when I returned to India. I discussed it with Sir David Barbour at the time; he was rather unfavourable to it; it involved expenditure.

2977. I was only speaking of the principle?—Well, I was going to say that the principle commended itself to me. I saw the advantage of it from what I heard of these gentlemen in Egypt. I think in principle it would very likely prove very useful as a means of collecting information, comparing experience, and perhaps of controlling and checking the increase of expenditure.

2978–9. A recent instance in India occurred to me, the imposition of the countervailing excise duty to the cotton duties. That was a question which wanted an enormous amount of expert and detailed information in the different places where cotton is manufactured. Here any measure of that kind would be the result of constant and long communications between the Chairman of the Board of Inland Revenue and the Chancellor of the Exchequer, such communications as personal interviews alone give scope for; and I should have thought that the Finance Minister, from the circumstances of India—probably circumstances perfectly inevitable—would be in very great difficulty in such a case, if he had to get his information by correspondence or telegram in a disjointed fashion?—Well, occasions of that sort arise only from time to time. They postulate the introduction of an extraordinary element into the financial administration. The need which your Lordship has mentioned is felt no doubt by the Finance Minister; but to meet it he ordinarily delegates some special officer, in a case of that kind, to furnish him with all necessary information bearing upon the measure which is in hand. For instance, I may mention that when there was a question of the reduction of the cotton duties, Sir Theodore Hope—I forget what his post was at the time; I think he was Legislative Member of the Viceroy's Council—was employed to advise the Financial Member. And so in other cases the difficulty would be got over in fact by the special delegation of a select officer to furnish information on particular points on which the Financial Member wished to be advised. Such occasions arise comparatively rarely, and delegation will not give rise to much inconvenience or expenditure.

2980. (*Sir Ralph Knox.*) The officer selected would be experienced in the particular service?—He would be an officer specially selected as having had previous acquaintance with the branch in connexion with which information is required, and of a standing sufficient to guarantee the aid that he requires in connexion with the matter being furnished readily to him by those from whom he had to make inquiries.

2981. (*Chairman.*) May I take it, as the result of your experience, that if, as Finance Minister, you were to devise a model system, you would like to have always at hand such officers as our Chairmen of the great Revenue Boards, supported, as they are, by the best technical officers who have been educated in the service; but, that though you may prefer such a system as that, it is practically impossible in India; and Indian Finance Ministers do not find the absence of those officers close at hand an insuperable difficulty to them?—I think that as a counsel of perfection they would be glad to have them, because it would save them the trouble of making inquiries that at present they have to make at first hand. They do not find their absence an insuperable difficulty, and I think I should scarcely be justified in saying that they would find their presence a very considerable advantage. You see, until one has had the advantage of advice of that sort, one does not know how much one may lose by not having it, and, therefore, I am speaking of something which I myself have not had the opportunity of enjoying.

2982. There is another function of the Chancellor of the Exchequer here which is an important one, namely, that every taxpayer has a right of appeal to him against the decisions of the Revenue authorities; and these appeals are constant. Further, the Revenue authorities themselves, no doubt knowing that the Chancellor of the Exchequer is their defender in Parliament, are nearly always anxious to obtain his guidance on difficult points, and thus the Chancellor of the Exchequer is a Court of Appeal between the taxpayer and the Revenue authorities. It would be very difficult for him to discharge that duty if he had not these officers close at hand, from whom he could hear at first hand the reasons for the line they had adopted. I suppose that the principle of such right of appeal exists in India?—Oh, yes.

2983. And the Finance Minister, that is to say, the Government of India in the Finance Department, would be the ultimate authority to whom the appeal would lie?—It would depend on whether it was a department directly under the Finance, or under the Home or Revenue and Agricultural Department. The department of the Government of India responsible would receive the appeal.

2984. But in that case, if those appeals come frequently from the taxpayer, is not the Financial Member somewhat in a difficulty in dealing with them, if he has not the responsible officer at hand to explain and

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to give him the necessary information?—Well, the Provincial Government is the first Court of Appeal, and comparatively few appeals strain through it, or perhaps pass beyond it. Such as do generally concern questions of the reading of the law, questions of principle, and so on, on which the Finance Minister either has precedents to guide him, or, if in doubt, would take the advice of the Legal Member of the Council. If any other officer directly responsible, such as your Lordship suggests, were in his place, I do not see that he could do otherwise. He would have to adopt the same system, and appeals are few from the Provincial Government to the Central Government.

2985. In fact, the appeal of the taxpayer lies to the Provincial Government?—Yes.

2986. And the majority of appeals are decided by the Provincial Government; and, therefore, if carried farther, it resolves itself into an appeal from the Provincial Government to the Central Government?—Yes.

2987. I think we learned that the key of the financial procedure in India, or at all events, of the procedure of expenditure, is the system of district treasuries?—Yes.

2988. I do not think I need trouble you at much greater length upon that point, because we have had it fully explained. Of course, in a country like India the district treasury and the system of the strong box are inevitable? You could not use banks throughout India at the centres of expenditure?—No, they do not exist in sufficient numbers.

2989. And were you satisfied with your experience of the regulations under which those district treasuries are worked?—I think, considering the enormous area, and the different conditions under which the rules have to work, that they work extremely satisfactorily. I have seen occasions, both as Finance Member and as Lieutenant-Governor, now and again, of strong boxes being broken open, and the guard on the strong box perhaps being tampered with. But they were so rare, and the amount involved so small, that they never caused any anxiety.

2990. You agree with the evidence given by Sir Henry Waterfield and Mr. Jacob, that losses arising under this system are quite insignificant?—Quite; I quite agree.

2991. The treasurer gives security?—Yes, the treasurer gives rather heavy security.

2992. I suppose that in the majority of those 260 treasuries or more which we understand exist, the balances of money at any given time are very small?—At times—when the land revenue, for instance, is collected, which is done at certain stated periods—the tendency is for the balances to accumulate, for a day or two, but the Accountant General is always in correspondence with the Treasury officers as to the circulation of funds, and he does not allow them to remain an hour longer than is necessary.

2993-4. Were you satisfied when you were Financial Member of Council with the arrangements, under which the district treasuries report the state of their receipts, issues, and balances as a means of checking the progress of expenditure in India? Of course, you will see that my question refers to the mistakes of the Military Department at the time of the Afghan war, which, I think it was seen, might have been checked by closer attention to the outflows from the treasuries. Certain changes were made after that time. Were you satisfied that those changes were effective, and that the Finance Minister has now at his disposal, within all reasonable limits, the means by which he can check the public expenditure?—They are useful, not as providing a check, but as drawing his attention to the state of things. And in ordinary times I think the Finance Member, his attention having been drawn by an examination of those figures, would find that his inquiries enabled him to inform himself of what was going on, and to check any expenditure—or, at any rate, to prepare a check for the expenditure which was about to be put before him in more ample form. I found at the time of the Burmese war, and also in 1885, when we were preparing for a possible war with Russia, that the indication given of military expenditure by the returns was ample. But it was not easy, in a case of that sort, to obtain the further information very promptly, because money was being furnished to and spent by different departments, who could not, until a later date, make up the accounts so as to let me know which department was finally to be debited with every given charge.

2995. Quite so. But you would know, on the 9th, we will say, of January, that up to the 31st of December such and such had been the issues from the treasuries; and you would see whether that amount was very much in excess of what it had been in previous peaceful years or years when there had been no emergency: and your attention having thus been directed to that excess, if the estimate of the Military Department did not prepare you for that excess, you would be in a position most effectively to call them to account, and to say, "What is the reason of this"?—You would immediately do so, and that was done.

2996. Of course, the only means of checking is by the actual fact that so much cash has gone out?—Yes.

2997. Nothing can give you the power of knowing at that date for what special purposes cash was going out?—No.

2998. The check is merely that you have, within a very few days, the knowledge that so much money has been issued?—Exactly. It is a weathercock which gives an indication in which way the wind is blowing.

2998*a*. (*Sir Ralph Knox.*) But you would know that it was going for military purposes, would you not?—Not necessarily. For instance, during the Burmese war—the latter part of it—the military police were introduced, and charged as a civil charge. My attention having been drawn to heavy outgoings apparently on military account, on various occasions I was told that, until the accounts were finally made out, they would not be able to inform me how much of this out-going was for military expenditure, and how much was on account of the police which was being levied and embodied. There would be other civil charges also which might issue in the first place from the military chest.

2998*b*. (*Chairman.*) But would you know from the return furnished to you on the 9th of the month, how much had been issued to the military authorities as apart from what had been issued to the civil?—Yes.

2999. And, so far, what Sir Ralph Knox states would be the case—that you would know that it had gone to the military authorities?—Furnished to the military authorities for military purposes.

3000. (*Sir Ralph Knox.*) It might be moved on to the police?—Yes, later on. *Primâ facie*, I would know that it had gone to the military authorities. The communication that would then be made by the Military Department to the Finance Department would, at a later date, elucidate the precise object for which the money had been employed.

3001. How much later?—That would depend on the local officers very much, and on the course of events. I mean if events developed further—took a greater extension—you might get it later. I should expect in the course of three months to be informed, at the very outside; it would probably be earlier than that.

3002. (*Chairman.*) Had you not a more complete account up to the close of the preceding month? You got a first draft on the 9th, and I think you got a more complete one on the 26th?—On the 16th I think, and we have another one, if I remember right, at the end of the month.

3003. And by that time you would have as good a view of the expenditure as we have here?—Yes.

3004. Here we should only know the issues from the Exchequer?—Yes.

3005. And the issues from the Exchequer are only imprests to the different departments. The Chancellor of the Exchequer would know the issues from the Exchequer, and would also know what balances in cash were in the hands of the great departments. Between these he would be able to say what money had been actually spent, though he might not know the details.

(*Sir Ralph Knox.*) But he would know as between the large departments.

3006-7. (*Chairman.*) Yes; he would not have the details of the expenditure, but he would see what had been the corresponding issues from the Exchequer in previous years. If he saw that the issues from the Exchequer, instead of being 8½ millions, were 10 millions, he would then look and see what amount of cash remained in, say, the War Office. That

would give him a very fair view of what the actual expenditure had been?—Yes; I do not think that would hold quite as much in India on account of the peculiarities of the country. For instance, in the Public Works Department, you may find at the end of half a year that the amount spent in any section of the department is very considerably less than the half year's budget would seem to justify.

3008. That applies to us here; I only gave you rough figures?—You would find contractors asking to be paid in the latter half.

3009. The real test is that you compare with previous years?—Yes.

3010. And if he saw that the issue is going on at a greater rate than previous years without any reason for it, then the Chancellor of the Exchequer would begin to ask reasons for it?—Quite so.

3011. (*Sir Ralph Knox.*) But it would be understood by you at headquarters that the money that was being drawn by the Military Department was being devoted, in the case of Burma, to both military and police services?—Yes, in the first instance.

3012. In the first instance that would be known?—Yes, perfectly.

3013. And therefore there would be an explanation of some excess upon the purely military provision?—Yes, exactly.

3014. And you would expect that excess?—I should.

3015-6. (*Chairman.*) I quite understand the necessity and the value of the district treasury system in India; in fact, in the larger part of the country it is indispensable: but do you think that where banks exist, the Government of India makes as much use of them as it might economically do?—I think so. The Government of India very properly declines to place its balances in the possession of any bank with which it is not completely satisfied. There are banks and banks. There are banks at present not used which it might possibly employ, but I think it is well advised not to.

3017. Practically the Government does use to a great extent the three Banks of Bengal, Madras, and Bombay, does it not?—Yes.

3018. And, I presume, other banks, what I may call private banks as distinguished from the Presidency Bank, very seldom have branches in places where the latter have not got a branch?—Precisely. I should doubt if in any case they had branches where one of the larger banks was not represented.

3019. Mr. Jacob has called our attention this morning, in further explanation of some evidence that he and Sir Henry Waterfield gave, to a correspondence that took place, I think, in 1874 with the Bank of Bombay. I think he brought this matter forward in illustration of the difficulties in a country like India of employing the banks. The Government, had a balance of a million Rx.—I am only speaking roughly—in the bank at Bombay, and they proceeded to draw upon it to the extent of Rx. 350,000. This appears to have led to a warm remonstrance from the bank, and if I may judge from the correspondence, the idea seems to have been in the mind of the bank that the Government was bound to keep a balance there, not, like the ordinary customer of a bank does, for its own use, but for the benefit of trade. The bank remonstrated against such a sum as Rx. 350,000 being drawn out of a balance of a million Rx., and intimated that, if it was persisted in, it would very likely cause a panic. Of course, if that is the case, it is a very strong argument against the use of banks. Do you know the circumstances to which I refer?—I think I remember them; I have no personal experience of them at all, but I remember reading of the incident.

3020. Of course, the only object of the Government in keeping a large balance is, that its needs are large; and it ought to keep exactly the balance required to meet those needs; to keep an extra balance which might be necessary for trade would be going beyond the functions of a Government, would it not?—Unquestionably.

3021. Therefore, if those are the terms upon which the banks want to keep the Government balance, it is an argument in favour rather of the District Treasury system?—Yes; I do not think now any bank in India would put forward that claim, or expect to have it listened to if it did put it forward.

3022. In the first case, the question was, whether the bank at Bombay had not got itself into difficulties; they had doubtless made large advances, and the consequence was that they were in a difficulty themselves?—Yes.

3023. And were dependent upon the Government not using its balance?—It led to a change of system eventually.

3024. You use the Bank of Bengal, do you not, in India very much in the same way as we use the Bank of England here? It manages your debt for you, and keeps your balance—your central balance?—Yes.

3025. Does the Government go to the bank for temporary advances?—No. We are in possession of the balances rather than the bank—accumulated balances find themselves in the hands of the Government. The evidence given on that point by those who have been examined before me appears to me to give complete information.

3026. You agree with them that the system of large balances in India is indispensable?—Yes. One has to be very careful not to keep a balance in Government hands larger than is desirable—to work as near as possible to a minimum balance.

3027-8. As in contrast with our system, which is to work with low balance and to borrow?—Yes.

3029. And I understand, from Sir David Barbour, and now from yourself, that that system would not apply to India?—If we frequently borrowed we should disturb the money market in India, which is a much smaller market than we have here; and we should have down upon us all the merchants; competition by the Government would be a most serious matter for them.

3030. There is not that reserve to draw upon there?—No; there is not that reserve to draw upon.

3031. The account by which you, as Finance Minister, inform yourself of the progress of finance, is, I understand, that which comes in on the 9th of the month; that tells you of the progress of finance, and we gathered from Sir David Barbour that that was the only account of importance by which you kept yourself informed?—That and the subsequent one.

3032. That is to say, you are content there with a monthly statement?—Yes.

3033. You will have seen, probably, from the evidence given, that I spoke to Sir David Barbour of the return on which the Chancellor of the Exchequer relies, which is a weekly one; we learn from Sir David Barbour that he is perfectly satisfied with a monthly one, and would not think a more frequent one, even if it were possible, necessary?—Yes.

3034 Here the weekly return is of very great importance to the Chancellor of the Exchequer. It is a return which is always in his hands; he is always referring to it. You would not see the necessity of having it so frequent, even if it could be possibly obtained, in India?—I think not.

3035. Of course, a weekly return enables the Chancellor of the Exchequer to watch finance more closely; and if he sees variations, those variations want explanation. Though the return taken by itself is apt to be misleading, by means of it, and with the aid of his revenue officers, he is able to understand precisely his position every week?—I fancy the system of finance here admits, or may require, a weekly check which, in our own case in India, would be neither useful nor almost practicable. It would entail a great deal of extra work upon all the various officers of account, which, I think, would not be compensated for by the additional control which it would give to the Finance Member.

3036. We learn that you make your Budget statement before the close of the year?—Yes.

3037. That is done in order that the Budget may reach England by a certain time, is it not?—I understand that is the reason. It is only three or four days before the close of the financial year, as a rule.

3038. Here in England we have always thought it a most inconvenient thing to have the Budget before the close of the year, because it involves a certain amount of estimate, both of receipts and expenditure; but we gather that with you that inconvenience does not exist, inasmuch as you would still have to estimate, to a certain extent, your expenditure, even if the Budget was produced a fortnight or three weeks after the close of the year?—Yes.

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3039. Has the number of estimates, with which you have to deal, ever struck you as an inconvenience in the Indian system of account? For instance, you have, first of all, your Budget estimate, and then you have a Revised estimate, which is the estimate in force at the time, we understand, when the Budget is prepared; but Sir David Barbour has told us that the Revised estimate is always more unfavourable than the actual out-turn, and therefore, when the Finance Minister produces his Budget, he is obliged to give a needlessly unfavourable account of his income and expenditure. Would you agree with him on that point?—I think so; for "unfavourable" I should substitute the word "cautious."

3040. Precisely. But still the Finance Minister has been obliged to give to the public something less favourable than the out-turn shows was actually the case?—It concerns two months only of the year, and neither of them are months of great importance. The important months of land revenue collection begin with the new financial year, almost about the time the Budget is appearing. The financial year begins, that is to say, on April 1st. The question of the time of publication of the Budget seems to me—as to when it is desirable—an executive question. Really, it is to be considered in connexion with climatic and other considerations, which must be allowed very great weight. For instance, the Viceroy, between the close of the cold weather and his going to take up his summer residence, generally takes advantage of the weather still admitting it to extend his personal acquaintance with the Peninsula, and travels largely during the month of April; it is desirable that he should be able to do that. Officials proceeding to England on leave generally do so about the end of March. It would be inconvenient that they should go before the Budget was brought out or be prevented from going away. There are, therefore, a variety of considerations which counterbalance the question of the financial exigency merely.

3041-2. You know that it is a distinctive feature of the English Budget, that it is based upon what we call Exchequer receipts and issues, not upon the actual receipts that come into the hands of the revenue departments, or the actual expenditure of the spending departments; on the one hand it consists of those sums which the revenue departments have paid into the Exchequer; on the other hand, it consists of the imprests which have been issued from the Exchequer to the different departments for the purpose of expenditure; the consequence is a considerable practical advantage, namely, that on the night of the 31st of March the Chancellor of the Exchequer has the complete account in his hands of the income and expenditure of the year, which he will not have under any circumstances to alter. That, of course, is not the same thing as the audited account; but all his Budget calculations are based upon this Exchequer account, and it is an advantage, especially with commercial people like ourselves, who like to know things quickly, and to have a quick closing of the accounts. And there is no very great practical inconvenience, because we find, as a matter of experience, with the exception now and then of an extraordinary circumstance, like, say, a war, or something of that kind, that the audited expenditure does not differ from the Exchequer issues by more than, we will say on an average, a quarter of a million on 90,000,000*l.* to 100,000,000*l.* of expenditure. That, of course, for practical purposes is inconsiderable. To a certain extent the same result might be obtained in India, I suppose, if you were to take the issues from the Treasuries as the basis of your Budget account, and, in that case, by the 9th, you would know what your actual expenditure for the purposes of the account was?—Yes.

3043. It you could have the Budget after that time, would you see any advantage in such a system over your present system of Revised estimate which you have again to revise as you get more perfect accounts?—Well, I have never been called upon to consider that, and I should not like to answer the question off-hand; I should have to look into it more closely.

3044. There is a certain inconvenience, is there not, in the public eye, in constant revisions of the financial statement?—Yes, I see that.

3045. It gives the public outside the idea that there is something imperfect in a system which involves constant revisions?—I should be inclined to say *primâ facie* that they are inseparable from the variety of administrations with which you have to deal, and the extent of the country concerned.

3046. I am only bringing out the difference between the two systems, to see how it strikes you. It is perfectly clear that, if it is a necessity of your administration to have your Budget in March, you must have, under any circumstances, a certain amount of estimate in it; and, if that is the case, such an approximation to our system as I have suggested, would not be very important, because in March you could not know the issues from the district treasuries up to the close of that month?—No.

3047. Take the provincial budgets. We have had a very strong expression of opinion from all the witnesses who appeared before us, as to the advantages which have accrued to the Indian system from the decentralization system introduced by Lord Mayo, and developed by his successors; do you agree with that?—Entirely, from the point of view of improvement of administration; I mean the facilities given for improvement in administration.

3048. And Sir David Barbour has, I think, expressed himself to the effect that, taking into consideration the great powers of control reserved to the Central Government, he would exercise those powers discreetly and with as much reserve as possible—that is to say, he would make decentralisation as complete as circumstances admit; do you agree with him on that point?—Quite; on the principle that where the responsibility lies great discretion should be allowed. Provincial Governments being responsible for the administration, they should be allowed great discretion in questions arising on financial charge to them.

3049. He seemed to be opposed to the periodical revisions of the arrangement between the Central Government and the Provincial Governments. Under those revisions, as we understand, the Central Government, in addition to taking its share of the increasing revenue, practically pockets a considerable amount of the increase upon the provincial share. Have I made myself clear to you?—No; I am not quite sure that I follow your Lordship there.

3050. Well, we have had evidence put before us that the Provincial Governments and the Central Government take varying shares; just for my purpose, let us suppose that in certain duties each takes half?—Yes.

3051. At the end of the period an estimate is made of what the needs of the Provincial Government are, and it is found that there has been an increase in the receipts generally over and above the balance sheet, as made at the commencement of the last period of revision, of Rx. 600,000?—Yes.

3052. That sum, in the next revision, the Central Government takes to itself?—No; that sum would have come into the balances of the Provincial Government.

3053. But in the revision?—In the revision the Imperial Government would either arrange to maintain the proportion it had before, in which case that sum would go into the coffers of the Provincial Government during the next term of five years; or it would alter the proportion which it would propose to take, in which case some of it would be diverted into the Imperial coffers.

3054. I think I can make it clearer from Sir Henry Waterfield's evidence?—I think what your Lordship means may be this, that when it is found what the proceeds, say, of various sections of receipt, have been during the last five years, they are taken as the probable receipts for the ensuing five years; and in the contract for that term division is made on the basis of such receipts, between the Imperial and Provincial Governments.

3055-6. It is Question 704, page 13 of the second day's evidence. I asked the Question "I gather from the "memorandum that, on the principle laid down at the "commencement of the new system, the Central "Government has taken at each revision a large part "of the net increase of the provincial revenue as "estimated, or rather ascertained, at the time of "revision. Thus in 1887, setting aside Burma, the "seven Provincial Governments showed a surplus of "Rx. 686,300, and under the revised arrangement "the Central Government was to take Rx. 655,200, "leaving a bonus of Rx. 31,100 to the Punjaub and "North West Provinces?—(*A.*) The Government of "India practically took the whole of the net increase,

" (that is, increased surplus of revenue over expendi-
" ture) though for special reasons they had to forego a
" certain sum in one or two cases; it cannot be de-
" scribed as a bonus, it was a remission in consequence
" of the Provincial Governments having lost the revenue
" through the failure of an aqueduct and other causes.
" There were special circumstances in those two
" provinces. (*Q.*) In fact, the principle is that the
" Imperial Government takes the whole of the increase?
" —(*A.*) Yes." Well, that is what I mean, and there-
fore under those revisions, I take it, any increase that there is at the end of the time which the Provincial Government cannot actually say that it wants for provincial expenditure, goes to the credit of the Central Government, and therefore the Central Government gets two benefits; it gets increased share of a growing revenue, and, further than that, it gets any realised increase which has taken place beyond the expenditure during the past five years?—Let me endeavour to explain. In the first place, the Central Government would get its own share of the increase calculated on the basis of the last five years. Then, in making the contract, all the receipts are summed up on one side, and all the expenditure on the other side. They then find what amount must be given to the Provincial Government to make the receipts balance the expenditure, or what must be taken from it, as the case may be. any surplus of estimated quinquennial receipts over expenditure, should such exist, is to its advantage.

3057. In this particular case it turned out that the increase of revenue had surpassed the increase of expenditure, as sanctioned by the Central Government, by Rx. 655,000, and the Central Government took that?—They would have to bear the loss in the other case.

3058. They might or might not?—They might or might not. But they have to balance the revenue and expenditure of the Provincial Government.

3059. Yes, they have. But if the Provincial Government was extravagant, that would be the fault of the Central Government, and they would have to bear the loss?—It would be a charge upon the receipts.

3060–61. And so far it is the interest of the Central Government to keep the Provincial Governments within the limits of economical government, is it not? because, if it were to allow the Provincial Governments to increase their expenditure, it would eventually be the loser?—That was one of the principles underlying the introduction of the system.

3062. I ask the question, because it may be thought that the arrangement might encourage excessive local expenditure. But I think the Central Government has always got a personal interest in keeping the local expenditure within economical limits?—Yes.

3063. (*Sir James Peile.*) The Provincial Governments send up a budget every year, do they not?—Yes.

3064. Which is considered by the Central Government and comments passed upon it?—Very—I will not say—superficially, but the Central Government does not look upon it as part of its own especial business; as long as the Provincial Governments keep within their allotment it does not consider it its business to scrutinise the Provincial Budget.

3065. (*Chairman.*) What is your view? Would you keep the periodical revisions, or do you agree with Sir David Barbour in preferring to do away with them?—Like every other Financial Member I saw the drawbacks attendant on them; and my own inclination, I think, would be—I do not think they could be done away with—to give them far longer terms—to make them decennial, say, instead of quinquennial, and to give to the Provincial Governments a smaller share in the various branches of receipts made over to them—to give them a longer term of enjoyment, say, but less accumulations, in the first years at any rate, from the increased receipts.

3066. We had from Sir David Barbour some interesting information and interesting opinions upon the result of the decentralisation system. We had tables put before us which showed a very large increase in the amount of revenue that had been levied since this decentralisation system came into force. But Sir David Barbour, I think, warned us against any hasty generalisation that that increase was due to the improvements following the giving to the Provincial Governments an interest in the collection of the revenue. He thought that, in a case put before him, we should find there were other reasons at work. For instance, he pointed out, in the case of the Excise, which showed a very large increase, that though there had been no additional duties imposed by Act on spirits, yet that the Government had what I may call maximum rates, and that at the beginning of the time those maximum rates were not in force, but that during the years that had elapsed they had worked up to nearer the maximum. Well, that, of course, is equivalent to increase of taxation. Speaking generally, would you consider that one of the main expectations had been realised which was held out, when the decentralization system was brought in, by the then Financial Member of Council, namely, that the revenue which was very badly collected as long as the Provincial Government had not an interest in the amount collected, would be more closely, and—what shall I say?—conscientiously, collected when the Provincial Governments had an interest in the amounts collected?—Yes, I should. I should not attribute, especially in the particular instance your Lordship has referred to, that very large increase merely to improved administration. But I think the administration has improved in proportion as each administration has been interested in the results of its own action.

3067. Naturally speaking, the Provincial Governments, having now a direct interest in the amount collected, would have a keen eye to smuggling and other devices for evading the payment of taxation?—Certainly. I should like to say with regard to the particular illustration your Lordship gave, if I might—a point not previously noticed in the evidence before the Commission—that the large increase in Excise is mainly due, in my opinion, to the uninterrupted course of favourable years of late in India—almost unprecedently uninterrupted. When there is a good season the Excise revenue increases; marriages are more frequent, more largely attended, and there is a large increase of personal expenditure. Marriages are frequent sources of consumption of liquor; and I think, in view of the favourable years we have had since 1878, that the greater part of the increase in the Excise in particular may be put down to that.

3068. (*Sir William Wedderburn.*) Might not a part of the increase be also attributed to the fact, that our system has been introduced into Native States bordering upon British dominion under some pressure, which has made it more easy to enforce the excise laws?—You speak of the Bombay Presidency, perhaps.

3069. Especially where the territories are much mixed up?—It is possible, but I have no personal experience of it which would enable me to express a useful opinion upon that point.

3070. (*Chairman.*) That would rather point to the good years, and the greater power of consumption on the part of the consuming classes, as the cause of the larger part of this increase?—Yes, we invariably find the Excise rise and fall with a bad or a good season.

3071. The figures of the Excise are very striking during this period, from 1881 forward; they show an increase in 1893–4 of 90 per cent. over 1879–80, of 72 per cent. over 1880–81, and of 57 per cent. over 1881–2?—I do not say that that was the only cause; I say it is a cause, which was not sufficiently brought into prominence in the evidence given before this Commission hitherto.

3072–3. I think there is only one more point on which I should like to ask you a few questions; that is on the system of audit. You will remember the discussion that took place somewhere about 1880–81, as to whether an independent auditor should be appointed in India, and I think various alterations were made at that time; do you remember those circumstances?—Yes, perfectly.

3074. I think, from the correspondence which has been put before us, one may come to this conclusion. The Indian Government did not object to the idea of an independent auditor as, I will not say recommended, but submitted to them by the India Office; but they came to the conclusion, which the Secretary of State endorsed, that there was no such necessity for establishing a thoroughly independent auditor as would counterbalance the expense that would be caused thereby. At present the Comptroller and Auditor-General is to a great extent an executive officer, is he not?—Yes.

3075. You, as Finance Minister, would be not unfrequently in communication with him?—Constantly.

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3076. Getting much information from him on various points?—Yes.

3077. I may regard him as one of your financial advisers, may I not?—Yes, certainly, in all questions of movement of currency.

3078. And accounts, bearing on the budget?—And all budget accounts.

3079. He is the first officer who gets the accounts from the Treasuries on the 9th of the month?—Yes.

3080. Therefore it is rather difficult to speak of him as a thoroughly independent officer, is it not?—So far, certainly; "independent" is an ambiguous word; you could not speak of him as an officer independent of the control of the executive and the Government of India.

3081-3. So much importance was attached to the point of independence here, that the Comptroller and Auditor-General is hedged round by the same guarantees for independence that accompany the position of a Judge. He is only removable on address to the Houses of Parliament; he holds office during good behaviour. And every precaution has been taken to secure that he will, without fear or favour, report any irregularity that takes place. Are you quite satisfied that the Comptroller and Auditor-General in India occupies an equally independent position, and that the position that he occupies is a guarantee that he will report, without fear or favour, any irregularities, whether committed by subordinate officers or by higher officers?—The irregularities are usually detected by subordinates of the Accountants-General. They in rarer cases come to the Comptroller-General. I think all might be trusted to report them. In fact they would not report them; they would immediately check them—call on the officer concerned for an explanation; they certainly may be trusted to do that.

3084. Of course when one speaks of irregularities, one has to be very careful about one's definition. In any orderly system of finance a number of irregularities may occur, which have not the slightest connexion with any mishandling of moneys. For instance, a Minister may transgress the law—and it may be most important for orderly finance that such transgressions of the law should be reported as the best security that they should not be repeated. Is any officer who is not completely independent, quite in a fair position for reporting any non-observance of the law by his superiors?—Broadly speaking, I think, yes. I think that you can rely upon him. I should rely upon him, certainly, to do so.

3085. Would there not be a greater guarantee of that if the officer were completely independent?—That applies to almost every officer in India except the Viceroy. There is no official in India, except perhaps the Viceroy and the Commander-in-Chief, who is absolutely independent in the sense of the word in which your Lordship uses it. But I think, in spite of that, they could be, and are, very properly entrusted to perform every function that is expected of them in the discharge of their duties. I do not think I should doubt more of the independence of the Comptroller and Auditor-General than, say, of a Member of Council, who might hope to be Lieutenant-Governor, for instance.

3086. But the Comptroller and Auditor-General is entrusted with power to check, which the Financial Member is not?—The Financial Member has a very disagreeable power.

3087. That is an executive power?—He has the power of combating the Viceroy and dissenting from him, and calling upon the Secretary of State to decide between them.

3088. The Financial Member of Council corresponds very much to our Chancellor of the Exchequer, one of the highest officers in the State?—He is not independent; not necessarily independent.

3089. The Comptroller and Auditor-General represents really, as nearly as we can make the analogy, one of our permanent officers?—Your Lordship is speaking of independence, I think?

3090. Yes, that is all?—I should say neither of them is independent, absolutely; the Comptroller-General is as independent as the Financial Member. I should say they are on the same footing.

3091. The way in which it strikes my mind is this: The office of Comptroller-General represents, as far as one can understand, the positions held by some of the officers at our Treasury, positions that I myself have held. I should have been very much astonished if it had been ever suggested that the duties of the Comptroller and Auditor-General should have been entrusted to me?—If they had been so entrusted, would your Lordship have been astonished if you had faithfully discharged them? Would you not expect the Comptroller-General faithfully to discharge that duty?

3093. I think that is quite possible?—In India we are in the habit of looking upon him as entrusted with it.

3094. I should expect it to be quite possible and probable, that the officer would do his duty; but what I mean is, I do not think it is a fair position of responsibility to put him in?—I think in India we are all accustomed—I think I should be corroborated by members of my own service—and it has become habitual to us to look on the Account Department as something outside the Executive, and the head of that Department as perhaps more outside than any of the rest. We accept him, and concede to him an authority which at first sight he might not seem perhaps constitutionally to possess. I think that point of view would be corroborated generally.

3095. As we understand the system in India the power of disallowance rests in the first instance, of course under the regulations, in subordinate officers?—Yes.

3096. They disallow, and they really can enforce disallowances subject only to the right of the officer against whom the disallowance is directed, to appeal. Do you think that a good system, that the auditor, especially a subordinate auditor, should have a direct power of disallowance?—My experience is that in spite of occasional friction it works very well.

3097. Then there is one point upon which there appears to be a certain lack of information on the part of the Comptroller-General. He knows those cases in which an irregularity such as I have described has occurred, but which has not been condoned; but no reports reach him to show the cases in which the disallowances have been removed by his subordinate officers. Therefore he does not know how his subordinate officers have exercised their discretion. Of course, it may be quite possible for a subordinate officer to construe quite wrongly the regulations. We understand that the security in that case is a test audit which the Comptroller and Auditor-General exercises in every department in India, and he trusts to the result of that test audit to show him how his subordinates have been exercising their functions in the service. Do you think that sufficient?—I think the experience of those who have been immediately concerned in the business of audit has found it sufficient, and I have no reason to disagree with them. I should also imagine—I cannot speak positively on this point, for I have never been in the Finance Department except at the head of it—I should imagine that the Accountants-General sends monthly analyses of their correspondence to the Comptroller-General, as other departments do to their superiors, in which would be entered all instances of that and other nature.

3098. I do not think they do?—You think not?

3099. It is a question whether they should not?—That I cannot say; I am not acquainted with the practical working of the office; it is the exception if they do not.

3100. Have you ever had the opportunity of looking at the reports made by our Comptroller and Auditor-General upon the Appropriation Accounts?—No, not the English. I should like to ask a question if I might with regard to that. I am not sure how far the Appropriation Reports in England follow on a system of audit such as we have in India, or whether they entirely supersede such audit?

3101. I did not quite catch your meaning?—I mean I am not sure whether the English system contemplates an audit like ours, supplemented by a final report by the Comptroller-General, or whether that report takes the place of all other check?

3102-3. The system in England is that every Department examines its own accounts for its Chief, not for Parliament, and it is its own interest to have them thoroughly examined and get them into complete order before it sends them to the Comptroller and Auditor-General?—Yes.

3104. The Comptroller and Auditor-General in most Departments institutes his own detailed audit, but in the case of the Army and Navy, which are very big Departments, he accepts the detailed examination of

the Army and Navy officers, only instituting a test audit of certain branches every year which he takes at hazard. But the Comptroller and Auditor-General, being perfectly independent, addresses his report to Parliament. The Departments send their accounts to him, and he examines and signs them, but he accompanies the account of each Department with a report in which he calls attention—and his report consists of nothing else but that—to any irregularities which he has found and which he thinks sufficiently important to report?—Yes.

3105. But he, the chief officer, passes the smaller disallowances and picks out those which he reports to Parliament, the object being, of course, only to call the attention of Parliament to things which are really irregularities?—Yes.

3106. If you look through one of his reports, you will see that every year he reports a number of irregularities, hardly any of them of any great importance; but some of them are and some of them involve questions of principle; every one of those goes to Parliament. Now when I look at the Appropriation Report of your Comptroller and Auditor-General in India, instead of resembling that, it is rather a financial review of the past year, which does not in the least correspond with my idea of an auditor's report. Have you turned your attention to it?—Oh yes, it has been my duty—you spoke of the Indian report—it has been my duty to read it while I held office.

3107. Would you agree with me that it takes rather the form of a financial review?—Yes. I do not think we attached any great practical importance to it, because the check followed almost immediately on the expenditure.

3108. May I ask, would you not think it a preferable form if the report followed the lines rather of our Comptroller and Auditor-General's, confining its remarks, not to explanations of revenue and expenditure which the Finance Minister can give, but to pointing out those cases in which irregularities had been brought to view?—Does your Lordship mean making a *resumé* of the irregularities which have been detected by subordinate officers?

3109. Not the smaller ones?—Yes, I think that might with great advantage be embodied in it.

3110. Would you think it desirable or not, that such a report, merely calling attention to irregularities, should undergo the review of any body at home, whether a committee of the India Office or a committee of review of some other kind?—It would be almost impossible to express an opinion, in answer to that question, until one had some experience of what form the report would take. You would require one or two years to see how to value a report of that kind; it would then be time enough to decide whether it should undergo further scrutiny.

3111. Allowance must be made for the difference between the two countries; but it would be an endeavour to bring the check upon irregularities of expenditure into something of the same form as that in which the check exists here. The check here is that the Comptroller and Auditor-General reports to the House of Commons, and the House of Commons appoints its own committee to review the Report. The difficulty of the House of Commons in dealing with such a Report in the case of India would be that the witnesses could not be brought here; but a committee of the India Office, assisted by one or two independent persons, could go through the Auditor-General's Report and advise upon it, getting their information by correspondence upon those points which require explanation?—The object of such a report would be not so much the detection of irregularities, as to present a pillory, as it were, in which would figure those which had been detected by subordinates.

3112-3. Of course they are detected in the first instance by subordinates; but any irregularity of principle, any act of the Executive inconsistent with orderly finance, would be reported and published, whoever had committed it, from the Viceroy downward, and it would have to be explained and explained publicly?—It would have, I should say, rather a political than a practical value. I think in the practical working of the administration it would probably be not of great importance as a check, but it might bring to light certainly any class of cases in which the administration was most inclined, if there is such a class, to disregard financial order.

3114. Is that point one which you would consider deserving of the attention of the Government?—I should consider the point deserving of further examination certainly.

3115. (*Mr. Buchanan.*) You told us in the earlier part of your evidence, that since 1885 when the change of policy took place, there was a change in the position of the Finance Minister, or at any rate a change in the weight attached to financial considerations in the government of India?—I did not say since the change of policy; I said that since the establishment of the Russian power in Central Asia, a change in the Council of the Indian Government has been brought about which has led to a great *bouleversement* of the relative powers of the Financial and Military Members of Council.

3116. What I was going to ask was this—You were Finance Member of Council from 1883 to 1887?—Yes.

3117. And are we to understand from you that you found that during the latter part of your tenure of office financial considerations had less weight in shaping the policy of the Government of India than during the first period?—Very much so.

3118. And you think, without expressing any opinion as to the rightness or wrongness of it, that that change, so far as you know, has, as a matter of fact, continued since that date?—I think so.

3119. Has any remedy been suggested for this weakening of the financial position of the Government of India?—A remedy was suggested in my time by the Secretary of State, which I believe was afterwards carried into effect. It was suggested that when the Viceroy and the Finance Member of Council agreed in opposition to a majority of the Council, the action of the Council should be suspended until the Secretary of State had decided; but the suggestion was opposed by all the other members of the Council, and, when I left, the matter was undetermined.

3120. But we understood from some of the previous witnesses that that rule had been laid down. Sir David Barbour, however, I think, told us that it had never been used?—Yes, I saw that reply.

3121. Has anything else been suggested by the Government of India to remedy this defect?—Not that I know of, from any responsible quarter.

3122. The defect, so far as your observation goes, still continues?—I have had no personal experience since 1887.

3123. Without asking you for any detailed scheme, could you give us any suggestions as to the direction in which financial interests might be strengthened in the Government of India?—I can give no scheme; that would involve far greater inquiry, and means of inquiry, than I at present possess. I think the direction in which you would have to look for it, would be the strengthening of the financial interests in the Council of the Secretary of State, and ultimately in trying in some way, without undue interference with the authority of the Government of India, to establish a control emanating from what theoretically is at present the last court of control—Parliament.

3124. You would look for it then in two directions—in some form of alteration in the constitution of the Council of India here, and also in making more direct, by some method or another, the control which Parliament has got by the statute of 1858 over the finances of India?—I cannot say what the form of alteration would be, or whether change in the constitution of the Secretary of State would be necessary or not; what I mean is, that the financial control of the Council should, if possible, be made, at any rate valid, very valid.

3125. You think that in the main the improved action of the Council in India would tend towards the interests of economy in the Government of India?—I think so.

3126. I think we had some statement on the subject from Sir David Barbour. Would you agree with him that, with regard to the Council of India, a good deal of its experience is somewhat remote, that it wants to have fresher experience of the more recent development of the conditions under which India is to be governed?—Well, I should not be prepared to lay that down so strongly and largely in a general form. There are members upon it whose knowledge of India is as recent or more recent than my own, for instance; and there are others who have been disconnected with it longer.

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3127. Then, looking in another direction, do you think that financial interests ought to be either more largely or more strongly represented in the Council of India?—Well, I think financial interests ought always to be represented in the Council of India as military interests or other interests are.

3128. You will say then, I suppose, that, just as, in your opinion, financial interests in the government of India have been increasing in importance, whilst their weight has slowly decreased, so they ought to increase in power and weight in the home government of India as centred in the Council?—Yes, that the proportion of interest should be maintained in the matter of its representation in Council.

3129. And it is decidedly your opinion that, even more than in other States, financial interests are of paramount importance in the Government of India?—I am not quite sure that I caught what you mean.

3130. The Chairman, in some of the questions that he put to you, introduced a parallel between India and other European countries; should I be right in saying that your opinion would be that, owing to the comparatively small margin of possible new taxation and the rapidly increasing expenditure of past years, financial interests are of even greater importance to the Government of India than to almost any other country?—I do not think the Chairman put that question to me. It was put to Sir David Barbour; but, in any case, I have no experience of Foreign governments.

3131. But, largely, we may take it as your opinion that financial questions are most important with regard to the Government of India at this moment?—I would not say they are the most important; I say that their importance is as great as any other class of questions which can be brought before that Government.

3132. I do not know whether you could give us any further details or suggestions with regard to the mode in which you would strengthen the control of Parliament over Indian finance?—No; I do not think I should be well advised in occupying the time of this Commission with any suggestions at present on that; I do not think they would be worth anything.

3133. Of course we are very anxious to have suggestions, particularly from persons like yourself and Sir David Barbour, who were recent occupants of the position of Finance Minister?—I do not think, except as the outcome of a complete inquiry by competent persons, that any answer of any value would be obtained on a subject of that sort.

3134. Would you like any interference on the part of Parliament, not indiscriminate, but upon large questions and according to certain definite fixed principles and rules?—One must remember that the exercise of the control of Parliament would have to be harmonised with the absolute necessity of maintaining the authority of the Government of India. Those would be the main points to bear in mind.

3135. There was a question I should like to ask you with regard to the decentralisation of the Government of India. You stated that one result of it was that the Viceroy's attention had been largely diverted owing to that from consideration of home affairs to the consideration of foreign and military affairs? Is there any remedy for that state of things to be found in anything like a further decentralisation of Indian finance devolving more upon the Provincial Governments? I merely ask for information?—I think not. So far as the Army and Navy are concerned, it would be difficult to divest the Central Government of that. On the other hand, if you are to maintain the decentralisation system, it would be difficult to open a larger field of immediate occupation or personal administration to the Viceroy.

3136. You think the Government of India has gone just about as far as it can in the direction of decentralisation?—I am not prepared to say that it may not be able to complete and carry further some of the side channels of decentralisation, but, I think, they have gone nearly as far as they can go.

3137. Looking at it from the economical point of view, do you think that we have got as much economical result from it now as we are likely to get?—Approximately.

3138. It is not an available source from which to look for increased revenue?—The results of the future are not likely to be as much as they hitherto have been.

3139. It is not an available source from which we can look for any substantial financial results in the direction of economy in Indian finance in the future?—No, not at all comparable to those that have already been gained, because the field has been mostly covered, I think.

3140. (*Sir William Wedderburn.*) I should like to ask you a few questions regarding the machinery for the control of expenditure. I think the control that is now exercised, or supposed to be exercised, may be divided into two sections: there is the control which is exercised over the different departments by the executive itself, that is to say, the control up to the Secretary of State—that I should consider the first section: and the second section is control over the whole of the executive, including the Secretary of State, the second section of control being exercised on behalf of the taxpayers. I think that we may make a division of that sort between the two classes of control, may we not?—Possibly.

3141. The Chairman has referred you to correspondence which referred to the office of Auditor-General and the House of Commons, and the analogy that might be established in India; and in accordance with that correspondence, it was made part of the duty of the Comptroller and Auditor-General in India to audit everything up to the sanction of the Secretary of State. I think that was the case, but that, I think, comes under the first section, because that is an audit only for higher executive officers up to the Secretary of State upon subordinate executive officers, and that audit, I think, only refers to matters of detail and administration, and not to any question of policy. I think I am right in saying that?—Yes.

3142. But, as regards any general control of expenditure touching large questions of policy, any control over the Secretary of State would have to be exercised by Parliament; there is no other authority that could exercise that control, I think? What I should like to inquire into is, what support the Financial Member of Council, as the Finance Minister of India, receives in trying to control the expenditure when he thinks it is getting too great? The financial member of Council appears to be a sort of watch-dog on behalf of the taxpayer, whether in England or in India, and he can either give warning, if he thinks that a dangerous financial policy is being initiated, or he can do his best to prevent the money being spent; when the question of the expenditure of money arises he can do both, I think?—Yes.

3143. I think you said that as regards giving warning, the difficulty arises from his not being acquainted always with the details of the policy which eventually leads to the necessary expenditure?—It may arise from that cause.

3144. The necessity may arise without being brought directly within his knowledge. And, as regards his power of preventing the expenditure, he has the power of dissenting either in Council or by a formal minute, but he has no confidence that that dissent will have a definite result in checking the expenditure?—No.

3145. That, I understand, to be the position. Then, as regards the different authorities from which he may possibly receive support, the Chairman, in likening his position to that of the Chancellor of the Exchequer, points out that he may have to deal with the Viceroy personally, in the same way that the Chancellor of the Exchequer has to deal with the Prime Minister personally, and economy or otherwise will depend a good deal upon the personal inclination of the Viceroy. You mentioned that the Viceroy takes personal charge of certain departments, the Foreign, the Military, and the Public Works Departments?—Not the Military.

3146. The Foreign and the Public Works Departments?—No, the Foreign alone.

3147. He takes charge?—He takes charge of that as a rule. It is matter of arrangement between the Viceroy and the members of his Council; the custom is, that the Foreign Department should rest with the Viceroy.

3148. But he generally takes a considerable personal interest in the Military and Public Works Departments, I think, does he not?—Yes.

3149. So far as those departments are concerned, those are departments that lead to very considerable expenditure—the Foreign Department, both political and military—and the Public Works Department?—

The Foreign may, the Public Works usually does, and the Military always does.

3150. The fact that the Viceroy takes charge of the Foreign Department, which may lead to military expeditions, would put him a little in the position of representing a spending department, would it not?—Well, a spending department is, I understand, a department that must necessarily spend.

3151. Yes?—The Foreign Department is not necessarily that. By the adoption of a certain policy it may find itself involved in circumstances which might call for expenditure, but not necessarily.

3152. I was looking to the circumstances which rather detract from the Viceroy's position as taking a judicial view of any difference of opinion between the Finance Minister and other Members of Council: and it appeared to me that the fact that the Viceroy becomes personally interested in questions of foreign policy which may lead to military expeditions, would rather deteriorate his judicial position in dealing with any question where the Finance Minister objected to expenditure?—The Viceroy is responsible in every department of the Government, and I do not know that his direct administration of the Foreign Department would cause him to exercise less impartial judgment in that than in any other. His responsibility, I mean, extends to all.

3153. I meant rather—I might give an example—let me suppose that the Viceroy had decided to have a military expedition beyond the frontier. If the Finance Minister objected to that, he would be objecting to the policy personally supported by the Viceroy himself; would not that make it more difficult for him to get the Viceroy to take a judicial view of the subject?——

3154. (*Sir Andrew Scoble.*) I should like to ask before you answer that question; does the Viceroy personally decide upon military expeditions beyond the frontier, because the question rather assumed that he did?—I did not understand Sir William Wedderburn to say so; I understood him to say "if a military expedition were decided upon."

3155. Oh, no, "if the Viceroy decided upon an expedition."

3155*a*. (*Sir William Wedderburn.*) Or recommended it?—My answer to that would be that the Finance Minister would have had opportunities of expressing his views in Council before the expedition was decided upon; and the Viceroy would hear what he had to say before he made up his own mind in all probability.

3156. Yes. Then in the Council of the Viceroy most of the other Members of Council represent spending departments as against the Finance Member who has to provide the funds; is not that the case?—All in their various degrees.

3157. Therefore to a certain extent he is one against all the others?—I think so.

3158. You mentioned that he gets a certain support from the Secretary of State in Council in financial matters; he looks to get some support in financial economy?—Yes; he also looks to the Viceroy I think, too. I should say, speaking of my own experience, he looks to the Viceroy and is largely supported by the Viceroy.

3159. Yes, but if the Viceroy is against him he is rather helpless in the Council?—Yes. Of course, he cannot expect the Viceroy to support him when he differs from him in view.

3160. He would not expect to get the support of the Secretary of State where his recommendation was adverse to a policy approved of by the Secretary of State. Supposing the Secretary of State had—to give an example—sanctioned an expedition beyond the frontier, an appeal to the Secretary of State would not be of much value against the expenditure involved in that policy?—When the Secretary of State had sanctioned an expedition there would be no appeal to him against it.

3161. He would not hope to get much by any remonstrance or protest?—No; if sanction had been given and acted on it would probably be too late. Perhaps I may bring out again more clearly the point of the answer I gave. He would have ample opportunity before the decision was arrived at, and when the mind of the person at the head of the Government was in a state, presumably, of suspense, of putting all his views before him, while there was yet time.

3162. Well, I will take another instance; supposing it is a question of engaging upon large public works, if that policy of public works had been started by the Secretary of State, he would feel that he had not much hope in an appeal made by him against that expenditure?—If he thought such a policy would be likely to be injurious to the finances of India or beyond their power of meeting the charge, and if he could enlist the rest of the Council with him, I think he might have hope that he could induce the Secretary of State to modify his opinion. If he found himself alone, of course he would have much less assurance upon that point.

3163. Is it not the case that a good deal of the general expenditure upon great public works in India has been initiated from home, more than at the request of the people in India?—Whom do you mean by the people in India?

3164. Any local demand there?—Do you mean the authorities in India or the people of India?

3165. Either; I mean is it not rather initiated in this country than in India?—Than in India? That is a very broad question I should scarcely reply to. I think within my experience that there is a constant pressure upon the Government of India from the Secretary of State to expand the railway system of India as much as possible.

3166. Are you aware that a good deal of Parliamentary and other pressure is brought to bear upon the Secretary of State to spend money in this way?—That may be; but within my personal knowledge, of course, I could not answer that question.

3167. But, upon the whole, it appears that pressure is brought by the Secretary of State rather upon the Government of India to extend railways?—Pressure is, perhaps, scarcely the word to use. I should say that every encouragement is given to the Government of India to develope its railways for the purpose of the commerce and the security of India.

3168. Then we come to the second section that I referred to, namely, the means of controlling expenditure on behalf of the taxpayers, whether in Great Britain or in India. The Chairman has pointed out that a good deal of the check in this country is check by anticipation, the anticipation of parliamentary interference. Do you think that operates in India?—I think I replied to that question to the Chairman, that it operates in increasing degree as we get nearer to Parliament; as the authority concerned gets nearer to Parliament.

3169. But I suppose it would operate more usefully, if, instead of desultory interference, there was a well regulated and systematic control exercised: then the anticipation of that control would have a very good effect, I presume?—If the best possible arrangement could be made, that would presumably have the best possible effect.

3170. At present we have what is called the Indian Budget debate?—Yes.

3171. Do you think that much benefit is derived from that?—Benefit to the Government of India?

3172. Yes, and to India?—No.

3173. What are the drawbacks to that?—It is debated, as a rule, long after the period to which it refers is closed; it is debated at the end of the Session when everybody is very anxious to get away, I believe; and it is usually debated, I am told—I am speaking without any experience from what I see in the papers and from what I learn from others—in a very thin house, and among persons many or most of whom are neither competent nor careful to weigh the matter which they are discussing.

3174. If the Financial Statement could be considered by some well-organised committee in the House of Commons to report to the House of Commons, would that not be a step towards getting the debate on to a more business-like footing than it is at present?—I am so entirely unacquainted with the probable course of affairs in Parliament, that I could not give any answer to that; at least within my knowledge.

3175. What I would like to get at is how best the dissent of the responsible Finance Minister could be utilised, in order to bring proper inquiry upon anything that is going wrong in the finances of the Government of India. The Financial Member of Council, when he thinks that the finances are going wrong, has an opportunity of recording a dissent or of

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bringing it to notice. My object is to ascertain how that dissent or opinion may be best utilised for practical purposes, so that his view of the case may be properly looked into, and the ultimate authority of Parliament brought to bear so as to indicate a mature and good policy to be followed in financial matters. That is my object, and I would like to know whether it would not be advantageous that such an opinion of the Finance Minister should in some way be brought before the House of Commons?—I believe it can be; if any member of the House of Commons chooses to ask for it, it may be published, and I know in the case of my own dissent, which Sir Courteney Ilbert and I recorded with regard to the increase of the army, it was published; it was called for in the House and published.

3176. But that depended upon private members?—Yes.

3177. But I mean in order to inform the House or a committee of the House, as a formal thing, of the important issues, would it not be advantageous that they should have before them any dissents or opinions or reports by the Financial Member, and also any dissents that might have been recorded here in the Secretary of State's office on financial matters; would that not be very useful material for the House of Commons or a committee of the House of Commons to deal with? And should it not be regularly and formally placed before them?—It seems to me a question to which one cannot reply without knowing what the constitutional powers of such a body as you speak of would be.

3178. But you think it would be valuable if those issues could be satisfactorily brought before the House of Commons with a view to their dealing with the finances of India, which they have to do once a year upon the East India Accounts?—Yes. I think they already have the power. I rather think a dissent of a member of the Secretary of State's Council must be published. Am I wrong in that?

3179. (*Sir James Peile.*) No, not published; it is recorded?—Recorded.

3180. It may be called for by a member of Parliament?—I could not answer that question. Sir William Wedderburn's question touches upon the relative authority of the Government of India and of Parliament, and it would be impossible, I think, to say; the amount of caution to be exercised in order to prevent undue interference with the Government of India would have to be very carefully considered, and also the constitution of this proposed body, which has been mentioned, before a satisfactory answer could be given to a question of that kind.

3181. (*Sir William Wedderburn.*) Were you, as Financial Member of Council in India, made aware of any dissents or minutes of the Secretary of State's Council, recorded here?—No, nothing that passed in the Secretary of State's Council was ever communicated to me.

3182. So you would not be made aware supposing a certain number of members of Council had minuted in favour of your views?—I should not be made officially aware. I might learn it from private sources, but it certainly would not come to my official cognisance.

3183. Are you aware if there have been in the Council of the Secretary of State members specially trained in the Finance Department in India?—There usually are.

3184. Are there any at this moment?—No. Sir John Strachey was the other day, but he has resigned.

3185. Can you name any others that have been on the Council besides Sir John Strachey?—Sir William Muir. Both the Stracheys—General Strachey acted a short time in charge of the finances—and Sir William Muir, those are the three that occur to me for the present.

3186–7. I daresay you have read debates in Parliament upon such questions as the import duties and the Chitral expedition. Did it appear to you that the members of Parliament who spoke had sufficient information upon these subjects on which they spoke?—I do not think I read from that point of view. I should not have said they were insufficiently informed, so far as I could see, at all; they knew as much as I did, anyhow.

3188. With regard to a support to the Finance Minister in any proposals for economy, I think Sir David Barbour said he would be a good deal supported if there were an enlightened public opinion, an educated public opinion, upon financial questions in existence. Do you agree in that view of the case?—Yes.

3189. What is the line generally taken by the Press in India, the Anglo-Indian Press and the Indian Press upon questions of economy?

(*Sir Andrew Scoble.*) We surely do not want to go into that; as to the line taken by the Press in India.

(*Sir William Wedderburn.*) Public opinion.

(*Sir Andrew Scoble.*) We are not enquiring into public opinion.

(*Sir William Wedderburn.*) Sir David Barbour referred to public opinion. What we are dealing with is the support necessary to control the expenditure. I think that this is very material.

(*Chairman.*) An allusion has been made to public opinion. You were going to ask what evdence there was of public opinion.

3189*a*. (*Sir William Wedderburn.*) The Press is the way in which public opinion is shown in India. Can you say how public opinion is expressed in the Press? Does the Financial Member get support from public opinion in the Press in India, that is my question?—I think, speaking generally, that he does get it, both from the Anglo-Indian and from the Indian Press.

3190. Supposing the Finance Minister were of opinion that certain expenditure was illegal under Section 55 of the Government of India Act, on the ground that it was expenditure for military operations beyond the frontier without the consent of Parliament, what steps could he take to prevent that expenditure being made?—He would consult the Legal member of Council, through the Viceroy probably; he would have the question referred to the Viceroy with a request that legal opinion might be got upon it, I should say.

3191. Can you tell me whether that point has been considered as to the legality of such expenditure?—I cannot say; not in my time; no question arose in my time to call for that.

3192. Section 55 of the Government of India Act refers to British India as it was transferred to Her Majesty at that time. Can you tell me whether any steps are taken to keep a record of the successive additions to those dominions of Her Majesty in India since 1858?—I do not quite follow the expression "to keep a record."

3193. Section 55 of the Act of 1858 puts a limit upon expenditure beyond the external frontiers of British India, of Her Majesty's dominions; but those frontiers have been extended from time to time since 1858?—Yes.

3194. Is there any formal or official record to show the extensions, and whether they have been legally and constitutionally effected?—The only case that I can recall is the case of Upper Burma, and I think there was an Order in Council in London, a proclamation of some sort, (I do not know what form it took) declaring that Upper Burma was annexed.

3195. But as regards these gradual enlargements of the frontier, of the western and north-western frontier, are you aware whether any formal proceedings are taken to include these new territories within the dominions of Her Majesty contemplated by the Act of 1858?—I am not aware that they have been included within Her Majesty's dominions. They have been included within a treaty protectorate, but not within British dominion, I think.

3196. Can you refer me to any authorised map which at present shows the existing dominions of Her Majesty—British India?—No, I cannot.

(*Mr. Naoroji.*) I want a little explanation from you, my Lord. I understand from our conversation last time that we are at present considering the system or method, or mechanism, rules and regulations and powers and control of auditor, accountant, and Finance Minister, but the question of the character and efficiency of that expenditure with its economical and financial or other effects, and the persons or the motive power which carries out this whole mechanism, has to be deferred?

(*Chairman.*) I think what we have said was that we would deal first of all with the mechanism of the administration. The question of the progress of expenditure forms a separate branch which could be

more conveniently taken at the second series of sittings.

(*Mr. Naoroji.*) That would include the expenditure on the manning, and the whole personnel of the service and so on—the whole expenditure, in fact?

(*Chairman.*) When we come to the progress of the expenditure, if you are desirous of raising the question as to whether we can go into grievances, the Commission will have to settle the points at the time. I do not think that grievances come within the purview of our inquiry, But at all events that would not form part of the machinery of administration as I understand it; now we want to get the mechanism.

3197. (*Mr. Naoroji.*) It is the mechanism we want to get at. Now, I will only put one question as regards the difficulty of finance and so on. Is it not a great weakness in finance that, as in this country, the people or taxpayers in some suitable way have no direct interest or voice in the finance?—Is it not a weakness in finance, do you say?

3198. Yes, if the people had any direct voice and direct interest in the settlement of the finance and the expenditure of everything, would it not be a great strength to the Finance Minister? while at present, having no such support of such interest from the people themselves, it is a great weakness in the finances?—It is difficult to answer the question in that form, quite. It might be a weakness or it might be a strength to him.

3199. Consent of the people is the great strength of the Chancellor of the Exchequer?—So far as he could obtain the opinions of the people, and use them in support of his views, it would be a source of strength to him.

3200. But it is not merely the opinion of the people expressed outside, but some direct voice, some representative of the taxpayer in the Council, who can actually give a voice as to any particular expenditure? At present the budget is entirely the result or the work of the Executive; the people have no voice in it at all, whether they should diminish that expenditure or increase that expenditure. As it is here, you get six months in discussing the budget and seeing what the expenditure ought to be?—That is a hypothetical case on which I find it difficult to express any direct opinion. In other countries it has been found to be of use I believe, and presumably, therefore, it would be so in the case of India.

3201. Of use, yes, that is all I wanted, that would be a very great strength to the Finance Minister, or the settlement of finance, if some such voice was given to the people, direct voice, I mean to say, and direct interest. That is all. I do not want to ask any more.

3202. (*Mr. Ryder.*) May I ask you whether the result of decentralisation, of which we have heard a great deal, and which we have heard described as being economical, has been to diminish expenditure by the Provincial Governments or to increase it?—You mean, since the Provincial Governments were decentralised, has their expenditure increased or decreased?

3203-4. Yes, what I am driving at is this: it seems to me that a great motive has been given to the Provincial Governments to increase their expenditure. Now that they collect so much revenue for themselves, they are of course very much more careful about the collection; but is it not true that they also have an immense motive that they had not before to increase their expenditure?—I should scarcely say that; before, their expenditure depended on how much they could obtain from the central funds of the Government of India, and therefore it was the interest of every Government to obtain as much as it possibly could; it was in no way responsible for finance.

3205. Well, and now it is the interest of every Provincial Government to increase the collection of its own revenue?—Yes.

3206. And it knows that if at the quinquennial revision its revenue turns out to be more than it needs, the excess will be taken by the Central Government?—Yes.

3207. Therefore there is a great motive for bringing up the future expenditure to a level with the provincial income?—Yes, that unquestionably is the case. But whether one can say that, beyond that, they have a greater motive than they had before the introduction of the decentralisation in increasing their expenditure is another matter entirely. It is a comparison between things that are unlike.

3208. But, before, there was a closer control and watchfulness over them, was there not, by the Central Government?—No. I saw some of the working of it before; each Provincial Government made it a point to get all it could out of the Central Government, because it knew that so far as it failed of success, some other Government would be more successful.

3209. There was one question about the balances that I should like to ask you; I think we were told that, after inquiry, it was held that something like from eight to ten millions Rx. ought to be in hand constantly. That, you may say, would represent something like five millions, perhaps, of our money?— Rx. would be equivalent to £ sterling.

3210. Not now, I am sorry to say?—Rx. expresses an equivalent to sterling.

3211. It means tens of rupees?—It means tens of rupees.

3212. Well, I will not raise that point. I thought that it could not mean so much as eight or ten millions sterling. However, my point is this, we must not compare that balance with our own balances in the Banks of England and Ireland. I imagine if we want to compare them with balances here we must take into account all the balances in the hands of subordinate accountants, must we not, by which I mean all the balances in the hands of our army officers who pay money for our army?—Yes.

3213. And for our navy?—Yes.

3214. And when you come to do that I think the amount does not appear so very large. I wanted to make sure that this balance that is spoken of—we will call it eight millions Rx.—really means not only the balance in the head Treasury, but the balance in all the local treasuries all over the Indian Empire?—Yes, the reserve balance. Of course, there is an immense amount of floating balance besides that which is being constantly used up or added to; this is the balance which is kept in reserve.

3215. A minimum balance?—Outside all probable calls.

3216. May I ask you one or two questions which Sir Ralph Knox wished to ask you, and which I shall be glad to put to you even in an imperfect way. They referred to the constitution of the Council of the Viceroy. Am I not right in thinking that the number of the Council, the Executive Council I think you call it, is eight?—Not so many as that.

3217. Seven?—There are the Viceroy, the Commander-in-Chief, the Military Member, the Home Member, the Public Works Member, the Finance Member, and the Legal Member—seven. It varies, it is not necessarily the same; the Public Works Member is not always there.

3218. Out of that number we may say that all represent spending departments, except the Viceroy himself and the Financial Member?—I should not make that exception there; I should make no exception there. The Viceroy is in charge of the Foreign Department which has a very large political area beyond the Indus, which causes very considerable expenditure.

3219. Unless the Viceroy throws his weight on the side of economy, the Financial Member stands quite alone?—Yes.

3220. One naturally thinks, therefore, that it might be possible to strengthen the financial element in the Council. I think I am right in saying two of the members are military?—Yes.

3221. Would it be possible, and might it not be expedient, to do with one Military Member, and appoint, in place of one of the two, someone who would be quite independent of any spending department, and who would naturally lean to the financial side?—If it were possible, of course it would strengthen the Financial Member's hands very much.

3222. Do you think it necessary to have two Military Members?—That is a very large question that has been much debated.

3223. Has it ever been considered whether it would not be possible to add a member who would not be interested in expenditure?—I do not think that that has ever been considered,

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3224. Someone, say, to represent revenue. You now have on your permanent staff a Secretary for Finance, and a Secretary for Revenue. Their duties are to a great extent akin, and that fact seems to suggest that there might be a second Financial Member of Council, who would specially represent Revenue?—But there is a second member of Council; the Member in charge of the Home Department is also in charge of the Revenue and Agricultural Department.

3225. I see, but he is deeply interested in expenditure, is he not?—He is interested in expenditure because the Provincial Governments indirectly are under him—I will not say under him, but the Provincial Governments are mainly in his department, and the expenditure initiates with them; he has no direct administrative reason for expenditure.

3226. But, then, does he naturally tend towards siding with the Financial Member?—No, I do not think he does. He naturally, I think, tends towards developing the country, for instance, by railways. I think that is very natural; and he naturally tends towards the extension of the various administrative departments of the Government in the directions which his own experience teaches him are requisite; most of which necessitate increase in expenditure. On the other hand, he probably feels in common with the Finance Minister that he is responsible for the well-being of the people, and that any burden put upon them in excess of what they are likely to be able to bear, would lead to consequences which he would consider it his duty as far as possible to guard against.

3227. That leads to his support of the Financial Member not infrequently, perhaps?—I think the Financial Member very often reckons upon his support, but my experience is that he finds him very often in opposition.

3228. (*Chairman.*) What was the origin of its being thought necessary to have two Military Members of Council, do you know?—No, I do not know. I think the second man is put as a financial check on the Commander-in-chief.

3229. (*Sir Andrew Scoble.*) But the Military Member is an ordinary Member of Council?—Yes.

3230. The Commander-in-chief is an extraordinary Member of Council?—Yes.

3231. (*Chairman.*) That is the point I wanted to ask; was the original idea that the ordinary Member of Council was a financial check upon the Commander-in-chief in Council?—That is the use to which he has grown up; whether that was the original idea one would have to go very far back into the history of the Crown and Company in India to find out. But that is one of the recognised functions which he is now supposed to fulfil.

3232. And would you say that that is the result, and that the Military Member of Council is, in practice, a financial check upon the Commander-in-chief?—No, I cannot say that he is.

3233. (*Sir Andrew Scoble.*) In your recollection, have you not known that the proposals of the Commander-in-Chief, in regard to an expedition, for instance, have been considerably modified upon the advice of the Military Member of Council?—I do not think in my time that there was any expedition. Beyond Upper Burma, I do not remember any other expeditions; there may have been.

3234. The recent Black Mountain Expeditions were not in your time?—No.

3235. Now, when you speak about the Financial Member of Council standing quite alone, does he not constantly receive support from his other colleagues in his proposals for economy?—In matters of comparative routine very constantly.

3236. Have you not known, for instance, the proposals of the Public Works Department cut down in Council, when they came to be considered?—In some cases cut down; in others I have found myself alone, combatting them.

3237. But the practice is, is it not, that all these proposals for expenditure, large expenditure I mean outside the routine, come before the Council as a body, unless they have been accepted previously by the Finance Member himself?—Yes; certainly distinct proposals involving expenditure come before the Council as a body.

3238. And was your experience so unfortunate that you always found yourself unsupported by your colleagues?—I found myself more frequently in opposition than supported by them, both with regard to public works and with regard to military expenditure. The proof with regard to the latter was that the Legal Member of that time alone supported me, and he was the only member who did. The proof with regard to public works was, that on more than one important occasion I had to record a solitary dissent.

3239. But on all those occasions the voice of the majority of the Council was against you?—Yes.

3240. The Legal Member's is not a spending department, is it?—He is interested in the improvement of the judicial administration throughout India, and so far, indirectly, like the Home Member, his is a spending department.

3241. But not so directly as the others are?—Not like the Public Works nor the Military, no; neither his nor the Home Member's.

3242. Now, with regard to Parliamentary control. You were asked whether a well-regulated and systematic control exercised by Parliament, by means of a well-organised committee, would be an advantage. Do you consider such a control possible?—I gave my answer. I do not remember exactly what my answer was; but I recorded my answer.

3243. Having regard to the circumstances of India, do you think that a well-regulated and systematic control over Indian finance could be exercised by a committee of the House of Commons?—I could not possibly answer a question of that sort—give any direct answer to that question. I mean it would be necessary to know what would be the powers of the Committee, what is possible, and so on. I have not thought of coming to a conclusion about it.

3244. (*Sir James Peile.*) You are aware of the order in force, that if the Viceroy and the Finance Member agree about a financial question as against the rest of the Council, action is suspended until a reference is made to the Secretary of State?—Yes.

3245. Sir David Barbour told us that that rule was never used; it would, however, only be not used, I suppose, where the Viceroy and Finance Member were strong enough to do without it?—It did not exist in my time. I cannot say how it would work.

3246. But if the Finance Member and the Viceroy agree, generally speaking their view would prevail, would it not?—I should think so.

3247. But what Sir D. Barbour called the weakness of the Financial Department would come in when the Viceroy did not support the Finance Member?—I think so, yes.

3248. Then the Finance Member would only have one vote, like any other member of the Council?—Yes. He has, of course, the right to dissent, if he finds himself overruled.

3249. You would not be in favour of allowing him by himself to suspend action pending a reference to the Secretary of State?—No.

3250. That would be inconsistent with his position as a member of a Cabinet, which he really is?—His individual responsibility, large as it is, is not sufficiently large to entrust him with that power.

3251. The Viceroy may incline to the views of the Political, or the Military, or the Public Works Department, as against the Finance?—He may.

3252. We have had tables put before us in which there is shown in the ten years 1884–85 to 1894–95, a net increase of military expenditure of Rx. 2,500,000 annually, besides exchange upon that sum, and in the Civil Departments an increase of Rx. 500,000 annually. I suppose the increase in the Civil Departments, 1884–85 onwards, would be a great deal due to the annexation of Burma?—I think so.

3253. And the military charges are shown to be due to special operations and also to operations in Upper Burma?—Since what year—1884?

3254. Since 1884–5?—It would be largely due to increase in the strength of the army of India.

3255. (*Chairman.*) That was in 1884, was it not?—It was brought into effect in 1886; it began in 1886.

3256. (*Sir James Peile.*) The increase in the military expenditure largely arises from the extension of our

sphere of political influence, does it not?—So far as Upper Burma is concerned.

3257. Which leads to small wars, expeditions, and occupations?—The military expenditure?

3258. Yes?—May I ask you to repeat that question? That it largely arises from——?

3259. From the extension of our sphere of political influence in India?—It largely has so arisen during those ten years.

3260. That has been the chief cause of increased expenditure during those ten years?—Well, without seeing the total increase analysed, I could not answer that.

3261. I mean that small wars and expeditions and so on account largely for increased expenditure?—They are a constant source of increased expenditure.

3262. And they really arise, you may say, in the political department of the Government, do they not?—They really arise in the political department of the Government. They are a constant source of military and political expenditure there.

3263. And the cost of a military expedition very often is not known or capable of being put in a Budget, before it is incurred?—No; unless it is foreseen. If it arises during the currency of the year it would be impossible to put it in. May I supplement a reply I gave just now with regard to the case of those expeditions originating in the political department? I ought to supplement that further by saying that military considerations largely govern political considerations in India—that it is difficult to distinguish between the two departments as to the precise source of origin.

3264. They act together?—Political questions will constantly arise in connexion with military expeditions.

3265. On these large questions the Government of India originates measures or proposals; but the decision of the Government of India about them is not final?—No; the Secretary of State decides.

3266. The question comes before the Secretary of State, with, I presume, the financial position fully stated, as well as the other considerations?—Probably. I do not think that in the case of the Burma war, for instance, financial considerations were taken into consideration there. I do not think any exposition of the financial result was put before the Secretary of State.

3267. Still an enormous expenditure was evidently certain to be incurred on it?—Certainly.

3268. The Secretary of State is a member of the Cabinet, of course. Then the decision as to wars and expeditions, the cost of which is charged to the revenues of India is made by the Cabinet rather than by the Secretary of State in Council?—I am not acquainted with the working of either.

3269. You have read, perhaps, Mr. Balfour's speech, reported this morning?—I have not seen it.

3270. In which he spoke of the Chitral Expedition, and gave to his Government the entire credit for deciding to maintain troops at Chitral and on the road to it?—I cannot reply; because these are not matters within my personal knowledge. Any answer I might make would be of no use on that point.

3271. But, in former expeditions, I suppose you must be aware that the Cabinet finally decided whether the expedition should be made or not?—In Chitral?

3272. Not only Chitral, but Chitral, certainly?—Which was the one you quoted? I think you said the Chitral expedition?

3273. Yes; but in other previous expeditions? In the case of Burma?—Yes, in Burma.

3274. The Cabinet would decide whether Burma was to be annexed or not?—I cannot say whether it would. It would depend on the circumstances of the expedition. Sometimes an expedition is taken out of the hands of any authority in England from a combination of circumstances out in India.

3275. I suppose the general impression is that the Cabinet really does settle the question of an expedition?—It may be.

3276. And the Cabinet, of course, is responsible to Parliament?—Yes.

3277. So that if that assumption is correct, the responsibility for the expenditure on expeditions and wars in India rests where the responsibility for, say, the war in Ashanti rests, that is, on the Ministry and the Government?—Well, "the responsibility" is a doubtful word. The final decision may rest with the Cabinet. The responsibility must mainly rest with those whose policy brought about the war.

3278. Exactly. The Cabinet, however, would be responsible for their final decision to Parliament?—Yes; if they decided it.

3279. And, in this, might there not be found ground for an argument that the whole cost of expeditions so sanctioned should not be charged to the revenues of India?—So far as the decision rested with the Cabinet.

3280. And ultimately with Parliament?—If the action of the Cabinet brought about the war. That argument would appear to me to be stronger if the Cabinet was the *causa causans* of the war, I mean; but, if it merely had the last word as to whether there were to be war or not, and circumstances outside its control had brought the question about, I do not think that that argument would be so strong.

3281. (*Chairman.*) I should like to ask you one further question. Taking the point that Sir James Peile called attention to, it is very true that the Secretary of State decides on the expedition. He decides on information derived from the Viceroy, and the Viceroy is practically the sole source of information as to the necessity for the expedition?—Yes.

3282. Therefore, so far, it is all the more important that the information that reaches the Secretary of State should be as complete as possible?—No doubt.

3283. And that would rather add force, would it not, to the idea, which I ventured to suggest to you, of the importance that the Finance Minister's views should in some form or another, emanating from himself, reach the Secretary of State?—Yes.

3284. You spoke, I think, in answer to Sir William Wedderburn, of the desirability of strengthening the financial element in the Council of the Secretary of State?—Not of strengthening it—of having it adequately represented—having an effective representation in the Secretary of State's Council of the financial interests in the Government of India.

3285. I can quite understand the desirability of doing so; but have you any reason upon which you found your opinion to that effect? Is it because you think the Finance Minister would be benefited by a check applied here to irregular expenditure when reported?—I think that the more effective the financial voice of the Secretary of State's Council, the more the Finance Minister would be benefited by its support or its criticism.

3286. I suppose you mean that you would like to see the financial element more strongly represented in the Council, in order that the Secretary of State might be sure of having competent financial advice upon the information which comes to him from India, so that his scrutiny might be effectual?—Precisely; for the same reason that the military element is represented in his Council, that he may have good advice upon military matters.

3287–8. And for that purpose would you like to see men of actual experience in Indian finance both in the Council itself and also in the Finance Department of the India Office?—In the Council they usually are.

3289–90. Well, you have given two or three?—Yes, I have given two or three. Of course, though only two or three in number, they held office successively for a period extending over many years; Sir William Muir from 1876 for, I think, ten years; Sir John Strachey, nearly the last, from 1885, for ten years. That covers 20 years; and the Council has only been appointed since 1858, or so.

3291. (*Sir James Peile.*) There is also an Indian banker in the Council of India?—Yes, there is also an Indian banker, but with no practical knowledge of Indian financial administration.

3292. (*Chairman.*) That is, you are aiming at a larger infusion of special financial knowledge?—I think it would be of very great importance.

3293. Would you introduce it into the Finance Department of the office here? Of course I am not speaking of any criticism that is necessary at the present moment, but of principle?—On general grounds. Quite so. Well, I should say theoretically—the present system works so admirably well that it is very difficult to

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oppose theory to practice—but, theoretically, I should be inclined, I think, to look to India for an efficient Financial Secretary in the India Office, although circumstances have proved that you can find him out of India.

3294. I quite understand that we are not applying the principle to the Finance Department as at present organised?—No; my theory is checked by my experience to the contrary. That is what I wish to bring out. There is, however, one point with regard to the Financial Secretary's sphere of executive work which struck me much on reading his evidence, as weakening the effective aid that he can give to the Financial Member, and that is, that it is limited to certain branches, When questions were put to him with regard to the increase of Excise revenue, for example, I observe he was obliged to refer you to another Secretary. That seemed to me to be a matter worth attention. I think that it would be more important to increase the sphere of his information so as to include the growth of receipts and expenditure in as many branches as possible, than to find the occupant of the office in India rather than in England.

3295. I think Sir Henry Waterfield told us, that questions affecting Revenue, though they went first to the Revenue Department, were communicated to the Finance Department; that the Finance Department had an opportunity of seeing them, and of passing an opinion upon them before any decision was arrived at by the Council?—No doubt they would have, but they are not cognisant of them at first hand; and, therefore, they are not as intimately informed of the cause of growth or falling off of receipts in their Department, as, for instance, the Financial Member in India is.

3296. Quite so. He pointed out that there is a Revenue Department looking at the questions from a taxation point of view: but I think he would say that the Finance Department watches them from the mere progress of revenue point of view?—From the point of view, say, of growth. But growth, after all, is only a symptom; growth, until you analyse the cause of growth, has no value to you as Financial Secretary or Financial Member. Therefore, so far as diagnosis of the cause of growth of receipts and expenditure in any department lies outside his sphere, so far, I should say, his usefulness is detracted from.

3297. Would your idea be that the Revenue Department and the Financial Department should be combined? Would that be the conclusion of these considerations?—In that direction, as far as possible. How far it might be found possible at this time I cannot say. But that is the direction I should wish to see taken.

3298. You spoke of its being in your mind that a certain anticipation of Parliamentary action would be beneficial to the Indian Government; that is to say, that a greater interest taken by Parliament might be of financial benefit to the Indian Government—that is an extremely difficult point, is it not? And I gather from what you subsequently said that it is a question, on which before you expressed yourself decidedly at all, you would require to consider the matter very maturely—that is to say, whatever benefit you might think Parliament may cause or has occasionally caused by its interference, the form which such interference takes, or should take, is a very difficult question?—I think I have been careful in my replies to indicate my opinion to that effect, and the phrase which your Lordship used as to the anticipatory effect was not mine; it was a phrase which was put to me in the question.

3299. No; but I thought that having alluded to the possible benefit of Parliament taking a greater interest in Indian matters, you guarded yourself at the same time by saying how very difficult it was to define the conditions under which that greater interest could be shown?—In my replies to Sir William Wedderburn and Sir Andrew Scoble, I very carefully indicated my extreme consciousness of the immense difficulty of the question.

3300. The most practical method of affording greater strength to the Finance Minister would probably be through the India Office itself?—I think so.

The witness withdrew.

Adjourned till the first Tuesday after the meeting of Parliament.

At the India Office.

SEVENTH DAY.

Tuesday, 18th February, 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

THE RIGHT HON. LEONARD COURTNEY, M.P.
SIR WILLIAM WEDDERBURN, Bart., M.P.
SIR E. W. HAMILTON, K.C.B.
SIR RALPH KNOX, K.C.B.
SIR JAMES PEILE, K.C.S.I.
SIR ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
MR. G. L. RYDER, C.B.
MR. T. R. BUCHANAN, M.P.
MR. DADABHAI NAOROJI.
MR. R. G. C. MOWBRAY.

MR. COLIN G. CAMPBELL, *Secretary.*

Major-Gen. Sir E. H. H. Collen, K.C.I.E.

18 Feb. 1896.

Major-General Sir EDWIN H. H. COLLEN, K.C.I.E., called in and examined.

3301. (*Chairman.*) Sir Edwin Collen, what posts have you held in India?—I have been Military Secretary to the Government of India since the 1st November 1886, and previous to that I held for one year the post of Accountant-General in the Military Department, in the year 1885–86; and I have served in every grade in the Military Department. I also held the post of Assistant Controller General of Supply and Transport during the Afghan war, and I held the appointment of Ordnance Officer for some time. I served also for a short time in the Quartermaster-General's Department.

3302. May I ask over what length of time your service in India has lasted?—Nearly 32 years.

3303. You have seen the evidence, I think, tendered to the Commission?—Yes; I have seen most of the evidence.

3304. You are aware that the Commission has divided its inquiry into three branches, viz., 1. Financial administration; 2. Increase of expenditure; and 3. Apportionment of charge between the Imperial and Indian Governments; and that up to this period we have only been dealing with the first branch?—Yes.

3305. Sir Oliver Newmarch has described to us the regulations under which and by which the military expenditure of India is conducted and controlled, but we understood from him that some years have elapsed

since he held the post of Military Secretary in India, and he therefore spoke with some reserve as to the working of the military financial system at the present moment. The Commission is, therefore, glad to avail itself of your presence to obtain the benefit of your more recent experience, especially as you state in your memorandum that within the last few years strict and more detailed regulations have been laid down within the Military Department for watching and controlling military expenditure. For this purpose I propose to ask you to give us your view in some detail of the financial machinery of the Military Department, and perhaps, as we proceed, you would call our attention to those points on which the regulations have been modified in recent years, and on which you would supplement or expand Sir Oliver Newmarch's evidence?—I shall be very glad to do so if possible.

3306–7. May I ask here, with reference to that remark that stricter and more detailed regulations have been laid down within the last few years, would you say that the regulations for the promotion of economy in the Military Department are distinctly stricter than they were in the period to which Sir Oliver Newmarch's evidence extended?—I should say that although there has been always a very strict check in the Military Department on military expenditure, and numerous rules were laid down before the period to which I alluded, yet, within the last five years, certain more precise regulations have been laid down—I may say by Sir Henry Brackenbury—in order to govern the disposal of financial questions in the Military Department; consequently there has not been the same latitude given to subordinate officers; within the last few years there has been, perhaps, a more minute consultation of the Finance Department; and the Military Department now is really hardly able to do much without consulting the Finance Department.

3308. (*Sir Ralph Knox.*) That is, the Military Finance Department?—No, the Finance Department of the Government of India.

3309. (*Chairman.*) You say, as I understand, that rather less latitude is given to subordinate officers of the Department by the new rules?—Yes, the subordinate officers in the Military Department itself.

3310. In what form has their latitude been curtailed?—When a proposal comes up now, I think that the Secretary has not so much power as he had before, and certainly the Deputy and the Assistant Secretaries have not; but I will, if you will allow me, refer to my memorandum on that point. In the memorandum I have given the financial powers of the Military Department. A very large number of rules were laid down before Sir Henry Brackenbury's time, which were very strictly attended to; but within recent years—within the last five years, say—there has been greater strictness, and more returns have been laid down. For instance, with every proposal for expenditure a statement is required to be put up to show clearly the amount proposed, initial and recurring, and whether the sanction of the Finance Department is required. That enables the Military Member of Council at once to decide whether any question is to be negatived or to go to the Finance Department. Then, no proposal involving an increase in future estimates is to be sent even for the concurrence of the Finance Department, except by the Military Member of Council. In previous years these proposals had been sent by the Secretary without the intervention of the Military Member of Council, that is in minor cases; but the above is rather a hard and fast rule, so that the same latitude is not, perhaps, given at the present time.

3311. Therefore the greater strictness has been rather in the direction of concentrating more power in the hands of the Military Member of Council?—I think so.

3312. Could you illustrate that?—I have brought a manuscript paper. I took one week of questions referred by the Military Department to the Finance Department; if you would allow me just to consult that, I could give you some instances. Of course, I will not venture to trouble the Commission with all these examples; I took this week at hazard; I did not select it in any way. Now, take a case of this kind; it comes from the Controller of Military Accounts in the Punjab command.

3313–5. May I ask to whom does that go from the Controller?—It is addressed to the Secretary to the Government of India in the Military Department.

3316. Exactly?—The question is whether all monies received by the officer commanding at Kohat on account of the station funds should be deposited in the Treasury or in the regimental treasure chest. That is a question that would always have been sent to the Finance Department, but which possibly would not have come before the Military Member in previous years; that is, the Secretary would have sent it to the Finance Department, and they would have given their opinion on the subject. There are a great many instances. It always has been the case that important questions should invariably come before the Military Member of Council, but practically now the rule is that all questions that require the concurrence of the Finance Department must go before the Military Member of Council.

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3317. And do you yourself attach importance to this assurance that the Military Member of Council knows every reference to the Finance Department, or may it be the case that in some instances the inquiries or the references are of so minute a character that perhaps it causes the Military Member of Council to be unnecessarily cumbered with papers?—Well, that is rather a delicate question for me to answer, because Sir Henry Brackenbury, as Military Member of Council, decided that it was advantageous and beneficial; but personally I should be inclined to think that some greater discretion might be allowed.

3318. (*Mr. Courtney.*) In the case of these applications tending to the expenditure of more money, do you find, as a matter of fact, that their going first to the Military Member of Council strengthens or weakens the case of the demand for more money?—I should say that all demands for money of real importance should go before the Military Member of Council.

3319. Yes, but I am asking you to look at your own experience. A certain number of these demands went at one time to the Finance Department without being seen by the Military Member of Council; now, they are seen by the Military Member of Council; does that strengthen the military side against the financial side, or weaken it?—I think that, on the whole, it strengthens the financial side.

3320. It strengthens the financial side?—Yes, because although it puts an immense amount of work upon the Military Member of Council, at the same time it provides that the whole business is centred in him.

3321. Yes, but is the Finance Member of Council more able or less able to withstand the pressure or to apply criticism?—I think that the Finance Member is more able to apply criticism, provided he has the time at his disposal for dealing with these numerous questions.

3322. Do you think the Military Member of Council supplies criticism on the financial side?—Certainly; but that is also supplied by the whole of the Military Department, because it is their first duty to criticise any proposal from its financial aspect.

3323. (*Chairman.*) Does it not come to this, that the fact of the Military Member of Council himself forwarding these references to the Finance Department gives a greater importance to them than if the reference takes place from a subordinate officer, passing, no doubt, into the hands of a subordinate officer in the Finance Department?—Yes.

3324. Would not that be the extra weight which Sir Henry Brackenbury would probably be seeking when he laid down this more stringent rule about the papers passing through the Military Member?—Very probably. I see I have an example here. In September 1895, the sanction of the Government of India was applied for by the Adjutant General to the entertainment of a sweeper on Rs. 5 per mensem for the period during which a pontoon section of the sappers and miners may be on field service. Well, that proposal was sanctioned; and if I recollect rightly, that under rule, went before the Military Member of Council. In previous years a few years ago, the Secretary, or even the Deputy Secretary, might have said, "This is absolutely necessary; if the concurrence of the Finance Department is required, send it over."

3325. (*Mr. Courtney.*) Now, without going from that, do you think the Finance Department was stronger to withstand the demand for that sweeper, because it had gone to the Military Member?—No, I do not think in that particular instance it was. There was another example. In November 1894, I think it was, the Government of Madras asked for sanction—that was when the Presidential system was in force—to the quarterly supply of four goblets and four tin pots at a

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cost of 8 annas (*i.e.*, Rs. 2 per annum), for the use of the Garrison School, Fort St. George. I may mention that the application was made because it did not come within any regulation, and therefore, under rule, it had to come to the Government of India, and went before the Military Member of Council because it affected future estimates.

3326. (*Chairman.*) Still, a great number of those very small questions, unless they involve some principle, must occupy, I might almost say unduly, the attention of the Military Member of Council, diverting it from more important questions; that would be the *per contra* argument?—Yes, that is the argument, that I, having been a long time Secretary, should be, perhaps, more disposed to support.

3327. Therefore, on the whole, may we come to this conclusion, that, so far as your experience goes, the greater strictness of the regulations now is hardly of a nature to have a very great effect upon the relations of the Financial with the Military Department?—Yes, I think that is the conclusion which might be formed, and perhaps my own predilections are towards that opinion; yet there is no doubt that the Military Member of Council, by means of the various statements which are called for and kept up now in the various divisions or sections of the Military Department, has a greater grasp of the progress of military expenditure, and opportunity of knowing what is likely to come into the estimates of next year than he had before; and therefore I think that these rules which have been introduced, and which are detailed in my memorandum, work towards the satisfactory end of his being better acquainted with the whole subject of military expenditure.

3328. Then the meaning of your calling attention to the fact that the regulations have been made more stringent is to bring out the fact that the information which now comes to the Military Member of Council is more perfect and complete than formerly, and therefore gives him a greater grasp of the situation?—Yes, I think so.

3329. There are two representatives of the War Department in the Viceregal Council, the Military Member of Council and the Commander-in-Chief. Would you describe their relations to each other?—The Commander-in-Chief, as his name implies, has the whole command of the Army and staff, and is the executive officer, it may be said, of the Government of India. He has, with the exception of certain limited powers of sanctioning extraordinary expenditure, no dealings with finance; that is the special province of the Military Member of Council, who also controls the Army Departments, such as the Commissariat, the Transport, the Ordnance, the Army Remounts, Military Works, Medical Store Departments, and so on.

3330. When you say the Commander-in-Chief has no financial power except a limited one, may we not put that aside at once? The power to which you allude is only that that he may authorise expenditure up to a certain number of rupees?—Yes, Rs. 10,000 in a month.

3331. That gives him no real financial power over the expenditure?—No. Any question which he considers ought to be taken up has to be submitted through one of his chief staff officers, the Adjutant-General, or the Quartermaster-General, to the Secretary to the Government, and it is dealt with in the Military Department from its financial and, of course, from other points of view.

3332. Of course, one naturally compares in one's mind the relation of two great officers of this kind with the similar officers, so far as the analogy can be made, in England; would it be fair to say that the functions of these two officers correspond—roughly of course—to those of the Secretary of State and the Commander-in-Chief here?—Well, in a very general way, perhaps, but the Military Member of Council is not— as the Secretary of State for War is here—supreme over the military administration, because the supreme control rests with the Governor-General in Council. The Commander-in-Chief, as I explained, commands the Army, and is the executive officer of the Government. The Military Member of Council is the Member of the Government who is placed in charge of military finance in the Army Departments, and advises the Governor-General, and is responsible for placing the military questions that come from the Commander-in-Chief before the Governor-General in Council in due form.

3333. Putting before the Governor-General what their financial effect would be, I presume?—Yes; and he would also, supposing it were a question connected with the organisation of the Native Army, for example, express his views on that point, and they would be laid before the Governor-General.

3334. (*Sir Ralph Knox.*) Would there be no previous reference to the Finance Department?—In any case which, under rule, had to be referred to the Finance Department, it would certainly go to it.

3335. Before it went to the Governor-General in Council?—Quite so.

3336. (*Chairman.*) In order to understand as fully as possible what the relations between the two are. I would ask you, have you ever read anything about the old system of our War Department here when the Secretary at-War existed?—Yes.

3337. And, if you remember right, the Secretary-at-War was the financial officer of the War Office?—Yes.

3338. He prepared the estimates, and all military finance went through him. If we were to seek for an analogy between the Military Member of Council and some officer here, would you be more nearly correct in taking the analogy of the old Secretary-at-War rather than that of the Secretary of State?—I think so; because, of course, his business is, or should be, chiefly financial; but at the same time I must explain that he also deals with military questions generally.

3339. Under the Military Member comes first a Secretary; has he any financial duties?—No precise financial duties, but he is bound to lay before the Military Member of Council and the Governor-General the business of the Department in a manner in which it can be dealt with properly, and to see that the financial review or opinion of the Controller or of the Accountant-General has been obtained.

3340-1. That is to say, in placing before the Military Member of Council, say, an administrative measure, he would show the Military Member of Council that the Finance Department had been duly consulted?—No; he would lay the case before the Military Member of Council with such financial report as he thought necessary. As a general rule, the Controller of Military Accounts reports financially on a question, and then it may be sent to the Accountant-General in the Military Department for his financial review; or sometimes the Controller's report is full enough to enable us to dispense with the Accountant-General's review.

3342-4. I should like to ask you at this point, what is the relation of the Controller in the different commands to the Accountant-General? Are they, so to speak, subordinates of the Accountant-General? Do their reports, when they come to the Central Government, all pass through the Accountant-General, or have they any right of action independent of the Accountant-General, any communication with the Central Government?—It does not follow that every report by the Controller need go to the Accountant-General. For example, a question may arise and the Secretary may decide "this should have the report of the Controller of Military Accounts," if it does not come through him; but as a general rule, under the regulations, all questions involving expenditure are reported on by the Controller of Military Accounts. Then he forwards the papers to the Secretary to the Government of India, so that it is not absolutely necessary that it should come to the Accountant-General first.

3345. The Accountant-General would always know of such communication, would he not, when the papers had reached the central Military Department?—Not in every case. Of course, if it were a case of importance he would, undoubtedly, be consulted, but it would really overwhelm him with business to send up every question which had been reported on by a Controller to the Accountant-General.

3346. Therefore, it would not be correct to look upon the Accountant-General as the chief over the Military Accounts Department?—He is undoubtedly the chief of the Military Accounts Department, but just as in some cases the lieutenant-generals commanding the Forces in those Commands send up questions when they are of local importance only, and do not affect the army as a whole, direct to the Government of India instead of through the Commander-in-Chief; so when the Controller reports on a matter which may not be of very great importance, he sends the papers direct to the Military Department

of the Government of India, and the Accountant-General need not necessarily be consulted. I may say that in most cases the tendency is to consult him; sometimes he complains and says: "The Controller's report is very full, what more do you want." Then again, he might be asked to advise besides, on the whole question, not to give a technical report such as the Controller would, but to give his financial opinion.

3347. I asked the question particularly, because I notice in your memorandum that the estimates do not appear to reach the Accountant-General direct from the Controllers of Military Accounts, but through various departments—the Ordnance Department and other departments? Am I correct in deducing that from your memorandum?—Yes. The estimates are prepared by the Controllers and sent to the heads of the departments in order that they may see in what way the Controllers have revised the departmental estimates prepared by the subordinate officers, and that the head of the Department may offer any opinion to the Accountant-General on those estimates, whether by way of increase or decrease. Then they come to the Accountant-General.

3348. Through the heads of departments?—Yes. Take for instance the Ordnance estimates; they would go to the Director General of Ordnance in the Military Department of the Government of India, and then, after he had looked through them and given his opinion on any questions at issue, he would forward them to the Accountant-General.

3349. The Accountant-General is the head of the Finance Division; and that division again, I gather, is divided into two branches, the Accounts branch, and the branch over which the Accountant-General presides as Deputy Secretary. Would you distinguish to us the duties of this officer in each of those two branches?—In the Accounts Branch, I should say the Accountant-General was acting as chief of the Milltary Accounts Department, and as the official adviser of the Government of India; when we want a precise report—a financial report—on a military question, we should refer it to the Accountant-General. As Deputy Secretary, he presides over a section which we call Section F. in the Military Department, in which section or division are gathered up the various financial questions, such as pay and allowances, advances, compensation, contracts, pensions, prize, indents and estimates, store accounts, funds, and many other subjects.

3350. What I could not quite understand from your Memorandum is where his functions, as head of Section F., differ from those which belong to him as Accountant-General; I quite understand, in the first place, an Accountant-General who is responsible in chief for all the military accounts of the Empire; but I am not so clear as to the reason why the Accountant-General had also a branch in which he discharges certain administrative duties; that I take to be the distinction between the two?—Yes. Perhaps I might venture to explain it. At one time all these financial subjects were dealt with in the various sections of the Military Department. I proposed the change which followed—that is, to gather up these subjects, instead of their being dealt with all over the Military Department, and place them in one branch of a finance division. The Committee which sat at home in 1880 on the accounts and estimates of the Government of India recommended that the Accountant-General should be a Deputy Secretary to deal with finance and the Military Accounts Department. The Section F. was established on the advice of that Committee, but was very limited in its scope. Then I expanded that; that is, I proposed to the Military Member of Council that, instead of having all these subjects scattered about in the Military Department in the different sections, we should place them in one branch, under the Accountant-General, who had been made Deputy Secretary.

3351. Can you give us an instance of the duty of the Accountant-General as head of Section F.? You were mentioning just now that he deals with pay and allowances; can you give us an instance of the kind of control or check which he exercises over pay and allowances, as Deputy Secretary?—Well, a case might come up from the Commander-in-Chief recommending that a particular man should be permitted to count towards pension certain previous service. This is an instance I have before me here—that of a private in the 4th Infantry of the Hyderabad Contingent. (This particular case came from the Resident at Hyderabad.) Before this system was initiated that would have gone to the Assistant Secretary who dealt with the particular subject, and he would have submitted it to the Secretary, who, perhaps, might have asked for the report of the Accountant-General. But in this case it comes direct to Section F., and is dealt with by the Deputy Secretary, who would then perhaps say, "this is a proper proposal," and would suggest that it should be referred—as in this case it was necessary that it should be referred—to the Finance Department.

3352. Under the Accountant-General and his two assistants come the Military Accountants. Are they the military officers of whom you speak as military officers seconded?—Might I ask whether you mean the Deputy Accountant-General and the Assistant Accountant-General in the Accountant-General's office, or the Military Accountants who are in the Military Accounts Department in the four Commands?

3353. If you look at page 2 of your Memorandum, you will see that first of all comes the Accountant-General, then the Deputy Accountant-General, the Assistant Accountant-General, the Controllers of Military Accounts, the Military Accountants, and the Assistant Military Accountants, making up a total of 33. I was under the impression that those were the central Accounts Branch, under the Accountant-General?—No. The only officers he has in his central office are the Deputy Accountant-General and the Assistant Accountant-General. If you will notice, there is a bracket "with the Military Department of the Government of India."

3354. Yes?—Then follow these administrative officers, as it were; the Controllers of Military Accounts, of whom there is one for each Command with the staff mentioned below.

3355. I beg your pardon; I see now your arrangement. First, the Accountant-General, and down below, the Military Accounts Department, divided into four branches, corresponding with the four Commands?—Perhaps I might explain that, as a technical matter, we do not speak of the Accountant-General's office as the Military Accounts Department, although the officers do belong to the department; he and his officers form the Central Military Financial Office.

3356. Then these Military Accountants, of whom I have been speaking, are scattered throughout the commands?—Yes, this is the way in which they are graded: Military Accountants, first class, second class, third class, and so on; Assistant Military Accountants, first class, second class, and third class. They hold specific appointments as examiners, paymasters, and so on, so that they really form the body of the Military Accounts Department under the four Controllers.

3357. I think we have heard, in previous evidence, that the Military Accountant-General has a considerable staff of men under him?—Yes, he has a certain number of clerks; he has a chief accountant, who comes, at the present moment, from the ranks of the Military Accounts Department, and various officers, who belong to what we should call the Subordinate Accounts Service.

3358. Therefore, the greater part of his staff are not military officers seconded?—No, he only has two. I could give you the numbers of his office, if you wish.

3359. I think we have had it before; I do not want to put questions unnecessarily; Sir Oliver Newmarch gave us all those details?—Yes.

3360. Now, is there a division in the office of the Military Accountant-General between the executive duties of account and the audit duties, or are the same clerks and officers employed indiscriminately upon both?—The Accountant-General in the Military Department is not an auditor in the ordinary sense of the word; that is to say, he does not check accounts according to vouchers and rules.

3361. No accounts come to him in that form?—Not in that form, only what may be called the consolidated or compiled accounts, and very numerous returns and statements.

3362. He receives the accounts in a complete shape from subordinates in the Commands, and he compiles them into convenient statements for record, and for his superior officers?—Yes.

3363. But he does not go into the detail of audit; that is all done locally in the Commands?—Quite so.

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3364. (*Sir Ralph Knox.*) But all the important discrepancies would come to him for decision, would they not?—Well, the object has always been to make the Controller of Military Accounts the chief financial authority in each Command, or as it used to be, in the Presidency, and, therefore, he is the man who would deal with these discrepancies, unless, of course, there was something extraordinary which needed the orders of Government.

3365–6. That is what I mean; important questions that were raised, questions of principle, questions of excess, questions which are not covered by regulations, they would come up for decision to the central authority, would they not?—Questions of any importance would undoubtedly come up.

3367. And they would come through his branch for consideration?—Yes.

3368–9. (*Chairman.*) Are there any other points connected with the central department of the Accountant-General to which you would call our attention?—I think he is very much overworked, and rather undermanned. I think that it would be a very great improvement if some of what I may call the deputy secretary's work could be taken off him by another officer acting under his orders. And I may mention also that I think the position of the Accountant-General is hardly sufficiently great in these days, especially in the matter of pay. He receives exactly the same pay as the head of the Commissariat or Ordnance. I think he should be rather a greater personage.

3370. So as to recognise him more distinctly, possibly, as the second officer under the Military Member of Council, the Secretary being the first?—I think that his position is very clearly defined; but I was speaking rather of the excess of work—the tendency nowadays—which, perhaps, is due to what was carried out on the recommendation of the Committee of 1880 at home, that he should be made the Deputy Secretary.

3371. I think we are not quite on the same point. You called our attention, first of all, to the overwork; and then I understood you to say that in the matter of pay, which we all know is a great mark of difference of rank, you did not think his position was quite sufficiently marked, and I asked you whether you meant by that that his position as second officer in the department of the Military Member of Council should be made clear; is that what you meant?—I think the position should be enhanced.

3372. Would your criticism that he has too much work thrown upon him tend rather in the direction that you would wish to see his office less centralised and fewer references from the commands, or more assistance given to him within his own branch?—I think I might answer in the affirmative to both those questions; that is, I should like to see fewer references, if possible, but I am afraid that is very difficult to achieve, and I should like to see greater assistance given him. The tendency of the present day is to refer questions too much.

3373. We come next to the account officers in the four commands under the several Controllers of Military Accounts. I gather that the Accounts Office is divided into (1) the central branch; (2) the accounts branch; (3) the pay branch; (4) the commissariat branch; (5) the ordnance and clothing branch; (6) special branches, besides a certain number of military accountants detailed for inspection and special services. I am reading from paragraph 8 in your memorandum?—Yes.

3374. To what extent now in those different branches are military officers employed?—As a rule, the heads of those branches are military officers, but of late years we have taken some men from the subordinate accounts service, and have promoted them from the position of Deputy Examiner to be Examiner. I think the Examiner in Calcutta was so promoted; he is the Examiner of clothing accounts.

3375. (*Sir Ralph Knox.*) Is he not a military officer?—No.

3376. (*Chairman.*) Now, looking through the description that you have given of these establishments, I see a certain number of officers in the central branch of the Controllers of Military Accounts; they are military officers, I take it?—In the Central Branch I do not think that any of the officers come from the Army except the Controllers,

3377. Are the Examiners and Assistant Examiners military officers?—Well, take the Pay branch. The Military Accountant or Examiner is a military officer, and the deputy examiners and the assistant examiners and accountants are all civil; they belong to what is called the Subordinate Accounts Service.

3378. Therefore, the only military officers are the one or two Examiners who form the first line in each of these departments?—It may be said generally that the chief officers in these various branches are military officers, who, I might explain, are taken from regiments, are appointed under examinations, are on probation for one year, and are seconded for five years, and are then removed from the list of their regiments, and entered in the Military Accounts Department permanently. Taking a man for five years at first, only reserves the power of sending him back to the regiment; either he may not be fitted for the Accounts Department or he may not wish to remain.

3379. When they have once entered into this civilian life, do they persevere in it, or do they frequently go back to their regiment?—No; I think, as a rule, they persevere in it.

3380. Therefore they become permanent officers in the Military Department?—Permanent officers in the Military Accounts Department.

3381. I gather from the extract of your evidence before the Committee of 1885–86 that you distinctly approve of the arrangement under which military officers are seconded from their regimental duties for this account work. Account duties are technical in their nature; and the question naturally arises whether the active military service does not lose more than the Account branch gains by the seconding of military officers for the purpose, and whether inconvenience does not arise from constant change under the five years' rule of the officers employed on account work?—I may explain that that was a paper which forms an appendix to the memorandum. It was a paper I wrote for that Committee—the Finance Committee—but I was never examined before it; in fact, I was about to be made a member of the Committee when I was appointed Secretary to the Government of India.

3382. But the gist of it is, I think, that you very strongly approve of the system under which military officers are detailed for this work?—Yes, I do.

3383. You do not think there is any inconvenience—that the military service loses more than the civilian service gains by losing the services of these military officers?—No; their places are filled up.

3384. (*Sir Ralph Knox.*) About what age do they join in the first instance?—I think they must have had five years' service.

3385. They usually join this Department after five years' service?—Yes, I think that is it. I have forgotten the exact age.

3386. (*Chairman.*) Rather an obvious criticism suggests itself to one; do you think that the man who goes into the Army—he generally is a man of rather an adventurous turn of mind—is likely to take very kindly to the somewhat dull work of accountant?—Well, I think there are some in the Army who are very well fitted for the work; a great many are not certainly, but we hope to get those who are fitted. I heard, for example, of a man in the Army who became a great actuary—he was a man of considerable mathematical powers, and became an actuary. I think it depends upon the individual; we try and get the best men.

3387. (*Sir Ralph Knox.*) Having tried five years of military life, he has tired of it, and becomes a civilian; is that it?—Well, we should not say so, because all the military administration in India is conducted by military officers; with very few exceptions, all the appointments in the military administration are held by military men.

3388. Men who entered the Army as a means of getting into this department?—I do not think so; I think as a rule a young officer does not know quite what will suit him, and for various reasons he may desire to enter what is really a fairly well paid department.

3389. (*Chairman.*) Financially, is an officer who becomes a military accountant better off than if he had remained with the colours?—Certainly.

3390. Would you describe the principles upon which the central audit and the account of the financial

transactions of the Military Department are conducted? I am now taking you to paragraph 16 of your Memorandum?—I think that the great principles which are followed are that all claims, of whatever kind, which are received, are checked in a very minute way, and that the audit, which is conducted by the Examiners in the different Commands, is performed with what I should call severity. I know that the present Finance Member, Sir James Westland, some years ago thought we were almost too minute in the audit of the various accounts which come before these Examiners. Then another point is that as the audit proceeds these accounts are compiled, and they form what are called technically the compilations of accounts which are dealt with in the various branches of the Controller's office, and which, finally, after passing through various stages, reach the Comptroller and Auditor-General.

3391-2. You divide the principles on which the control over and audit of the financial transactions of the Government are conducted into 1, the strict preliminary scrutiny of the demands; 2, a careful examination of all demands prior to supply. Those are rather administrative duties, I think, are they not? they are examination before the money or supplies are issued?—Yes; using the term "administrative" in that sense.

3393. And you then name three other principles; 3, a stringent control over the due application of money and stores to the service for which they may be sanctioned; 4, a prompt check and audit of the accounts of such expenditure when rendered, and, 5, an appropriation audit explanation. These three would come under the heading of "audit," that is to say, they follow the expenditure?—Yes, quite so. I might supplement my answer by saying that the estimate naturally is the basis of everything. The Examiner has no discretion; he applies the audit rules to every question that comes before him, and as the charges are audited they go into the accounts. And I might mention, while on this portion of the subject, that the rules in the Military Account Code, which I have here, are very detailed, and, of course, rather lengthy.

3394. I was going to ask you whether the regulations, which appear to be numerous, and, to an outside observer, somewhat complicated, are fairly simple, and well understood by both accountant and auditor?—I should say that as a whole the Military Account Code is fairly simple, but then I must qualify that reply by saying that there are hardly any regulations in any department, or in any country, which could not be made more simple.

3395. The object of my question is this—if these rules are very complicated and minute, that almost implies a widish discretion on the part of the auditor; the more rules there are, the more interpretations can be placed upon them. Are they so far intelligible that they do not give rise to much friction between the accountant and the auditor?—A great deal of correspondence very often takes place, that is, certain objections are raised—I think they are called "queries" at the War Office—to charges, and there is a list of objections of which, usually, all officers are in possession—it is in this book—so some friction must occur. An officer thinks he ought to get something, and the auditor thinks he ought not to get it, and then there is a good deal of correspondence on the subject. The Army complain generally, I may say, of the strictness of the audit of the Military Accounts Department.

3396-7. No auditor need mind such an objection as that, provided always that questions asked by the auditor are fair and reasonable questions. The grievance really arises if subordinate officers are, we will say, rather Jacks-in-office, and apply their own discretionary interpretations to rules; do you find that there is any objection on that score?—I have no doubt that in some cases objections are raised when they need not have been raised; in some cases, not in many cases.

3398. Taking those five principles which I have just been through with you, upon which the control and audit in the Military Department is conducted, may I ask is there a distinct separation of functions between the officers engaged on these duties of scrutiny before payment, and the officers engaged in the checking of expenditure after payment; that is to say, are a certain part of the staff in each of these branches employed upon what I have just now described as the administrative duties of account, and another distinct set of officers employed upon the audit?—No. Taking an Examiner of clothing, for instance, he checks all the clothing charges that come forward, and he audits them. I hardly know how to describe him as an administrative officer.

3399. I think it is a more simple manner of putting it that the two functions are distinct, namely, that of examination before payment or issue, and that of check after payment. I think the first is fairly described as an administrative duty?—Yes.

3400. The other is a check upon the administrative officer: and the point at which I am aiming is this—that there seems to be a certain confusion of functions; the auditor audits himself, if he is the officer who examined the claim before payment, and afterwards examined the voucher on which he allowed that claim?—But, as a rule, no claims are paid until they are audited. I mean—for instance, take the Clothing Department—they may be paid out of the assignment which the Superintendent of Army Clothing has; he, of course, is concerned in his accounts, and has to render certain accounts; then the Examiner steps in and says, "Why did you pay this; what authority "have you for paying this?"

3401. Yes, but if the functions of the two classes of officers are intermingled, is it not open to the criticism that the same officers are at once employed in the administrative duty of passing a claim, and then of checking themselves in admitting the claim to audit?—Well, I should not say that it was the same officer; I should say that whether it is the chief Commissariat officer of a district, or the Superintendent of army clothing, or an ordnance officer, or a paymaster, those are the persons really who make the payments, and the Examiner is the person who checks them; he audits their accounts.

3402-3. Then I think we have not quite understood each other. If you will allow me to put the question again to you. You remember the question of principles of control and audit which you have laid down in paragraph 16; I called your attention to the two first of these definitions as relating to examination preliminary to payment: namely, first, strict preliminary scrutiny, and review of demands entered in the estimates. Second, a careful examination into all demands for money or stores prior to supply?—Yes.

3404. And I asked you whether those were not administrative duties; that is to say, approval of demands before payment. And after that we came to a stringent control over the due application of money, a prompt check and audit, and an appropriation audit explanation. I asked you whether we should not be correct in calling those duties of audit after payment, and I think so far you assented?—Yes.

3405. Then I asked afterwards whether the officers in the different branches who were employed upon the first two duties, and upon the last three were separate and distinct officers, or whether the same men might be employed upon both of them, and I gathered from you that that distinction did not exist?—No.

3406. And that led to my asking, in that case is it not open to the criticism that the same man can sanction and pass his own account?—Yes, I understand.

3407. But you do not think that is the case in practice?—No, I do not think so in practice.

3408. Then does it not want a little explanation?—I may not have put this perhaps as clearly as I ought to have put it.

3409. (*Sir Ralph Knox.*) Does the Commissariat officer, for instance, hold funds and make payments himself?—Yes, he holds certain funds. But, for instance, the chief Commissariat officer of a district has not a large amount of funds in cash; he pays on the Treasury by cheque.

3410. But he has a balance there which he can draw upon?—He has a certain assignment made by the Controller—a letter of credit—and, for instance, the chief Commissariat office of the Peshawur district would have so many rupees a month placed at his disposal by the Controller, whose centre is at Rawul Pindi, and he would draw on that just as a man draws on his balance at his bankers.

3411. The claim would be presented to him on account of Commissariat services, and that would be examined by him or by his officers?—Yes.

3412. And upon being found correct he would draw a cheque upon that balance in payment of it?—Yes, he would.

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3413. Then would his account be locally examined by the Examiners of the Military Account Department?—No, not locally; but the chief Commissariat officer in a district (the system has not yet been applied to Madras, I believe), would have one of his officers detailed to supervise these commissariat accounts and a certain number of accountants to assist him. Then the accounts are worked up in a way—you might call it possibly the first audit—after that they pass to the Examiner of Commissariat Accounts stationed at Rawul Pindi (I am speaking now of the accounts of the chief commissariat officer at Peshawur), who would audit them and see that they were correct.

3414. But he would not be under the Commissariat Department, he would be in the Military Accounts Department?—Yes, quite separate.

3415. (*Chairman.*) There is provision taken that the same men, or that the men in the same office, sitting side by side, do not at once sanction the claim and then pass the account?—There is certainly such provision taken. I might further explain again that the chief Commissariat officer of a military district has under him an account officer belonging to the Commissariat, that is, one of the Commissariat officers who is detailed for that work. He may have other work to do, but still the commissariat accounts of that district are concentrated and supervised by him. The chief Commissariat officer passes the claim as it were, it is paid—a contractor's bill, for instance—and then those accounts go to the Examiner of Commissariat Accounts at the centre. The chief Commissariat officer is in one department, the Examiner of Commissariat Accounts is in the Military Accounts Department.

3416. They are not sitting side by side?—No, not at all.

3417. (*Sir Ralph Knox.*) The Examiner would be serving under one of the Military Accounts officers?—He would be serving under the Controller of Military Accounts of that command.

3418. What class of men are these Examiners; you said they were not military men?—They are military men, but I said in one or two cases we have brought in civilians from the Subordinate Accounts Service; but, generally speaking, you may say the Examiners, the chief auditors, in the Military Accounts Department, are military men who have been trained up in the Military Accounts Department.

3419. (*Chairman.*) On that point there is a possible criticism, namely, that you want the auditor to be as independent as possible?—Yes.

3420. Is there not a risk that the *esprit de corps* which exists in the military service would tend to weaken the independence of that check, that is to say that a man belonging to the military service might have a certain unwillingness to show up an irregularity in the military service? I am not speaking now of money; there are many irregularities one must bear in mind which are not misappropriation of money?—I must point out that I have never been an executive officer in the Military Accounts Department. I have only acted for a year as Military Accountant General; but according to my experience the Examiners have no feeling of that kind. I think they are extremely independent in their judgment.

3421. Then, therefore, may I take it that you are satisfied with the manner in which the duties of account are performed, namely, that the scrutinising before payment is efficient, that the progress of expenditure is efficiently watched, and that the audit is efficiently and intelligently applied?—Yes I am certainly.

3422. On the point of audit we have gathered, I think, that the examining officers have a power of allowing payments which they have queried on receiving what they consider satisfactory explanation. Are you satisfied that under this system there is satisfactory safeguard that serious irregularities, of whatever kind, come to the knowledge of the heads of the Department; in other words, have the Controllers means of knowing how the Examiners discharge their duty, whether they are keen and strict in detecting irregularity, and that there is no laxity of practice in passing irregularity?—I should say that an efficient Controller must necessarily know how the Examiners are working. He can apply a test audit to any branch of his office, and he does so; and he is able to call for papers and to see exactly whether certain work has been disposed of properly and so forth.

3423. Then he does apply this test to his officers as a matter of course, and frequently, does he?—Yes, that is laid down as a part of his duty. It is laid down in these regulations, and, so far as my knowledge goes, the regulations are very closely acted up to.

3424. You mentioned, I think, that a certain number of Examiners are maintained, who are available for detachment on inspection service?—Yes, but of course my remark applied chiefly to the inspection of accounts outside the Military Account Department. My answer just given referred to the test audit that the Controller might make of the branches in his own department.

3425. In what manner would he apply that test; and who are the officers he would send to test the accounts?—That is a question that I can hardly answer: but he might himself apply it and call for the accounts.

3426. Or he would detach an officer?—Or detach some trusted officer.

3427. And does he often apply such a test to the accounts?—No, I cannot say that there are any particular dates laid down; but I should say that he frequently looked into them.

3428. The only independent method by which he can learn how his Examiners perform their duty is by this test audit?—Yes.

3429. And therefore it is by his frequent use of that test that he can learn how the Examiners do their duties?—Yes; I may mention also that he would know if the accounts were being compiled properly and the expenditure under certain heads were being audited, that there were no arrears and no delay; then he would also have further information, supposing there were many appeals against the Examiner, supposing the Examiner was wanting in discretion or wanting in judgment.

3430. But then he would have no check except by this test of the other side of the question, namely, whether the Examiner was too easy in passing irregularities, because there would be no appeal in those cases. There would be an appeal in the cases where the Examiner was too strict; but there would be no appeal in the cases where the Examiner had been too lax?—No, perhaps not, but I may say from my experience I have never known of an Examiner being too lax.

3431. You say that the Government of India look to the Military Accounts Department as well as to the heads of executive and administrative departments to suggest economies and scrutinise all sources of expenditure, and that when advisable the Controller will address the Government of India through the Accountant General in regard to such matters. Are you satisfied with the manner in which this duty is performed?—I have sometimes thought that the Controllers might do more in looking into military expenditure: but, on the other hand, I know a great many instances in which they have suggested economies; still I regard it as one of the most important parts of their work.

3432. And within your experience, are such suggestions frequently made?—I should hardly say frequently, but they are made at intervals. Very often we call upon the Controllers to look into their grants and see what economies can possibly be effected.

3433. But, on the whole, the duty is so important that it might, in your opinion, receive almost more attention than it does?—I think I might answer that in the affirmative. We have called attention to it once or twice.

3434. You mention as one of the duties of the Military Department the rendering of an Appropriation Audit explanation. Is such an explanation rendered as a matter of course by the Controller in each command to the Accountant-General, and also by the Accountant-General on the accounts of the military expenditure as a whole?—Yes.

3435. Each Controller sends in his Appropriation Account?—Each Controller sends in his Appropriation Report, which is consolidated by the Accountant-General in the Military Department.

3436. Does the Accountant-General add any remarks of his own?—I have brought a copy home, thinking the Commission might like to see it. He does not enter

into any long explanation, of course; he consolidates the reports.

3437–8. Perhaps you can give us a slight description of what the Appropriation Report consists of? I may mention that the general Appropriation Report of the Government of India is, perhaps, liable to the criticism that it is rather a financial review than an auditor's report, in the sense in which we understand an auditor's report here. And I would ask you whether that appropriation explanation rendered by a Controller in one of the Commands notes irregularities which have occurred? I will explain what I mean. There are irregularities of very different kinds, of course. There is the personal misuse of public money, but there are various irregularities besides, due to carelessness, mistakes, misapprehension of regulations, &c., which, though not such as to demand the recovery of the money from the accountant, would, if frequently occurring, indicate a laxity of practice, of which it is very desirable that the heads of departments should know. Are you satisfied that the attention of the Controller, and in the last resort of the Accountant-General, would be called to such irregularities, and would they be noted in the appropriation explanation?—No, I do not think they would be. Really, the appropriation report is more an explanation of the way in which the money, which has been granted under the various heads, is expended, and the reasons for differences. Any irregularities that might have occurred, as a rule very unimportant in character, would not be entered in the appropriation audit statement.

3439. A cursory look through the specimen of them that you are kind enough to hand in gives one the idea that it answers rather to the description I gave just now of the Comptroller and Auditor-General's report on the accounts of India?—Yes, I think so.

3440. It is rather a review of the finance than an audit report proper?—Yes.

3441. With us the Comptroller and Auditor-General practically reports to the House of Commons every such irregularity as those which I have just been describing, and I have no hesitation in saying that the knowledge of such publicity is a powerful factor in the interests of financial order. I should like to learn if you are satisfied that in India sufficient publicity is given to irregularities such as I have described?—Any irregularity which has occurred would come before the Government of India if it were of sufficient importance. Now, perhaps I might illustrate my meaning in this way; it was with reference to the Chitral Expedition. A Controller passed a charge for what is called "field batta" to certain troops in a reserve brigade. Well, this matter came up to the Government of India, and it was decided that he ought not to have passed it, and certainly not without reference to the Government, but I do not suppose it was mentioned or would be mentioned in an appropriation audit report. He misinterpreted certain regulations, and we were of opinion that his interpretation was wrong, although I may say that opinion was divided upon the subject. However, in that case a letter was sent to him pointing out what we considered to be his error, and there the matter ended; he would not be pilloried, as it were, in the Appropriation Report.

3442. (*Mr. Buchanan.*) Where would the record of what passed be kept?—It would be in the proceedings of the Government of India, Military Department. It would be a printed letter, and, supposing, for instance, it had been a very bad case indeed, then if there was any question of promotion or his selection for a higher appointment, it would be one of those things which would be considered.

3443. (*Chairman.*) Supposing an irregularity occurs, only due to a misinterpretation of regulations, if it is at all important in its nature, ought it not to find a place in a report such as this?—I do not see any objection to any irregularities being entered in a report of that kind.

3444. I think the criticism from people conversant with our system here would be, that it was extremely desirable that such irregularities should be noted, because it is only through such notes that the ultimate authority can really judge whether the financial regulations have been efficiently carried out?

3445. (*Sir Ralph Knox.*) I did not quite catch how it was the question was raised; was it raised in the central department, the fact that this irregular payment had been made?—No. I think it came up through the Commander-in-Chief with reference to some regiment which was supposed to form part of the reserve brigade or which he thought should form part of the reserve brigade.

3446. It was not detected by means of any examination of the accounts?—But it would have been by the Accountant-General.

3447. By what kind of examination?—Not by an examination, but by a report which would have been made by the Controller of his action in the matter.

3448. He would necessarily have reported?—Yes, he would have reported.

3449. Did that report come in?—That I cannot say.

3450–1. (*Chairman.*) You would not perhaps lay so much stress as I should on the collection and publication of irregularities which have taken place: but may I put it to you that you would have no objection to its being done; may I add that you think there would be a certain advantage in it?—I think there would be an advantage in it, but, at the same time, I must say that the irregularities that do occur are very few indeed. Of course there may be, as happened in the expenditure in Burma, frauds in a department. That, of course, is specially reported and specially dealt with—I mean frauds by subordinates.

3452. Would frauds by subordinates be mentioned in the Appropriation Report?—No, but I think they would be very clearly set forth in what are called the financial reviews of the departments; every department, such as the Commissariat, Ordnance, and so forth, has a financial review of its transactions, which is prepared by the responsible officer in the Military Accounts Department, and he would, of course, notice the matter at once, and enter cases of irregularity in that financial review.

3453–4. But the Auditor's report is, I think, the proper place for the report of irregularities, whether by fraud or by misinterpretation?—Yes, I think it would be advantageous.

3455. (*Sir William Wedderburn.*) But would not any irregularity of the smallest importance have already been brought to the notice of the highest authorities at the time?—Well, not perhaps those of the smallest importance, but certainly those of any serious importance.

3456. (*Mr. Buchanan.*) But there is no official document at the present moment in which the irregularities, of whatever character, have a place or are collected together?—No; they are entered, as I have explained, in these financial reviews of each department, which are laid before the Government. It is my duty, for example, to examine these financial reviews.

3457. But there is no general report upon them?—There is no general report upon them.

3458. (*Chairman.*) Would you give us some description of the duties of the military accountants whom you described as detailed for inspection?—These are officers who are held, as it were, for any special work or for inspection purposes, and if arrears have occurred in, say a Commissariat office in some command or in a regiment, if after repeated rebukes by the Controller the accounts are not properly brought forward and difficulties occur, and he suspects that things are not going as they should, he would send one of these officers personally to examine these accounts, with certain instructions.

3459. Well now, do you not think that the fact of such inspection and the general result of it should also find place in this report?—Yes, I think that would be a very good vehicle for conveying the reports.

3460. I suppose I may take the ultimate authority on military accounts to be the Accountant-General at headquarters. Has he any independent means of testing the accounts of expenditure in the four Commands?—The Controllers of military accounts are responsible; but the Accountant-General corrects, as it were, the military expenditure by the cash issues from the treasuries, which he receives every month from the Comptroller and Auditor-General.

3461. But I rather meant, has he, being the ultimate authority, any means of testing, if, for instance, he thought that the Controller of Military Accounts in one of the commands was in any way lax?—Then he goes himself; as a rule he makes a short tour, and

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he visits those places and goes through the accounts and offices and looks into them, and very often corrects some procedure.

3462. And would he ever detach men himself to examine into any station in one of the four commands with the view of satisfying himself that the general practice within that command was satisfactory?—No, I have never known of such a case.

3463. In paragraph 21 of your memorandum you say that the Comptroller-General has to see that the accounts rendered by the Military Controllers work up to accounts received by him in other departments. Therefore, the Comptroller and Auditor-General, being an officer of the Finance Department may send his directions to the Controllers of Military Accounts, who are subordinate officers of the Accountant-General, independently of the Accountant-General?—Yes, on all matters of what may be called technically matters of account.

3464. Therefore, the Comptroller and Auditor-General might be reproving and severely criticising one of the Accountant-General's subordinate officers, without the Accountant-General knowing anything about it?—I think the Accountant-General would know in cases of that kind, as he would always get a copy of any remarks which the Comptroller-General might think fit to make, in which he animadverted on the action of the military Controllers, and of course the Accountant-General receives the report which the Comptroller-General's deputies make on these various officers.

3465. I take it that your answer is that practically the Civil Comptroller-General, when he is criticising the subordinate officers of the military Accountant-General, would inform the military Accountant-General that he was doing so?—I think he would send him a copy of his letter.

3466. But there is no absolute direction to that effect?—No, I do not remember that there is one.

3467. Then the Comptroller and Auditor-General prescribes the manner in which the accounts of the Controllers are to be kept and sees that the accounts are punctually rendered?—Yes.

3468. Do the Controllers render their accounts direct to the Comptroller and Auditor-General, or through the Military Accountant-General?—Direct to the Comptroller and Auditor-General.

3469. Is it not rather an anomaly that military accounts should be rendered to the Audit Office, that is, to the Comptroller and Auditor-General, by anyone else than the Military Accountant-General? Ought not he to know what his subordinate officers are reporting to the Audit Office?—I think he does, through the returns and the accounts which he receives from the Controllers.

3470. You say that the Controllers have charge of the annual estimates of cash requirements, and grant letters of credit on the Civil Treasuries for such cash as may be required for military services. Do the Civil Treasury officers only pay on cheques or letters of credit from the Controllers, or are other military officers empowered to draw on them directly, and if so, under what restrictions?—No other officers are empowered; but at the same time, if services of emergency arise, the officer commanding a station can issue a station order directing that a certain sum should be issued from the Treasury. That happens very rarely indeed.

3471. That is an emergency power?—An emergency power.

3472. Then the check by the Controller or Military Account Officers, you say, is applied to stores and materials as well as to cash transactions. Would you explain to us how this check is applied to stores and materials?—It is applied by means of the returns and books and documents that are forwarded by the factory or the Department which either manufactures or has charge of the stores—their ledgers and journals, work returns, and so on.

3473–4. It is a check merely upon the balance of stores shown on the accounts; it is not a check on the stores themselves?—Well, it would be a check on the manufacture of stores, for instance, that is to say, it would be a check on the amount of labour and material. I may mention, as you have mentioned this part of the subject, that the question has been quite lately discussed as to whether it is advisable that the accounts of the military factories should be forwarded to the Examiners as they are now, or whether we should have a staff of accountants on the spot, which, I believe, is the practice at Woolwich.

3475. (*Sir Ralph Knox.*) You mean at the factories?—Yes, at the manufacturing department; but there is a good deal of difference of opinion; there has been a very lengthy investigation into this branch of the subject.

3476. (*Chairman.*) Yes, but still the result of the thing is this, that the check of the examining officer is a check of the book record of stores, not an attempt to examine the balances of stores in existence?—No, the officers who are in charge of an arsenal, for instance, take stock, and of course they have to report. Sometimes they have to report deficiencies; things may have been wrongly classified, lost, or destroyed, It is very rarely that there is any great discrepancy in the store.

3477. (*Sir Ralph Knox.*) Is there any independent stock-taking outside that of the officials in charge of the arsenal?—The Inspector General of Ordnance of a particular Command goes round on his tour, and he goes into the arsenal, say at Allahabad, and makes what may be called a test audit, I suppose, of the stores; he inspects the stores and books. He is the administrative officer over the whole Command.

3478. But there is nothing, independent of that, on the part of the Military Accounts Department?—They check by books and returns, and so on, and an officer of the Department is deputed every year to the factories and arsenals, and takes stock of the branches he selects for his investigation. He also inspects all the books and accounts.

3479. You say there are not many discrepancies found?—No, I do not think so, as far as my knowledge goes.

3480. But they would not necessarily come before you?—Well, perhaps not always officially, but I know a good deal about the Department, and, having served in it, I take a good deal of interest in it, and I should know of any case; any case of importance would be reported officially.

3481. But, as regards the custody and charge of stores, discrepancies almost of necessity must arise in regard to them?—Yes.

3482. Which would not arise in regard to cash accounts?—Yes.

3483. That is to say, stores cannot be kept with the same accuracy as cash?—No.

3484. (*Chairman.*) Would you tell us the method in which the Examiners conduct their audit, to what extent they possess a discretionary power, and in what instances their demands for explanation are addressed to the accounting officers themselves, or to the Controllers for transmission to the Accountant-General?—I think that I answered that question to a certain extent in my previous replies. The method under which they conduct their audit is detailed in the several chapters of the Military Account Code, and of course it varies very much; the rules, at all events, vary with the particular class of accounts that are audited.

3485–6. I wanted to know whether the Examiner was understood to exercise a discretion. For instance, the accountant might not have complied with a regulation; the Examiner might be convinced that he had not complied with the regulation, but has he a discretion to say, "This is a very small matter, I shall not press it," or would he be bound in such a case as that to report it to his superior officers?—I think I may say that he would have no discretion, that he would be bound to report, if what was sent in did not comply with the regulation under that head.

3487. In some instances, you say the demands for explanation are not addressed to the accounting officers themselves but to the Controllers, for transmission to the accounting officer. Do I not gather that to be the case?—I think it is so. For instance, in the case of the chief staff officers of Command, say, I suppose the Controller would address them and not the Examiner; but, as a rule, the Examiner sends forward the objections to specific claims.

3488. The exception would be in the case of higher officers, to whom it would be right that the application should be made by a person of a certain rank and standing?—Yes.

3489. Then, if an appeal is lodged against the action of an Examiner, and the Controller decides in favour of the appellant without convincing the examiner, the question is referred to the decision of the Government of India in the Military Department?—Yes.

3490. That is a very large power to rest in the hands of a subordinate officer, is it not?—I think it really is a means of keeping intact the independence of the Examiner. I have always striven that those who may be termed the chief auditors should have this independence, although they work under the Controller and are part of the account administration.

3491. Such a power as that works very much in the direction of informing superior officers of irregularities?—Yes.

3492. I see that an ordnance officer can spend sums not exceeding 50 rupees in the supply, renewal, or repair of furniture. May I ask does this represent 50 rupees in each case?—He could only pay such sums within a certain limit provided in his estimate.

3493. I wished to take that as an example of a case in which an Examiner might exercise a discretion. Would an Examiner call attention to the demands of an ordnance officer if he was constantly repeating these small charges?—I should think so, certainly.

3494. From your memorandum it appears that the Director General of Ordnance has considerable power of transferring a saving on one head of his estimate to another, provided it is for the same class of work. Is that a power generally possessed within the department?—No.

3495. Within other departments?—No.

3496. Is there any general power of transfer of savings under one head of service in the Army Estimates to meet deficiencies or demands on others, and is the assent of the Finance Minister required in any cases for transfer?—The Military Department has the power of transferring savings under the same grant from one Command to another; for instance, from the Punjab to the Bengal Command, but it has no power of transferring savings from one grant to another.

3497-8. For instance, supposing there to be a large saving in pay and allowances, could that be transferred by the Military Department, with the assent of the Finance Department, to meet a deficiency upon the Works branch of the service?—No; but the Works branch is entirely separate. It comes under a separate head of the General and Imperial Estimate.

3499. But could the saving be transferred to any other branch with the assent of the Finance Department?—No, the procedure then would be that we should apply for a readjustment at the end of the year.

3500-1. In paragraph 21 you say:—"The Comptroller "and Auditor General has full power, in person, or by "deputy, to inspect the offices and accounts of the "Controller and to make test audits." I gather from you that he does not very often exercise that power, does he?—I referred in my previous answer to the Controllers themselves in their offices; so far as I am aware, the Comptroller and Auditor General sends a deputy, say a deputy Auditor General, to inspect some of the offices every year. I have some of the audit reports.

3502. Could you hand one in?—Here, for instance, are two; one happens to be rather favourable, and one rather unfavourable. I have brought them both (*Reports put in*). I did not select them.

3503. Well now, would the Comptroller and Auditor General have a like power of examining the accounts of the Military Accountant General?—Well, the Military Accountant General hardly possesses any proper accounts in that sense.

3504. His is rather a compilation of accounts?—Yes; he does not keep accounts in that way.

3505. (*Sir Ralph Knox.*) May I ask one question in connexion with stores, as regards discrepancies which are found, and losses upon stores, and so on; are they dealt with by the Stores Department or the Ordnance Department, or are they referred for financial consideration?—It depends entirely upon the amount. There are certain rules which are laid down. There are four commands, the Punjab, Bengal, Bombay, and Madras. In each of those commands the Ordnance Department has an Inspector General, and he has certain administrative powers. Among them is the power of dealing with losses; he has power to write off such losses as ordinary losses or ordinary wastage, where no blame attaches to anyone, up to 100 rupees, extraordinary losses up to 500 rupees. Anything beyond that comes up to the Director General and to the Government of India in the Military Department.

3506. Then it is referred to the Finance Department of the Government of India?—No, it would come up to the Military Department, not necessarily to the Finance Department.

3507. But to the Finance Branch of the Military Department?—It would come through the Controller of Accounts to the Military Department of the Government of India.

3508. It would come through the Accountant-General in the Military Department?—That might not be the channel—it would not necessarily come to him as Accountant General, for the Controllers are, in a way, practically independent, and they correspond with the Secretary to the Government of India in the Military Department. They would, for instance, say:—"Here is a loss which is beyond the power of "the Inspector-General to sanction; the circum-"stances are so-and-so, I advise that it be written off," or, "I advise that it be recovered from the particular "officer." That would come up to the Secretary to the Government of India in the Military Department.

3509. Would not that come up to the Military Accountant-General?—He would of course see it as Deputy Secretary, but it would not come to the Accountant-General as Accountant-General.

3510. Would it be referred to the Finance Department?—No, I do not think so, unless it were of any very considerable importance.

3511. (*Chairman.*) Will you tell us by what dates the Controllers must forward their estimates to the heads of departments; and at what dates the heads of departments have to forward them to the Accountant-General?—In September and October. They vary with the different departments, but they are from the 15th of September to the 15th of October.

3512-3. And by what dates must heads of the departments forward the estimates to the Accountant-General?—From the 1st to the 10th of December the heads of the departments must forward on the estimates to the Accountant-General.

3514. Would you describe the procedure of the Accountant-General in dealing with estimates?—When he receives these estimates from the Controllers and from the heads of departments—of course he gets a large portion of the estimate direct from the Controller, that is to say pay and allowances and establishments, and so on—he goes through them with his chief accountant and revises them according to the actuals of three or perhaps more years in certain cases; then he may revise them according to the orders of Government which have been promulgated since the estimates were initiated, and he may revise them according to what he knows would be the policy of Government. Then, again, he has sometimes to correct them for prices. Rates may vary. Lately we have had a very favourable time in India, but I hear that the winter rains have held off, at all events in some districts. The Accountant-General would take that fact into consideration and say:—"You have estimated "too low in the Punjab; you must put on something "more."

3515. At what date does the Accountant-General send the estimates to the Comptroller-General?—He does not send them to the Comptroller-General, he submits them to the Military Department on the 12th of February, and then the Military Department send them to the Finance Department.

3516. And at what date do they send it?—Well, as soon as possible after that date.

3517. The Military Department, I suppose, after it has passed through the Accountant-General, do not take very long to examine it?—No, because the discussion on any items which are in suspense, as it were, has been going on for some time past.

3518. So, therefore, the local officers prepare their estimates in September or October of the expenditure to be incurred in the year following?—That is so; they begin to do so.

3519. I suppose a very large part of the charges in the estimates are fixed, and subject to comparatively

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small modification from year to year; that must be the case?—In the case of pay, and allowances, and establishments, and so forth.

3520. And, therefore, so far, they have not much difficulty in framing the estimate, and not much inconvenience in framing the estimate so long before?—No, I think not, coupled with the power of revision which the Accountant-General has.

3521. Quite so. Of course, in the case of certain stores there is room for variation according to prices?—Yes.

3522. And especially in victualling stores, I suppose?—Yes.

3523. But, I suppose also, that experience has taught that there is an average scale round which prices range without much variation in ordinary years, and extraordinary emergencies are left to be met as they arise. I suppose victualling prices are really fixed beforehand?—No, there is a great deal of variation; it really all depends on the rainfall in the districts where the crops are raised, so that we can never be certain as to rates.

3524. That is what you alluded to just now, I suppose, when you said that the Accountant-General, when it comes to his examination, will revise the figures according to his information in February or March, even?—Yes, quite so.

3525. And so far there is no great practical difficulty in framing the estimates so long beforehand?—No, I think not.

3526. But with stores and works the case may be different. What guides the local officers in framing these estimates?—Well, in the estimate for work—say a fort on the Hooghly or a barrack at Peshawur—it would depend on the local rates for labour and material. They would, of course, vary very much, but that estimate would come up to the Director-General of Military Works and the Military Department.

3527–8. A large number of the works are works in actual progress which have been sanctioned and which have to be provided for in the year?—Yes.

3529. With regard to them there is not much difficulty?—No, the practice is to put down what we can afford for works in progress. We know there are certain works in progress. We know there is so much to be fulfilled, and it is approved of according to the urgency of the work.

3530. The estimates, after leaving the Controllers in the different Commands, pass through many hands in their upward course. Are they much altered during these varied examinations?—Yes, they are a good deal altered.

3531. So that advantage is taken of the latest information?—Yes, quite so.

3532. Is not great care now taken in watching expenditure as it progresses? The cash issues from the different treasuries are reported to the Finance Department at the close of each month, the cash issues from the Treasury being, of course, the speediest method of feeling the pulse of expenditure. Are copies of these issues sent to the military authorities?—Well, to the Military Department; not to the Commander-in-Chief, but to the Military Department and the Accountant-General. As Deputy Secretary he explains, for the information of the department and of the Member in Council and Secretary, the variations between the cash issues and the monthly proportion of expenditure, because he knows exactly what particular charges for pensions, and so forth, will come at particular periods in the estimates, and he divides off the total amount for military expenditure in ordinary times into monthly proportions; then he writes a minute or note, and explains the figures which the Comptroller and Auditor-General has furnished him with, explains the difference between the estimated monthly expenditure and the cash issues, and shows the reasons for these differences.

3533–4. But still, I suppose, the military authorities test the reports which they receive of the progress of expenditure by these returns of cash issues so as to satisfy themselves whether the facts correspond with their forecasts or information?—Yes.

3535. Regulations upon this point have been more strictly laid down and enforced since the Afghan War?—Yes, they have.

3536–7. Are you satisfied with the operation of the regulations as they now exist? Do you think they give complete information as to the progress of expenditure, which is a sure indication of the rate at which expenditure is progressing?—That is a subject to which I have given a great deal of attention. It covers a very large field of inquiry, but I may say that, at one time, I thought that with the information given by the record of cash issues you did not quite measure the expenditure that might occur, or that was occurring. To take the earlier days of a campaign, we know that the bills have not come in; therefore, we must feel that in the first few months the cash issues do not show the real expenditure which is going on. Then this occurs very often—it occurs rather often with native contractors—they hold back bills for various reasons, and we cannot get them to assist the local authorities in getting them in; the cash issues, therefore, do not show what liabilities we have; but, if I may venture to say so, the experience of the Chitral campaign has convinced me that, provided the Accountant-General gives, as he did in this case, a really reliable estimate, we are able to judge pretty closely of the actual expenditure and the liabilities. The final estimate may be based on the Controller's estimate; but in this case of the Chitral campaign the Controllers estimated, and the Accountant-General estimated, and as he knew of the policy of the Government, his estimate was very correct. So long as that is the case, and we can feel that we get a really good forecast of the total expenditure within certain limits, I think the cash issues are a great guide, but I do not think they are an absolute guide.

3538. But the Military Department, I suppose, know early what liabilities have been incurred on account of stores?—That, of course, is the particular duty of the Controller of Military Accounts, or of those officers who are engaged in the war expenditure.

3539. And it is their business to report to head-quarters?—Yes, they have to make such reports.

3540. I quite agree with you, that we must not put too much stress upon the cash issues. The cash issues are valuable in this sense, that while your officers are collecting their accounts and bringing them in a considerable time after date, a careful watch of the issues from the treasuries would mark the progress at which expenditure, as apart from liability, is progressing?—Yes, exactly.

3541. I remember we had much evidence placed before us on that committee, to which I think you alluded, which was held in this office in 1880, that if more attention had been paid at head-quarters at that time to the issues from the treasuries, the note of warning would have been much sooner struck?—Quite so. Now I may say that with the returns and statements which are forwarded, and with an active Accountant-General and a good Controller—one must suppose that these are efficient officers—I think that the chance of any failure is reduced to a minimum: but all I meant was that we cannot say that the cash issues give complete information as to what the war expenditure is, because so much may remain in arrear; and we know also that in the early days of the campaign a great deal is not spent, that is to say, the troops may leave their pay on deposit, what is called field deposit, and the bills are not all paid. Then, again, the stores are issued from stock in the first instance, and you have to think of the replacement of all these stores. That comes into the war expenditure. The actual cash expenditure does not occur in a campaign at all.

3542. (*Sir Ralph Knox.*) You mean your experience has taught you a good deal?—I hope so.

3543. (*Chairman.*) Are there any other points connected with the preparation or framing of the estimates, or the checking of the expenditure, to which you would wish to call our attention?—Would that apply to any proposals for improvement?

3544. Well, with regard to the preparation and framing of the estimates themselves, or to the check of expenditure in carrying out the estimates?—No, I have no proposals to make on that head. I think the estimates are very carefully framed, and they are closely discussed, and I do not see that there is any further safeguard to be provided.

3545. One question upon that point. In the framing of the estimates, or previous to the framing of them, is there much formal communication at head-quarters

between the military authorities, the Viceroy, and the Finance Department, that is to say, the Financial Member of Council, in which the general financial situation is discussed, so that in framing the military estimates sufficient regard may be had to the revenue which is available?—A large proportion of the military estimates has been framed beforehand, and framed on certain establishments which could not be reduced, but I may say, as regards what may be termed the balance, very complete consultation takes place between the Military Member of Council and the Financial Member of Council, and what happens is that the Finance Member of Council says:—"Well, I can "only give you so much for all these items, and you "must select, with the Commander-in-Chief, what are "considered the most important and urgent." Therefore we have hundreds of proposals, which are cut down to comparatively few, which can be provided for in the estimates at the last; that is what I may call the balance of expenditure.

3546. And the sums that are reasonably available for these variable or varying services are considered between the military authorities and the financial authorities before the expenditure is finally settled?

3546*a*. (*Sir Ralph Knox.*) There was one particular point which I could not quite understand. I think you said that the estimates came up direct from the Controllers, then you have subsequently stated that they passed through a great number of hands before they came to the Accountant-General?—No; perhaps I may explain it in this way; a large portion of the estimate is, of course, *personnel*, and pay and allowances and so forth; and this portion comes up direct from the Controllers: but all the departmental estimates, such as ordnance, manufactures, commissariat, equipment, go to the heads of departments for their information and for any suggestions which they may be able to make to the Accountant-General.

3547. But the latter go from the Controllers to those heads of departments?—From the Controllers to the heads of departments with the Government of India.

3548. Then the Controllers do not send up a consolidated estimate, but in portions?—It comes up in these portions to the Accountant-General.

3549. But, I understand, the estimates come through the heads of the various departments?—Through the heads of the various departments.

3550. That is to say, the Commissariat, the Ordnance, and so on, after they leave him?—Yes; the Controller would send up the consolidated estimate for all these services for which he estimates, as it were, directly, but the departmental part of it would wait for the head of the department.

3551. A direct estimate, quite complete, would come up to the Accountant-General, but it would not be dealt with in the Accountant-General's branch until the heads of the other departments, responsible for ordnance and commissariat, and so on, had had their say upon it?—Quite so, but the estimate of the ordnance department, for instance, would not come from the Controller, it would come from the Controller through the Director General of Ordnance.

3552. (*Chairman.*) Would you tell us, Sir Edwin, whether the military estimates are ever reduced by the Governor-General in Council?—Yes, they are occasionally; generally when any particular financial exigency demands. I have known cases in which they were reduced by a large amount. For example, it was intended to spend a certain sum on mobilisation requirements, and it was decided that it should not be spent; that it was better to incur any risk than to incur the risk of over-expenditure.

3553. About what time was that?—That particular instance I am thinking of happened in 1888, but there have been other cases since then.

3554. I presume one of the most important functions of the Military Department is to consider proposals by the Commander-in-Chief, and to advise the Governor-General to accept or reject them, as the case may be; by the Military Department I mean the Military Member of Council?—Well, the Military Department is a distinct part of the administration. The Secretary is the ministerial agent of the Government, the Military Member of Council is a member of the Government, but we always speak of the Military Department.

3555. Just as you speak over here of the War Office and the Treasury, rather than the Secretary of State for War, and the Chancellor of the Exchequer?—Yes.

3556. But still the Chief of the Department is the really responsible, all-important personage, is he not; the Secretary rather corresponds to the permanent secretary over here, I take it?—Yes, I should say so, in a general way.

3557–8. But what would you say in reply to my question as to the function of the Department?—I think the function of the Military Department is to check any undue expenditure that may be proposed, and to endeavour to do the best for the Army with the money that can be found. Perhaps I might give an example of the way in which the proposals are dealt with. For example, a question came up of the additional transport required for a siege train. There are certain siege trains maintained in India. For some of these no transport is maintained, because they are placed at the seaboards and ports, and they are intended for operations beyond sea; for others a transport is maintained. This transport is distributed about and is used for various commissariat purposes on grounds of economy. A proposal came up to increase the number of bullocks on account of armament for a siege train that was being sent out from England. When that came up it was reported upon by the Controller so far as the expense was concerned, and it came into the Military Department. I then thought, when I looked over the papers, that so much transport was not really required, and I consulted the Director-General of Ordnance. He agreed with me. I put forward a note to the Military Member of Council suggesting that we should make use of the transport already maintained. He marked it to the Adjutant-General for the consideration of the Commander-in-Chief, the Commander-in-Chief, on the report of his officer, the Inspector-General of Artillery, saying that he agreed with me, concurred, and a large saving was effected on the original proposal. I merely put this forward as an instance of the way in which questions are taken up in the Military Department, and of the routine under which they are dealt with.

3559. But the general deduction from that is that you look upon the Military Member of Council as watching to a certain extent, in the interest of economy, the military expenditure?—Yes, and any proposals that may be put forward by the Commander-in-Chief. For instance, I happen to have a paper here which I can put in; I did not think of any particular year, but it was a statement that I had by me. "List "of some of the more important proposals involving "extra expenditure submitted by the Commander-in-"Chief in 1890–91, and negatived or modified in the "Military Department." That gives a list of the various proposals, at all events the more important ones, which were negatived or modified. Hundreds of applications are made. It comes up in this way from the Commander-in-Chief, from the Adjutant-General, or the Quarter-master-General. The Adjutant-General in India writes, by direction of the Commander-in-Chief, and says: "I am directed by the Commander-in-Chief to submit "to the Government of India a proposal to change five "field batteries into horse artillery batteries." Then it is found that that involves considerable expenditure. We deal with that. The Secretary advises, and probably the Military Member of Council accepts his opinion, that this expenditure shall not be incurred, and it goes before the Governor-General in Council, who endorses the opinion of the Department and of the Military Member of Council, but in some cases, naturally, the question is much discussed. If the Commander-in-Chief has any very strong opinion on the subject then it is discussed in Council and decided.

3560. I suppose the Military Member of Council is always an officer of the Army, is he not?—Yes.

3561. Is there any rule to that effect?—There is no absolute law, but it has been the practice since the appointment was instituted.

3562. I should like to understand clearly, your view on that point which arose when we were speaking of the Military Appropriation Audit Account, whether you do or do not think that irregularities in audit, which may have occurred, should be brought prominently to notice in that report?—Yes. On the whole I think it would be a good plan, I think it would give them publicity.

3563–5. That, of course, is an important expression of opinion on your part, because it places you so much in

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consonance with the opinions to which we have come over here, as the result of our experience of the working of our Audit Office system, which, I think, I may say, is absolutely founded on the principle of giving publicity to irregularity ; and, in many cases without reflecting upon the accountant, of merely noting it for future guidance?—Yes.

3566. I believe you have in India financial reviews of the annual work and expenditure of each department?—Yes.

3567. Do you consider these are valuable aids to administration?—I think they are. I think that they afford the heads of departments a very good means of grasping within a small compass the expenditure which is going on in the department, and they indicate very often the economies that can be effected in the future.

3568. I suppose the financial review is a general retrospect of what has taken place in the department during a year or series of years?—It is an annual report. For instance, this report I hold in my hand is the financial review of the Army Clothing Department, and it deals with everything connected financially with that Department, the reports of the receipts and expenditure of the factory, store transactions, comparisons of expenditure during the last three years, the chief articles obtained from England and all the local supplies; our expenditure on stores and on the clothing factory. It gives the balance sheet. Then it gives the garments manufactured, the garments issued, cut, and trimmed, the garments repaired; it is a financial review of the whole of the transactions of that particular Department. I have simply brought this as an example; there is one for each Department.

3569. But a report of that kind is extremely useful inasmuch as it obliges the responsible administering officers to collect and put together the results of their experience?—Yes, and not only that, but it enables the officers, whether the Secretary in the Military Department or the Accountant-General or the Military Member of Council, to see exactly how the department is working financially; and we have the report every year. And then, of course, they are criticised, at least they are reviewed by the Accountant-General, minuted on by him and submitted to the Secretary.

3570. Now have you any other form of departmental reports, besides these reviews?—Yes, we have what are called the Administration Reports. I have brought a copy of the Administration Reports. That is a report by the head of the department; the Director-General of Ordnance, for instance, submits to Government his Administration Report of the Ordnance Department in India, and it gives his report on the factories, on the arsenals and depôts, the changes in the *personnel*, financial statements, the principal items of machinery received, additions to buildings and so on, a variety of things.

3571. Then in what point does that report differ from the review of which we have been speaking?—Well, the financial review, appertains solely or chiefly, it may be said, to the financial conditions of the manufacture of the stores, and to cash, and so on, while the Administration Report is a briefer summary of the principal work of the department during the year.

3572. You think it desirable to keep the two separate, the financial review, and the administration report?—I think so.

3573. But putting them together, you get a complete history of the work of the year?—Your Lordship has hit upon a particular point which I have considered at various times, that is, whether they ought not to be brought together, in the form of one volume, but practically they come up to the same authorities. Then, besides that, I may say we have in the Military Department itself a very complete review of the material and stores expenditure for the whole of India.

3574. Now, in India do you work much by special committees appointed to inquire into subjects of administration?—We have no particular standing committees now, but we have had on various occasions committees of inquiry into the expenditure of the Army. For instance, there was a commission in 1879 which went very closely into all the questions connected with Military Expenditure. Then we had a Finance Committee in 1886, and there was a committee in 1886, of which I was a member, to inquire into the question of the Commands and staff, and how the expenditure could be reduced. These are examples of the sort of committee we have; there have been several committees on clothing. They assemble specially, and work out the various details that are required, and analyse the expenditure.

3575. These are the methods by which the Indian Government can learn what the progress of expenditure is year by year, first of all by these reviews, and then by means of committees, if necessity arises, appointed to investigate the expenditure?—Yes; the committees are generally assembled for some special purpose with regard to the reduction of expenditure and so forth.

3576. Have you any officers in the departments who analyse the reviews to which you have been alluding, the review and the administration report?—Yes; they are analysed as a matter of course in the Military Department, that is to say, one of the Assistant Secretaries probably takes up the report and goes into it thoroughly, and produces a note or minute on it, which the Secretary may or may not endorse. That is the way in which it is done; the Secretary himself goes into the matter.

3577. That is to say, these reports do not lie as waste paper on the table; they do actually come under the scrutiny of the responsible officers?—Yes, and then they are submitted to the Military Member of Council also, with the note of the Secretary; but I may say that the Secretary also, and the Military Member of Council, on various occasions analyse the expenditure that goes on. I remember preparing a long memorandum on Military Expenditure, analysing the whole of the expenditure grant by grant in 1888, and again in 1892. Then, of course, the Accountant-General also, at certain periods, reviews the whole of the expenditure, so that there is really a great deal of that kind of analysis going on.

3578. Now, in dealing with the estimates, you must have constantly before you demands which you may admit to be desirable in themselves, but for which there is no money, or you may have demands coming down when it is too late to insert them in the estimates in the immediately ensuing year. Is there any particular course followed in that case, in order to keep these demands on record?—Those demands which are too late, for example, are carried forward into a list of demands for the following year.

3579. So that they are safe to receive consideration?—They come up again for consideration.

3580. Is the question of the necessity of the expenditure discussed by the Finance Department before the items are entered on the supplemental list?—Yes, invariably. When it is desired to enter any item of expenditure in the estimates for the following financial year, we discuss it in the Military Department, and then, if we accept the proposal as desirable and support it, we refer to the Finance Department for their conditional sanction to entering it on what we call "List C," which is a list of items to be considered when the estimates are under final consideration, and their consent is conditional because the Finance Department only agree to the entry being made in the list if money is available.

3581. I think you said that the Commander-in-Chief had a limited power of expenditure, though no general power of sanctioning expenditure. What is the limit within which he can act?—The limit is 10,000 rupees in one month. I think I mentioned this in my memorandum: 2,500 rupees in each case, or 10,000 rupees in one month. It is given at paragraph 43, page 11. But then, of course, he can only sanction the expenditure on certain conditions, provided that no permanent alteration of existing rules is involved, that the amount so sanctioned is non-recurring, that there is nothing irregular in the character of the expenditure so sanctioned, and that the authority is only used for charges which are now recognised as fit subjects for military expenditure, also, that the amount can be provided from the budget estimate of the year under the particular head of the grant affected. All schedules in such cases are submitted monthly to the Government of India.

3582. But besides these limited powers, the Commander-in-Chief has, I suppose, a considerable power of influencing the course of military expenditure?—Yes; I should say that if the Commander-in Chief is a strong man, and supports a particular policy, for example, he would have very considerable power in

influencing expenditure both in the Council and out of it.

3583. You have read, I presume, what Sir David Barbour and Sir Auckland Colvin said on the subject of the financial control?—Yes, I have.

3584. Do you consider that control of the Finance Department over military expenditure sufficient?—Well, I confess that, according to my experience and knowledge, it is absolutely complete and sufficient.

3585. In theory?—I should say in practice also. Of course I am not saying anything about the adoption of a policy which may lead to military expenditure, because that is a matter both for the Government of India collectively and for Her Majesty's Government; but with regard to military expenditure generally and the submission of fresh proposals, the inability of the Military Department to sanction expenditure except in certain cases and under certain rules, and the necessity for consulting the Finance Department, combine to make the control efficient. I should say that the power of the Finance Department or the control of the Finance Department over military expenditure as represented by fresh proposals for expenditure is very complete indeed. I think it depends also very much upon the Finance Member, upon his personality.

3586. Is there not always a danger that the Finance Minister would not be able to make his reasons sufficiently known for not undertaking expenditure, because the Military Members of Council are naturally very much interested in the subjects which they advocate and they could always plead the danger of India? Of course the danger of India must depend very much upon personal opinion. There are cases in which everybody would be agreed; but in many cases, say one of your small expeditions which is quite sufficient to turn a surplus into a deficit, do you think that the opinion of the Finance Minister has sufficient weight?—He has not the power of negativing the expedition, but he has the power of expressing himself very strongly on the point, and I should think that if he expressed himself strongly enough and there was any possibility of the thing being avoided, the Viceroy would take heed to his opinion and advice. Of course if it had gone so far that certain tribes, for instance, had raided upon one of our frontier towns and it was absolutely necessary to attack them, then naturally the considerations of general policy would override what the Finance Minister might say with reference to the expenditure being a large one on this particular expedition.

3587. I will put it in this way; do you think the impetus of financial opinion in the Government is sufficient to counterbalance the impetus of military opinion?—Yes, I think it is. Of course it is very difficult to give a direct answer to such a question because the Viceroy is the head of everything.

3588. The reason why I asked you these questions is this; you will have seen the answers that both Sir David Barbour and Sir Auckland Colvin gave, which led the Commission to think, as I put it just now, that the impetus of financial opinion does not counterbalance the impetus of military opinion in the counsels of the Government?—But, my Lord, if I read these answers correctly, I cannot quite agree. There was, for example, say the increase of the Army, which had been approved by Her Majesty's Government, and was entirely concurred in by them at the time. That and also the approach of Russia nearer to the frontiers of India have resulted in military requirements being more considered than they were before; and I do not know that it can be said that, apart from those considerations, military interests have received any particular impetus. I should say that certain things having occurred and a certain policy having been laid down for the Military authorities, they naturally followed what had been laid down for them; and in the case of the increase to the Army, even if the Military Member of Council had been personally averse to an increase of the Army—it is quite possible that he might be; I have known Military Members of Council who objected to the increase of the Army and who did everything they could to reduce the establishment—in such a case, supposing Her Majesty's Government had decided that it was necessary for certain considerations for the Army of India to be increased by so many men, then in my humble opinion it would be the business of the Military Member to see how that could be carried out in the best and most economical way.

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3589-90. But there is another way of looking at it financially, it is this; the Government adopt a policy, we will say, of constructing frontier railways. Of course there are two ways of carrying out that policy. The Military Department may desire to be protected against all hazards, and at the first immediate moment, without reference to financial considerations; and the policy of the frontier railway having been adopted, they would, therefore, urge that it should be made, say, in two years. On the other hand, the more prudent Finance Minister says: "Oh, no, that will put us in a position "possibly of having to put on more taxes, let us do it "in six years"?—Yes.

3591. Now here comes in the important question of the impetus. Would not the impetus, as I call it, of military opinion in all probability carry the point against the impetus of the financial opinion? The idea of immediate danger is one upon which the military opinion might very possibly err; they might lay too much stress upon it; but still they would carry their point as against the more prudent view of taking a longer time to do the work?—I think in a case of that kind it would be the Viceroy himself who would step in. I have known several cases in which he said: "It is all very well for "you Military authorities and the Commander-in-"Chief to say, 'We must have this' and 'We "'must have that,' and 'It constitutes a danger to "'the Empire if we do not have these things,' but "I do not think we can do it at present at all events." He might possibly say, "Well, I shall hope to make a "beginning with what you require in a year or two, "but at present we can do nothing." I may give a very complete instance of that in the moneys which have been required from time to time for the mobilisation of the Army. Constantly these have been postponed, and it has been said: "We cannot afford it; it is "quite impossible," and the military authorities have agreed. In one case, I remember a large amount of money required for mobilisation was cut out because it was said: "We must run the risk rather than incur "the expenditure."

3592. But if I may venture to put it so, a more apprehensive officer than yourself in your position might have urged that postponement would be dangerous; and it would be very difficult for the Viceroy to refuse that argument?—He would have to weigh the opinion that the Commander-in-Chief had urged, and the opinion of the Finance Member; and in a case like that the Financial Member would be supported by the Military Member.

3593. An audit officer has to satisfy himself, has he not, that a charge against the public revenues requiring the sanction of the Secretary of State, has already received that sanction?—Yes; every auditor in the Military Department knows the rules under which the sanction of the Secretary of State is required, and he would challenge the authority of the Government of India in such cases.

3594-5. And if the Government of India, we will say, or the Accountant-General, or the Controller were to say: "Oh, no, the sanction of the Secretary of "State need not be taken in this case," the examining officer has a right of requiring a reference home, has he not?—Yes. Well, as matter of fact, it has never come to that in the military expenditure, so far as I know, but he has such power; I mean the Government of India would then be bound to refer the matter to the Secretary of State.

3596. (*Mr. Buchanan.*) I want to ask you this question with regard to the subject recently alluded to by the Chairman. I think you gave us some instances of the way in which, when new military expenditure is proposed by the Commander-in-Chief, it is reported adversely upon by the Military Secretary; and you said that then the matter went before the Governor-General in Council, and it might lead to debate and be decided in one way or in another. Would you say that the Military Secretary represented an economical element with regard to the increase of military expenditure?—I should say so, certainly. I look upon it as the duty of the Military Secretary to do everything in his power to promote economy, and, when expenditure has been decided upon, to see that that expenditure is made in the most economical way. I mean, that he and the Military Member are really charged with the financial interests from the point of view of the Army. Of course, they have to consider also the question of

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efficiency, and to weigh the one set of arguments against the other.

3597-8. And is it in your experience frequent that suggestions are made with the authority of the Commander-in-Chief for new military expenditure which are reported negatively upon by the Military Department?—Frequently. Very frequent instances might be quoted, but I am glad to say, if you will allow me to supplement my answer—I am glad to say that of late years a great deal has been done to bring not only the Commander-in-Chief but Generals Commanding districts more within the scope of military administration, and consequently very much has been done by those officers themselves. An example just occurs to me. I was inquiring the other day about the increase of expenditure in Burmah, and asked how it could be reduced; and I found—although I did not know it at that moment—that the General-Commanding there and the Lieutenant-General Commanding the Forces in Madras had actually themselves initiated proposals for reducing the amount of transport in Burmah, and so making an economy. Of course there would be many cases in which they would say: "We want new barracks," or "We want something or other for the troops," or "better sanitary arrangements," but I am merely giving you that as an example that they really do constantly think of economy as well as the efficiency of the military service—at least that is the experience that I have.

3599. Sir William Wedderburn asked me to put this question to you for him: Would you say that the presence of the two Military Members on the Council of the Viceroy, namely, the Commander-in-Chief and the Military Member, is an advantage to the side of expenditure or of economy?—I would answer that question by saying that the presence of the Commander-in-Chief is very useful in the general interests of the Empire, and that the presence of the Military Member of Council is absolutely necessary with regard to the control of military expenditure. It is rather difficult to answer the question in the way you have put it, because it depends so much on the particular man. You might have an example of two men who were both extravagantly inclined who would coalesce. On the other hand, you might have an example of one man having very economical tendencies, and considering that it was his duty to check excess of expenditure, and the other man might desire to press for expenditure.

3600. Would you say that from your experience the fact of having two military representatives on the Council had given what you might call an unfair predominance to military expenditure in the Council?—No, I should say not.

3601. Would you agree with Sir David Barbour—I think it was both Sir David Barbour and Sir Auckland Colvin—that the strongest factor for economy in the Council of the Viceroy is the fact of the Viceroy himself being economically inclined?—Yes, I should.

3602. That substantially the economical restraint which can be exercised by the Government of India very largely depends upon the economical or non-economical tendencies of the Viceroy himself?—I should say so. I should say that the Viceroy is constituted a court of appeal, that is to say, he decides. If he is convinced that some great danger to the Empire exists against which it is necessary to guard, and that this involves expenditure, then I presume that he might consider that the arguments in favour of the expenditure outweighed those in favour of not doing anything at all.

3603. If the Viceroy and the Financial Member of Council were united, the joint representations of the Commander-in-Chief and the Military Member of Council would probably not have effect?—No, they would not.

3604. (*Mr. Ryder.*) May we gather that the Financial Member of Council, and the Military Member of Council, are very commonly in alliance on the side of economy?—Yes, I should think so.

3605. They are not naturally antagonistic?—No, not natually. Of course, it may often happen that the Military Member of Council might think something necessary which the Financial Member does not, but I should say they were very often in alliance in the desire that the military administration should be conducted on the most economical principles.

3606. (*Sir Ralph Knox.*) I wish to gather from you a description of the machinery for carrying out the work of the Military Finance Department in India. You have said that there were local Examiners, and I suppose there are local subordinate *employés*; of whom do they consist?—May I say that perhaps a clear idea would be gathered from the following description: India is divided as you know into four great Commands; it used to be three Presidencies; now it is divided into four great Commands—Punjab, Bengal, Bombay, Madras; we will take the Punjab as an example. At Rawul Pindi is the centre, and at the head of the military account system in the Punjab command, or what you may call the Punjab Army, is the Controller of Military Accounts. Under the Controller are his particular officers, his examiners or chief auditors; under those Examiners are deputy-examiners, assistant-examiners, accountants and clerks. The Examiners are at the head of different branches in the Controller's establishment or office, and they are his assistants although they are to a certain extent independent.

3607. Yes, of whom do the accountants and clerks consist?—They belong to what we call the subordinate account service; that is to say, they are civilians, they are recruited from the Army sometimes. The Department is divided into three parts: there is what you may call the superior or commissioned grade of the Military Accounts Department; those are practically military officers, with one or two exceptions of men who have been promoted for merit from the second division. The second division consists of the subordinate account service, who are recruited in various ways, sometimes from non-commissioned officers of the army, sometimes from civil life, sometimes from the clerical service. Those below that are the actual clerks, the clerical service; they do all the routine work, registering, recording, indexing, all that sort of thing.

3608. Are they very numerous; those lower appointments?—Yes, they are given in the tabulated statement I have put in.

3609. Are many of them natives?—A very large number—most of them I should think—the clerks certainly.

3610. And you say some of them are non-commissioned officers?—Well, they have come from the Army; I think they are generally Europeans.

3611. Generally Europeans?—Or Eurasian.

3612. Then the superior Examiner is almost always an army officer?—Yes, that is, when he has come from the Army; he remains on the list of the Army.

3613. And they serve for five years on a sort of probation? Do many of them go back to the army after the five years?—Very few, I think.

3614. Some do?—Well, some may do; one or two may do so of their own wish, but of course cases have occurred in which it has been found that the officers are not suited, and then they are given a gentle hint and they return to their regiments.

3615. These accountants or examiners, are promoted in the service, and ultimately become chief Examiners or Controllers in districts, do they not?—Yes, they may become Controllers in the Commands.

3616. And, having commenced their career as junior officers, are they frequently promoted to the higher positions in the Military Accounts Department?—Yes, they may succeed to be Controllers of Military Accounts, but it does not always follow. For instance, they might not be made Accountants-General. I was never in the Military Accounts Department, but I was selected for the post of Accountant-General. But on the other hand the present Accountant-General has risen from the ranks of the Military Accounts Department.

3617. Is he the first who has risen to that position?—I think not. Colonel Pritchard, his predecessor, was one.

3618. Has anyone who has been trained in that way ever succeeded to be Military Member of Council?—No. You mean, absolutely trained in the Military Accounts Department.

3619. Yes?—No.

3620. The Department is recruited by other methods than that which you have described; some are introduced into the higher positions in the service then, such as Controllers, are they not?—Well, I do not remember any instance of that sort occurring for a great many years.

3621. In which position was it that you entered the Military Accounts Department?—I never entered the

Military Accounts Department. There is a difference between the Military Accounts Department and the Military Department of the Government of India; the latter is one of the branches of the Government at headquarters, just as the Foreign Department or the Home Department, or just as you have here the Treasury, the Home Office, and the War Office, and so on. In the Military Department there is a branch charged specially with the interests of finance.

3622. It is not looked upon as a future or as a perquisite of the Military Accounts Department that they should succeed to the higher financial positions?—No, because the Military Secretary of the Government is not a purely financial officer; he is what may be called the administrative officer of the Government of India, and on every question connected with the Army he is consulted.

3623. Then in that sense he is not what would be called a trained financier?—No, certainly not.

3624. And, of course, it often happens that the Military Member of Council is a man who has had no financial training whatever?—It might so happen.

3625. And in such a case as that, that officer would be simply an additional military officer in the Council of the Government of India?—Yes, he would be. But my experience of Military Members of Council teaches me that they very soon adapt themselves to the positions in which they are placed.

3626. But in the case of an officer who had been trained as you yourself have been, in the *quasi* subordinate positions of the Military Department, you would have been entering upon your duties as a trained financier, more or less, would you not?—Well, in a certain way, I suppose I should.

3627. Well, much more so than one who had never so served?—I should have a much greater knowledge, of course, of the administration, and of finance.

3628. And a good part of your life would have been trained in watching the economies of your service?—Yes.

3629. Whereas you cannot rely upon that in the case of an officer who is appointed straight off to be a Military Member of Council?—No.

3630. And it may be that his military instincts would be stronger than his civil or financial instincts under such circumstances?—It might be so, of course, but, as I say, my experience teaches me that if you put a man in a particular position, with particular duties, most Englishmen endeavour to fulfil those duties without reference to their previous predilections or training.

3631. Then you think, in fact, that the man would be just as well if he had no training?—I did not say that. No, I think it is a very great help; but what I said was that I think a Military Member of Council appointed from the Army, who has had no previous financial training, often throws himself into the work of checking expenditure with great vigour. But I quite admit that it is better for a man to have a previous financial training.

3632. But a difference of opinion between such an officer and the Commander-in-Chief could hardly be regarded as much more than a difference of opinion between two military men, could it?—Yes, because if I understand your question rightly, they are both charged with different work, their spheres of action are different, and when the Military Member of Council receives the Queen's warrant, he knows that he is charged with particular duties, and he knows it is not his business, for instance, to put forward great proposals of policy for the increase of the Army, and so on. It is his duty to endeavour to carry out the policy that has been laid down by Her Majesty's Government, and by the Government of India, in as economical a way as possible, and also to do all in his power to ensure the economical administration of all the departments under him.

3633. But in a case of that kind, supposing a large proposal were made for the increase of the Army; supposing there was a difference of opinion, would not the Viceroy be really placed in this position, that he would either have a difference of opinion between two high officers to consider, from a military point of view, or be in the position that the two officers had combined to support that military policy?—Of course, it is quite within the bounds of possibility that they might combine; but when you deal with a great question of that kind it would have to come before the whole Council, and all the Members of the Council would discuss it. Some might support the Financial Member very strongly; others might go with the Commander-in-Chief.

3634. But the two military officers, the Commander-in-Chief, and the Military Member of Council, combining, or holding the same opinions, their position would be very strong and very difficult for the Viceroy to resist, would it not?—Of course it would be strong, but the Viceroy's power is much stronger.

3635. Well now, to descend to an instance of a very simple kind: supposing a question were raised as to the rate of pay of officers in India, especially of the higher officers in India, do you think that the opinion given by the Military Member of Council as representing the financial point of view would be a reliable and valuable opinion on such a question as that?—Yes, I do.

3636. From a financial point of view?—Yes. You must remember that all these questions are thoroughly threshed out by the various departments; I mean the Viceroy has not only the opinion of the Military Member of Council, he has the opinion of the Secretary and the Accountant-General, and so on. The Accountant-General would very probably put forward some very strong reasons why the pay should not be increased.

3637. I was considering the question of the pay being reduced?—I beg your pardon, I thought you said increased.

3638. You mentioned that from time to time, in order to secure economy, committees were appointed to examine into certain branches of the expenditure: by whom would those committees be appointed?—They would be appointed, as a rule, by the Governor-General in Council in the Military Department; that is when the Committee had been resolved upon, a letter would issue under the signature of the Secretary in the Military Department convening it.

3639. But the appointment of such a committee would be considered by the Viceroy in Council probably beforehand?—As a rule it would be. Of course, you mean committees whose appointment had been considered by the whole Council, but the Finance Department would also be consulted, and if it were a question of expenditure they would probably nominate a member.

3640. Who would be a likely member to suggest the formation of such a committee: it might be suggested, I suppose, by anybody?—The Commander-in-Chief, or the Secretary might suggest it, or the Military Member of Council might suggest it.

3641. Or the Finance Member?—Or the Finance Member might suggest it.

3642. And then that would be considered by the Council, and they would determine, as to whether it should be appointed or not?—It might not go before the Council, unless it were a question of importance.

3643. Who would be the person to order such an inquiry without the intervention of the Council?—Well, theoretically, I suppose the Governor-General *in* Council; the Viceroy himself would order it on the advice of the Military Member in most cases, but, of course, it depends upon what sort of a committee it is. For instance, if it is such a Commission as was created in 1879, to inquire into the organisation and expenditure of the Army, it would be made the subject of correspondence between the Government of India and the Secretary of State.

3644. I was not contemplating so large a subject as that, but such a subject as you referred to just now, viz., that the clothing of the Army was expensive and economy might be effected, or that a certain portion of the commissariat was in excess, the transport and so on; is there any one of the departments which might initiate a committee of that kind without consulting the others; that is to say, could the Military Member of Council, could the Commander-in-Chief, could the Finance Minister?—The Military Member could do it in communication with the Commander-in-Chief. The Commander-in-Chief, of course, might suggest the advisability of constituting such a committee, but the Military Member of Council would be the official who would decide, under the Viceroy's orders.

3645. But could he do it *proprio motu* without the sanction of the Viceroy?—Not as a general rule.

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3646. Then, I suppose, it would of necessity come before the Viceroy in Council?—Not necessarily before the whole Council, it might come before the Governor-General himself only.

3647. (*Mr. Mowbray.*) Have you any opinion of your own as to the necessity of the Military Member of Council being himself a military man?—I think that it is necessary because the whole Army administration in India is conducted on military lines, and I think it is far better to have a man in that position who is conversant with the Army and all its requirements.

3648. You have told us that the Commander-in-Chief has the power of sanctioning certain small expenditure, but it would have to be in accordance with regulations. Whose business is it to see that those regulations are observed?—The Controller of Military Accounts in the particular Command in which the expenditure occurs; and he makes monthly reports to the Accountant-General, by schedules, of whatever has been passed by the Commander-in-Chief without reference to the Government.

3649. It would come specially before the Controller?—Well it comes as a matter of routine, I mean it *must* come before him. All such items of expenditure are reported to him and are scheduled and are submitted monthly by him to the Accountant-General.

3650. But what I meant was, would the expenditure sanctioned specially by the Commander-in-Chief come before the Controller in any other way than ordinary expenditure sanctioned in the ordinary way under the estimates?—It would so far be different to some extent, that there is a special regulation that all these items of sanction must be reported specially to the Controller by the disbursing officer, and they must necessarily come before the Controller.

3651. Would the disbursing officer draw the Controller's attention to the fact that this expenditure had been incurred, not under the estimates, but under the special sanction of the Commander-in-Chief?—Yes, that would come up on audit by the Pay Examiner; the disbursing officer might do it but, it would certainly be brought to the Controller's notice, because there is a particular regulation that these items must be brought forward in that way.

3652. Supposing expenditure becomes necessary, which has not been provided for in the estimates of the year, after those estimates have been sanctioned, what is the process by which such further expenditure is sanctioned?—In that case the Military Department would be bound to consult the Finance Department, I may mention, however, where there are savings in a grant the Military Department has the power to appropriate those savings.

3653. That I understand. But I am referring to something larger?—Then, of course, we should go to the Finance Department, and we should say that this expenditure is absolutely necessary, and they would pass it. They would tell us either to ask for a special grant at once, or, more probably, to wait till we see how the expenditure is running, and they would give a grant at the end of the year, if such be necessary.

3654. And is that the process which is gone through when an expedition is decided upon, for instance, which had not been foreseen when the financial estimates for the year were drawn up?—Well in that case what we do is this: directly the Government have decided upon an expedition it is the duty of the Military Department to advise; in the first place they send a sort of preliminary advice; they say: "This expedition is in "contemplation, it will lead to extra expenditure, we "will tell you what the amount will be as soon as "possible." Then we have to draw up an estimate, as close an estimate as we can and send it to the Finance Department. Then sometimes they would make a special grant, at other times they would say: "we had "better see how ordinary expenditure is progressing."

3655. They might either sanction the further expenditure or they might say: "you may spend now, "and if necessary we will make you a grant later on"?—The latter course is as a rule pursued.

3656. They wait to see what the expenditure will be?—They wait to see what the expenditure will really be.

3657. Do they in that case get the same control over the expenditure as if they sanctioned an estimate only for a limited amount in the original estimates?—I think so, because we make an estimate as near as we can. Of course it cannot be absolutely accurate, but we do it as closely as we can and they practically sanction that estimate within which we must work. It may be, supposing we have estimated only for six months and the operations are prolonged say to nine months, that then we have to come forward for an additional amount.

3658. Supposing they do not sanction the expenditure until the close of the year, or supposing they do not make you a definite grant until the end of the year, how do you get the money that you require out of the Civil Treasuries during the currency of the year?—They do not actually give us a formal grant for our estimates, but the money is drawn from the treasuries because we have obtained the sanction of the Finance Department to this particular estimate, and then fresh assignments are made on the different treasuries by the Controllers acting on the authority of the Accountant-General: that is to say, the Accountant-General, knowing that the Finance Department have sanctioned this expenditure, addresses the Controllers and authorises them to grant additional assignments.

3659. That I quite understand in cases where the Finance Department has sanctioned your estimates: but I rather gathered from you that there were some cases in which the Finance Department did not sanction your estimate but deferred it until the end of the year?—No; perhaps I did not quite explain myself clearly; they sanction the estimate, but they do not, as it were, give an actual grant to be put into our estimates, because the estimate may be altered.

3660. Then I may take it they sanction the estimate?—Yes.

3661. And they give sanction to the Treasury officers to pay on that estimate?—Yes, that is really what it comes to.

3662. (*Sir Ralph Knox.*) I should like to ask with regard to the power the Commander-in-Chief has of spending extra money. Do all these cases come up to the Central Government and to the Commander-in-Chief?—They come up to the Accountant-General; that is, there is a schedule monthly of all these cases, but they are not very numerous.

3663. But they go personally before the Commander-in-Chief for his sanction, do they?—I do not quite catch your meaning.

3664. The 10,000 rupees?—I cannot tell, of course, whether he sees all these cases. I suppose he delegates power to his chief staff officers. For instance, if he wants anything costing 1,000 rupees for an experimental purpose, in that case they would go up to him and say: "May we sanction this out of the allotment?" but I suppose some of the minor things would be done without his personal cognizance.

3665. And without his previous sanction, at all events. Does he depute in any degree the power to spend some of this money to the general officers in the different districts?—No, because there is a separate power to the Lieutenant-Generals Commanding the Forces.

3666. They also have a power?—They also have a more limited power.

3667. What is their limit?—They have power to finally sanction expenditure not provided for by regulation up to a limit of 1,000 rupees in each case, not exceeding a total of 2,500 rupees in any one month.

3668. Then what is given to the Commander-in-Chief to expend is over and above that?—Yes, it is separate from that.

3669. But an expenditure may be suggested by some of the local officers, or the Commander-in-Chief may order it himself?—Yes. I think that it may be looked upon that the 10,000 rupees is applied to cases which he deals with himself, and that the Lieutenants-General would not suggest that something they wanted to be done should be spent out of the Commander-in-Chief's allotment.

3670. Unless, I suppose, it were something very large or general?—Yes, exactly, of general application.

3671. But no one below the Lieutenants-General has any power of this kind?—No, no purely military officer has a specific power in that way.

3672. Except that, as you said, the officers in charge of the ordnance and so on have powers of writing off?—Yes, and so have the Commissaries-General and the heads of departments. And then, again, the General

Officers Commanding Districts; there are certain detailed regulations under which they can order certain things; for instance, they can give extra blankets, if necessary, or they can order extra rations and things of that sort on medical authority.

3673. And they could allow, I suppose, certain small irregularities as regards pay, some small charges?—No, not as regards pay; they must come to the Examiner; no, it is chiefly in connection with what you may call the local services of troops that they have certain powers.

3674. The travelling charges, I suppose, for instance?—No; all these would be audited by the Examiner; the General of a district would have no power in the matter.

3675. Not to allow anything in the way of divergence at all from the regulations?—No, nothing under these heads.

The witness withdrew.

Adjourned till Thursday, the 27th February, at 11 a.m.

(For the Eighth Day's Evidence. *see* p. 167.)

At the India Office.

THIRTIETH DAY.

Tuesday, 4th August 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. COLIN G. CAMPBELL, *Secretary.*

Lord CROMER, G.C.B., G.C.M.G., K.C.S.I., C.I.E., formerly Financial Member of the Council of the Governor-General of India, called in and examined.

Note.—Questions 13,641 to 13,681 refer to the general question of Apportionment of Charges.

13,503. (*Chairman.*) Lord Cromer, I think you have had considerable experience of service in India, have you not? Would you tell us what posts you have held there?—I was private secretary to Lord Northbrook, the Viceroy, from 1872 to 1876, that is four years; and I was Financial Member of Council from 1880 to 1883; that is to say, I have seven years' Indian experience, with an interval of about four years out of India.

13,504-5. Were you not succeeded by Sir Auckland Colvin as Financial Member of Council?—Yes, I think so.

13,506. We have heard the opinions of two former Financial Members of Council, Sir David Barbour and Sir Auckland Colvin, on the relations between the Finance Department and the spending Departments in India. You have, I think, seen their evidence?—Yes, I have seen their evidence. I should wish to make one remark about that. I observe Sir Auckland Colvin says that the condition of affairs as regards financial control generally has changed so much since 1885 that the testimony of anyone who has not had any Indian experience since 1885 is not of much value. Unfortunately my experience dates before 1885, so that, if Sir Auckland Colvin's view is correct, I am afraid my evidence will not be of much value.

13,507. I think Sir Auckland Colvin's opinion, as far as I recollect, was directed to this point, that since 1885 there had been a considerable change of policy in consequence of the relations between Russia and England, which, perhaps, had led the Viceroy to incline rather more to policy than to finance?—Yes, I understood such was the case. Of course, I am unable to give any evidence on that particular point, because I have not any special knowledge on that subject.

13,508. We bear in mind that it is now a considerable time since you held office in India, and the Commission would not, therefore, ask your assistance in examining details of finance; but they would be glad to have the benefit of your experience in considering the general principles of Indian financial administration. Perhaps I may ask whether you are of opinion that the control of the Financial Member of Council over expenditure is as complete as that of the Chancellor of the Exchequer at home?—I do not think I can add anything to what the other witnesses, who have been before the Commission, have said on that subject. Theoretically the position of the Finance Member of Council is, except in a few details, very much the same as that of the Chancellor of the Exchequer in England; but there can be no doubt whatever, I think, that the Financial Department in India does not occupy the same predominant position in India that the Treasury does in England. You are probably more familiar than I am with the causes which have led to the peculiar position of the Treasury in this country; no doubt, one of the causes, which is brought out in the evidence, is the fact that the Chancellor of the Exchequer is responsible to Parliament, and that he has to defend any measure he may bring forward before a body of men, of whom a considerable number are there purposely with the object of opposition. But I do not think that that is the sole reason. I speak under correction upon a point of this sort, but I should say that the peculiar position of the Treasury in this country is very largely due to the fact that for a great many years the Treasury was notoriously supported by one of the most powerful ministers in this country; of course, I mean Mr. Gladstone. I allude to this point because I see the whole of this evidence turns a good deal upon the personal element of government; and although, of course, the personal element is more important in India than it is under the parliamentary system; at the same time, under whatsoever system you act, it is perfectly impossible to get rid of the personal element. It will always, in my opinion, be a most important factor of the whole situation.

13,509. What you say about the support given to the Treasury by a very powerful minister is no doubt true; and I think with you that the point is important in considering the relative positions of the Treasury in England and the Finance Department of the Government of India. I think I should carry it rather further, and I should say that, the strong position of the Treasury is due to the fact

Lord Cromer, G.C.B., &c.

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of the prime minister being usually the head of the Treasury, and of leaders of parliamentary opinion being almost always chosen for Chancellor of the Exchequer, owing to the need for great care in the administration of finance which was caused by the tremendous stress laid upon England by the great war. I need hardly remind you that one of the great supporters of the Treasury before Mr. Gladstone was Sir Robert Peel?—Yes.

13,510. And of all ministers, I suppose, in this century, that might be quoted as economical ministers, Sir Robert Peel's name comes first to one's lips?—I only allude to the fact, that under the parliamentary system you cannot get rid of the personal element. It is a mistake, I think, in dealing with Indian finance to suppose that, whatever system you adopt, you will not still mainly rely upon the influence and idiosyncracies of the various high officials who are engaged in the government of the country; that is all I meant.

13,511. Would you go a little further than that, and agree that part of the power of the Finance Department, which is represented by the Chancellor of the Exchequer in England, is derived from the fact that all measures increasing in any notable degree public expenditure have to go before Parliament; and that, therefore, the Government of which the Chancellor of the Exchequer is one, is always checked by the fact that close behind them, if they differ from the Chancellor of the Exchequer, is the criticism of Parliament?—I think there can be no doubt of that fact. I do not mean to say that the interest of Parliament is always in the direction of economy; that is quite a different matter; but the mere fact that a man has to get up and defend his measures before 600 or 700 people, of whom, roughly speaking, one half are disposed to be hostile critics, and that must be the case under party system of Government, makes him extremely careful of what he proposes. I think of that there can be no doubt whatever.

13,512. And further than that, it makes his colleagues satisfy themselves that they have got a good parliamentary case, before they run into expenditure?—Clearly. But I do not think that that helps us forward very much, because we have not a parliamentary system in India.

13,513-4. I want to draw the distinction. You, as Finance Minister, had not such support as that in India?—Not the smallest doubt of it.

13,515. That support is a very important element in the financial system of England. though I quite agree with you that it does not always follow that it is on the side of economy?—Certainly.

13,517. At the same time we must remember that a great part of the power of the Treasury of England was built up at a time when the House of Commons was very economical, during, say, two-thirds of the present century. Of course, there is another side of the question, that the Chancellor of the Exchequer exercises this power, which sounds very great, under effective checks. In case of difference of opinion between himself and his colleagues at the head of the spending departments, there is first of all an appeal to the Prime Minister, and, at a later stage, to the Cabinet; while Parliament itself, as I have just been saying, very often overrules the Government in the matter of expenditure. These checks very effectively control the tendency of the Chancellor of the Exchequer towards economy. Would you describe to us the checks or supports under which the Indian Finance Minister exercises the power of control?—I suppose I need not go into the merely technical portion of the precise powers of the Secretary of State, of which you have been already informed. You mean the more general aspect of the case?

13,518. Yes, if you please?—Of course a thorough answer to that question would take a considerable length of time. I think I see running through this evidence an idea that the Indian Council consists merely of a number of heads of departments, each of whom is interested in pushing forward the views of his own department and nothing else. In one of Sir David Barbour's answers that is almost stated in so many words. That certainly is not my conception of the Indian Council, neither did the system work in that way when I was in India. Of course, every member of Council has to be acquainted with the facts of his own department, and to put forward the interests of his department exactly as the First Lord of the Admiralty and the Minister of War do in England, but he certainly is expected to do more than that. I regard him as a member of a government, who are collectively responsible for every act they undertake. When I was Financial Member of Council, I considered myself, when once a decision had been taken, as almost equally responsible for a decision of a large nature in the Military Department as for a decision in the Financial Department. I did not myself always advocate the financial side. I was quite willing to admit that the political or the military or some other side predominated over the financial. I must say that in my own day I always found my collegues quite equally willing to give due consideration to the financial side of the question; in fact, I think it was almost a cardinal principle, that the question of balancing expenditure and revenue came not, perhaps, before everything, but it was one of the most important considerations which had to be taken into account. I always found the Council—every member of it, I may say—very willing to listen to that argument, and to give due weight to it.

43,519. My recollection of Sir David Barbour's evidence agrees very much with your view of it. I think it is he who says in one place that at one time he found himself practically only supported by the legal member, which represents with regard to the time when he was Finance Minister, an impression left on his mind rather contrary to that which you derived during your time?—I can quite understand that if there were a particularly unfortunate combination of Council, if two or three important members of Council urged views which tended towards expenditure, and if those views were supported by the Viceroy, then certainly the financial control would be very materially weakened. I have no means of saying whether that has happened, but the same may be said of almost any system of government. Even in England, with the Parliamentary system and the audit and the whole of the paraphernalia for checking extravagance, if you happened to have a Cabinet which wished to take measures which would lead to large expenditure, I imagine the views of the Treasury would go to the wall.

13,520. Yes, exactly. I think another point upon which either Sir David Barbour or Sir Auckland Colvin—I forget which—was inclined to lay stress was that those responsible for the financial government of India should always bear in mind that India is essentially a country in which times of depression follow times of prosperity; and that therefore the financial administration in times of prosperity should look forward to and anticipate the time of depression which will very probably follow. But he thought that, as a matter of fact, if there was in a times of prosperity a surplus, we will say, of a million or a couple of millions, heads of departments, being naturally anxious for the efficiency of their own department, were anxious to spend up to the hilt, instead of favouring the maintenance of a considerable balance in anticipation of less favourable times?—That is undoubtedly the case. I have had to deal with exactly the same phase of thought in Egypt. There is no doubt that India is especially exposed to lean years and fat years, and account must be taken of that.

13,521-2. He thought his colleagues did not give sufficient weight to that consideration, and that that was a difficulty to which the Finance Minister was exposed?—Of course, that brings in the personal element. No doubt, as everybody who has been concerned with finance knows, the moment there is a surplus available, there is a much greater pressure by the spending departments to get hold of it. I have had some little experience of these matters in India and Egypt. Up to a certain point, but not very far, you may make a very cautious estimate, that is to say, a rather low estimate, of revenue, and an estimate of expenditure which leaves a large margin, so that you have your margin not shown upon the face of the estimates, but hidden away a little.

13,524. May I ask you whether, in your time as Finance Minister, you had any traditional method of making your estimates? that is to say, did you base your estimate upon an average of the revenue of two or three past years, or did you base it entirely upon what you thought would be a fair calculation of the produce of the ensuing year?—I think the averages were taken; except in the case of opium, in which case we went rather upon current prices. That is a very important part of the estimate, and you had to be guided by current prices more than by anything else, of course. But in the Indian Budget, the real figure that is of importance on the expenditure side is what you take the rupee at—that is the really important figure.

13,525. Allowing that the powers of financial control entrusted to the Finance Minister are theoretically complete. do you think that they are complete also in practice and operation? I gather from what you have said that that must depend very much upon the personality of the Finance Minister and of the other members of Council?—I have always

had an impression of that kind. To a great extent I think it must necessarily largely depend upon the general tone of the Council. I see great stress is laid in the evidence upon the power of the Viceroy, and the power of the Viceroy is very great in India, probably greater than that of the Prime Minister in England—it is very great indeed. Moreover, the Viceroy fulfils a function in India which is scarcely, I think, to the same extent fulfilled by the Prime Minister in England—a very useful function—and that is, to give a certain unity of action to all the departments. In England, it has been very often brought to my own notice that there has been rather a want of unity of action in the various departments of Government. The Viceroy sees a great many more papers than the Prime Minister, therefore he is able to impart a great deal more unity of action. He holds rather the same position as the Chancellor of the Empire in Germany, bringing all the departments together. His power is very great.

13,526–7. If I understand your impression on the point, it is this: The Prime Minister in England, so far as the administrative government goes, is rather a person of appeal; in India the Viceroy is rather the living head of the administration, originating and controlling it?—That is very much the case, no doubt. Every big point in every department must, or certainly ought to, go to the Viceroy; the result is that he sees pretty well everything of importance to a greater extent than is the case with the Prime Minister here, I think.

13,528. In answer to Question 1833 Sir David Barbour says, "I do not wish to see the position of the Finance "Minister strengthened in so far as all questions of "expenditure must come before him. I think that is "provided for." So far, I think he means, the theoretical control is complete, but he goes on, "But I certainly think "that something is, I will not say necessary, but desir- "able, which would ensure greater attention being paid to "financial considerations in connexion with the Govern- "ment of India. I do not know that I am prepared to "suggested alterations in rule or machinery that would "secure that; but I have no doubt that something is "desirable, if it can be obtained"?—That is the key-note that runs through the whole of his evidence. Everybody wants to adopt some system which will ensure that financial considerations shall be fully weighed, before any action is taken. But neither Sir David Barbour nor Sir Auckland Colvin appear to have made any practical suggestion as to how that can be done. I must say, after reading through the evidence, that, although I quite admit the desirability of strengthening the Financial Department, if it can be done without running into other evils, I have not seen any suggestion which will entirely meet the case. It is possible that in some small points of detail—I shall have one or two to indicate myself—something may be done; but, broadly speaking, I do not see any suggestions which will ensure that consideration of financial affairs, which is so desirable.

13,529. As I have read their evidence, it appears to me that they see no method by which the power of the Finance Minister in India itself could be strengthened without impairing the due authority of the Viceroy; but they seem to think, that some more active support might be given to the Finance Minister from home by the Secretary of State. Do you not think that that is the gist of their evidence?—Yes, I think it is.

13,530–1. I should like to obtain your view upon that point about strengthening the power of the Secretary of State?—I confess that I look with a certain amount of dislike upon anything which would transfer the power of government from India to England, whether it is exercised by Parliament, or by the Secretary of State, or by any other body; that is to say, though they might wish to deal justly and even generously by India, I rather doubt whether any authority in England would be able to take into sufficient account local considerations or to interfere with real advantage to the public. I do not mean to say on that account that I would like to weaken the powers of the Secretary of State as they exist at present, and I agree that the Secretary of State is the natural ally of the Financial Member of Council. I found it so in my own experience. But the action of the Secretary of State I found more useful about small things than about big ones. For instance, pressure would be put on to strain the rules as regards a pension, or something of that sort, a small affair, and the Financial Member of Council would be obliged to give in; it was in that case rather an advantage to be able to refer to a distant authority with the almost certain knowledge that the claim would be refused. I cannot remember in my own experience, as regards financial affairs, any matter of really first rate importance where the interference of the Secretary of State was required. I should not object at all to increasing the power of the Secretary of State, if it is done with great care and after full consultation with the Government of India; but, as I say, the general tendency should be rather to endeavour to govern India more in India and not more from England, on account of the great liability of a governing power in England to mistakes, not from any sort of intention, but simply from want of knowledge of the facts.

13,532. (*Sir James Peile.*) I suppose the Secretary of State's power is, in fact, complete already?—Yes, I suppose so.

13,533. It is rather his increased interference which you would regard as a danger?—Yes, to some extent. *A propos* of that, perhaps I may anticipate a question of the Chairman. All that class of expenditure concerned with the question of little wars is a matter of very great importance. With your own financial experience you must know that, whether in England or India, the main thing is to interfere at the initial stage of the proceedings. Very often a step is taken, of which nobody concerned at the moment sees its very grave financial importance. It is not referred to the Treasury; no rule obliges it to be referred to the Treasury; it is possible that even the Chancellor of the Exchequer, or the Financial Member of Council in India, is not consulted. A step is taken, and from that flow many consequences, many of which are of the very greatest importance financially. I do not see how the Secretary of State can check that sort of action. These little wars may very often be checked at an early stage by giving some instruction to a subordinate officer; but when once an error is made, a number of consequences flow from it, and it is impossible to stop. Exactly the same thing happens in England.

13,534. (*Chairman.*) The only thing is, that we are not exposed here to the same number of small wars?—You have had a good many little wars during the last few years. I do not want to go into particulars, but I think you can remember cases where very important matters were settled without any official consultation with the Treasury.

13,535. Oh, certainly, and, as you say, very often one despatch will give a bias to all subsequent policy, which cannot be recalled?—What, no doubt, is most necessary is that everything should be done to give the Financial Member of Council early information of all that is going on. There, again, a great deal depends upon the Viceroy. When I was Financial Member of Council, I think I may say that I was certainly very fully informed of all the important acts that were going on in every department. If anything came to my own department which did not, under the regulations, necessitate a reference to any of the other departments or to the Viceroy, yet if I thought it important that the Viceroy or another department should be informed, I noted on the papers "to go to the Viceroy," or to the other department. The Viceroy in some cases marked papers to be circulated to the Members of the Council, as mere matters of information. That is one safeguard, and undoubtedly the more that system can be adopted of keeping the Financial Member of Council fully informed the better. In England, I read in the evidence that you mentioned in connexion with the Education Department, that important steps are sometimes taken without the Treasury being fully informed beforehand; is not that so?

13,536. Yes; I gave the education policy as an instance, in which important financial results may follow even here?—The system which is followed in England of keeping every member of the Government informed on foreign affairs is very perfect—more perfect than anything in India—that is, by the circulation of telegrams, with which you are acquainted, no doubt.

13,537. I think we may look upon one thing as inevitable, that the practical control of the Finance Minister is very much reduced—if it is not reduced to nil—if the Viceroy takes the side opposed to him?—Yes, very much impaired, no doubt; very much impaired.

13,538. And the supreme power of the Viceroy is the leading characteristic of Indian administration. Therefore, we may almost take it for granted that no rules of office could give the Indian Finance Minister a check over, or veto on, expenditure in opposition to the Viceroy. I mean we may put that aside at once as an impossibility?—Yes, I think so; but I think I should turn it another way. I do not think that any rules would do very much to help the Chancellor of the Exchequer in England, if all his colleagues were against him; is it not much the same thing?

13,539. The chief difference between the financial government of England and India, is this: the Chancellor

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of the Exchequer here has, either for or against him, Parliament close at hand; the discussions in Parliament are present not only to himself, but to all his colleagues. There can be no similar check in India?—Quite so; no doubt that is perfectly true.

13,540. With your knowledge of India would you say that this overruling power of the Viceroy is a necessity of our rule in India, and that it is a factor of administration to be accepted, without question?—That is a very broad question to give a "yes" or "no" answer to. I confess, broadly speaking, I should think it would be unwise to do anything to impair the power of the Viceroy; but it is really so vague a question that it is very difficult to give a distinct "yes" or "no" answer to it.

13,541. I am anxious rather to get the tendency of your opinion?—Well, the tendency of my mind—and I think the tendency of the mind of almost everybody who has been behind the scenes in India—would be that it would be unwise to impair the power of the Viceroy. I observe, as I say, that a good deal of this evidence is manifestly given under the impression of what apparently has taken place during the last few years. I do not offer any opinion upon that at all. Supposing certain evils have occurred during the past few years—let us assume that that is the case, I do not say that they have occurred—the maxim that hard cases make bad law would apply. It is a bad thing to change your system, because some particular evil may have been predominant over a short period.

13,542. I quite admit that the question put to you is a very broad one. The reason I put it is this; you will see from the evidence of such high authorities as Sir David Barbour and Sir Auckland Colvin, that, though neither suggests any remedy, yet they do think there is a weakness in the financial system, and that it should be strengthened from some quarter or other; and they point out that the position of the Finance Minister is very much impaired when the Viceroy is against him. When the Commission comes to consider that evidence, they must form an opinion whether there are any means by which on important financial questions the balance may be redressed in that case; but if such a high authority as yourself thinks it would be very unwise to impair the Viceroy's authority, it is rather important that we should know your opinion?—I think I should certainly stick to the answer that it would be undesirable on the whole—risk for risk.

13,543. Do you think that the composition of the Council could be advantageously changed?—I have got something to say on that point which, I think, is very important. All my experience in India and in Egypt also, has shown me the enormous importance of selecting the right man for the right place. It is, perhaps, more important in oriental governments, such as India and Egypt, than it is in England, though it is important enough everywhere. As the Commission are aware, the Indian Council consists partly of Indian officials and partly of Englishmen nominated from England. On the whole, that is the wisest composition I think that you can have. Both classes bring different sorts of experience to bear upon the different questions, and I should be very sorry to see that composition in any way changed; but there is one very important point to be noted, and that is, that it is more easy to get the pick of the Indian Civil Service into the Council than it is to get the pick of the English services, by which I mean not merely the public services, but the legal, and so on. It is more easy, I say, to get the Indian officer than it is to get the Englishman of equivalent ability. I am not quite sure whether I express my view quite clearly. The point is, I think, that the Indian civilian enters into his career young, and he looks forward to being appointed a member of the Council as one of the prizes of his profession. I do not know whether it is the case, but I should very much doubt if there is a case on record of any Indian civilian having refused to become a member of Council. The case is altogether different as regards the nominee from England. He is presumably a man between 40 and 50 years of age; he probably does not like the idea of going to India on account of the climate; most English people have rather an exaggerated idea of the evil effects of the Indian climate. Then he is probably married and has got children; he has to entirely change his private family life. He breaks off his career in England, whatever it may be, and when he comes back he is rather stranded. All that makes it much more difficult to get equally capable men from England than from India. On the other hand, I should say, there is, no doubt, a strong opinion among the natives of India that these appointments are highly paid, and that, in fact, many qualified men are looking out for them, instead of its being very difficult to find a qualified man. In my own experience I have exactly the same thing to deal with in Egypt. The real difficulty is to get the right man to take the place. There are always quantities of men who want the place, but who are not suited for it, that is abundantly clear; but there are very few who are qualified for the place; and, so far from these men being easy to get, exactly the opposite is the case. In Egypt we have solved the difficulty, the salaries there being lower than they are in India, by appointing young unknown men; and the system has worked fairly well. Of course, it is a very different thing getting a man who is young and unknown and has his reputation to make, from having to choose a man who is already half way up the ladder of his career, so to speak. I cannot say that taking very young men would do for India, because there are some appointments (one or two of which I have in my mind, such as the Legal and Financial Members of Council) of very great importance, in the case of which I think it would be too great a risk to adopt that system; but I do think that so long as the present composition of the Council remains, it would be almost worth while to do something to make the places of Members of Council, certainly in so far as those appointed from England are concerned, more attractive. They are becoming less attractive every day in consequence of the fall of the rupee. I think the salary is now 4,500*l.* a year for a Member of Council. The fact of its being so low, under all the circumstances, is just enough to make a capable man hesitate to go; and, certainly, it would be very well worth the while of the Indian Government and of the Indian taxpayer to pay a few thousands a year more, in order to get the very best men that can be got for the place. That I have no doubt about.

13,544. I rather understand the tendency of your answer to be, in the first place, that it is better to exhaust the Indian services, and that the Viceroy or the Secretary of State should satisfy himself that there is nobody fit for the place in the Indian service; that is to say, you give the preference rather to the Indian service?—Not quite. I do not want to draw any invidious distinction between men appointed from England and men appointed in India. We have had able men, whether they have been appointed from England or whether they have been appointed in India. Take, for instance, the Financial Member of Council; I should be inclined to say, appoint the best man in England or in India. I think it would be unadvisable to change the constitution of the Council to such an extent as to have it wholly composed of men of Indian experience with only the Viceroy with English experience. I think that would be going too far. The merit of the Council is, that it contains men of both Indian and English experience; they both serve very useful purposes.

13,545. Yes. Then the question I was going to ask you was whether you do not see an advantage in a certain strain of external blood coming in?—Most distinctly I do. Of course, the Member of Council appointed from England has the disadvantage of no local knowledge. On the other hand, the connexion with England is so close now, that it is a very desirable thing that he should have a certain amount of knowledge of the way in which matters would be viewed in England; that he should be more or less in touch with the views likely to prevail in Parliament; a number of considerations of that sort will suggest themselves to you.

13,546. I think, as a general rule, that appointments from England are confined to the Legal Member of Council and the Financial Member, are they not?—It was those two that I had specially in my mind. There are other appointments made from England, but they do not bear upon this question. The difficulty I see in the way of adopting my suggestion is, that it will be certainly very invidious to make a distinction in the salary. I know only one way of making a place attractive, and that is by increasing the salary; but I think it would certainly be invidious to make a distinction in the salary between those members appointed from England and those appointed from India. The difference in their position is, however, very great. The improvement need not, moreover, necessarily be in the form of salary; it might be in the form of pension. Men appointed from England have nothing further to look forward to, whereas the man appointed in India gets his salary and his pension afterwards. Their situations are wholly different. Then also, you remember, that some of the judges appointed from England have special terms as regards pension, just in the same way as the consular judges have special terms; that is to say, they enter with some 10 or 12 years' service to the good.

13,547. Quite so. I think the office of Finance Member of Council has been very evenly divided since its creation between members of the Indian Civil Service and men appointed from England?—I think it has. I do not want to lay down any principle that any special member of the Indian Council should be appointed from India or England. When you find a capable man, take him where you can get him. If the Financial Member of Council is appointed from India, I certainly think it is desirable to appoint the Legal Member from England. I think there should be an admixture of both elements.

13,548. If the Viceroy's tendencies are towards economy of course the power of the Finance Minister is established; and, if you are satisfied with the general rules under which the Finance Minister exercises his powers, there is nothing more to be said. But, of course, the Viceroy may lean in the contrary direction, and, if so, does that constitute a serious danger to sound finance?—I think I have already answered that question in the course of my remarks. No doubt nothing in the system of the Government of India, or of any government conducted on similar principles, can compensate for a want of frugality and thrift at the head. There can be no doubt about that. If the Viceroy, and the members of Council round him, are bent on economy, and are thoroughly frugal and thrifty, that tendency will percolate down throughout the whole of the service. Let me put an analogy of what is actually happening in Egypt at the present moment. My position there, as you know, is a very anomalous one, and cannot be defined nearly to the extent that the Viceroy of India's can; but I have not the least doubt that if I had persistently for the last 10 or 12 years exerted my influence, whatever I have, on the side of extravagance, Egyptian finance would not be in the state in which it is now. On the other hand, if I had never looked at anything else but the financial side, I should have very much discouraged the heads of other departments, such as the military, sanitary, and so on. It appears to me that the Viceroy should do something of the same sort in India. He should lean towards finance with a view to seeing that expenditure and revenue balance; but at the same time not lean to it to such an extent as not to listen to any but financial arguments; he should hold the balance with a bias in favour of economy.

13,549. My question was not so much directed to the fact of the Viceroy being economical, because the most economical Viceroy may, when a difficulty arises, especially a military difficulty, err in the direction of going too suddenly into extravagance?—He cannot help himself. Take an English analogy; Mr. Pitt conducted the longest war, and probably spent more money than any minister England has ever had; and all his tendencies were towards financial reform and economical administration.

13,550. Quite so. But I am looking for the possible remedy for the weakness of the Finance Minister; and supposing, we will say, that the Viceroy is very much impressed with the necessity of action which would involve expenditure, he, having that bias would hardly be the best interpreter of the arguments and opinions of the man who opposed him, would he? You would not choose the man who is opposed to you to interpret your arguments as a rule?—I do not quite follow the drift of your question. I can only answer it in this way: I would rather state my own arguments than allow anybody else to state them; I have no doubt about that.

13,551. I am leading up to this question, whether in your opinion it would be desirable that, when the Finance Minister and the Viceroy differ, it should be open to the Finance Minister, which I understand is not the case at present, to write and explain his own arguments to the Secretary of State, it being always understood that they pass through the Viceroy?—Yes, I fully understand your question now. I have given a good deal of attention to that point in reading through this evidence, because no doubt it is a point of considerable importance. Certainly every facility should be given to the Secretary of State to have at his disposal the opinions, not only of the Financial Member of Council but of every Member of Council, and, as the Commission are aware, each Member of Council now can write his dissent; but it has been objected, and I think there is some force in that objection, that that is a very formal means of bringing forward their opinions; certainly, when I was in India, it was very rarely used. I think Sir Donald Stewart will confirm me in that. It was very rarely used, and there was rather a disinclination on the part of any Member of Council to separate himself from his colleagues; the power to write a minute is, I conceive, used more as a protest than anything else. If there is the least difficulty about the Secretary of State obtaining the views of the Financial Member of Council, I think the procedure might be altered a little in that respect, but I certainly would not alter it in the shape of allowing Members of Council to write private letters; I think that is a bad form of procedure. Why should not any Member of Council who likes, write a confidential memorandum? As it stands at present a minute is a very formal affair; it may be published and laid before Parliament, and, no doubt, written under those circumstances, there are a good many arguments and many methods of putting the same subjects, which any official would rather hesitate to state fully when he knows that what he writes may be published. In the diplomatic service, for instance, if every single despatch or telegram sent by the various diplomatic agents to the Foreign Office were published, the government of the country could hardly be carried on. I should have thought, therefore, that the Members of Council might have the right of writing confidential memoranda, which should not be published without their consent. When I write anything to the Foreign Office and put "Confidential" on it, I know very well that it will not be published without my consent. I write frankly with all the freedom of a private letter, and it is very desirable, I think, that that should be allowed in India, so that the Secretary of State may be fully informed if a Member of Council disagrees with the Viceroy or with any of his colleagues or with the Secretary of State himself, which may certainly occur.

13,552. (*Sir Donald Stewart.*) Are there not occasionally departmental notes, which are not quite the same thing as the formal dissent?—Quite so; those are written with much greater freedom.

13,553. We used to call them initial papers?—Quite so; that system might be somewhat extended. In an official world like India, anything that can be done to get the officials to express their opinions before action is taken, and to ascertain whether they have any objections to make, is a very good thing; there is no doubt about that. I myself have served the Government a good many years. I think I have disagreed with almost every Government I have ever served; I have never found the slightest difficulty in putting my views before them.

13,554. (*Chairman.*) What you mean is that, in the discussion with the Government, you put fully before them the arguments that tell against every line that may be adopted?—Quite so. I have never found the slightest difficulty in doing so. I have served under Liberal ministers and under Conservative ministers, and I have always found them only too glad to have remarks, if put forward in a proper manner and with a certain amount of discretion; they are not intended necessarily for publication.

13,555. I understand that in your view it would be desirable that different Members of Council should have the opportunity of expressing their views in a form that would reach the Secretary of State under their own hand and in their own expression?—I think so.

13,556. (*Sir William Wedderburn.*) And these would be seen by the Viceroy?—Yes, certainly.

13,557. (*Chairman.*) That I think is deemed essential in all the evidence on that point?—I think nothing should be sent to the Secretary of State unknown to the Viceroy.

13,558. Do you agree with Sir David Barbour's answer to Question 1858, that the position of the Viceroy has tended to become more powerful, as time goes on, rather than weaker?—I noticed that answer of Sir David Barbour, and I confess I was rather surprised at it. I cannot say what has happened during the last 13 years, but I thought the opposite was the case. I always imagined that the telegraph had rather weakened the power of the Viceroy. I cannot say whether that is the case now.

13,559. (*Mr. Buchanan.*) I think Sir David Barbour was referring in that answer to "his authority inside his Council"?—I beg pardon, I misunderstood the question.

13,560. (*Chairman.*) I think there is other evidence which shows what is in his mind. He has spoken in one place—I think he was the witness who did so—to the effect that the great devolution of provincial affairs to the Provincial Governments has left the Viceroy a great deal more leisure to deal with questions of policy?—Yes.

13,561. That, I think, gives the clue to what he means by saying that the Viceroy is becoming more powerful?—I see.

13,562. But, so far as that is the case, that is rather an argument in favour of letting the views of the Members of

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Council percolate to the Secretary of State, is it not?—Yes. I think that anything that keeps the Secretary of State very fully informed must of necessity be a good thing.

15,563. You have already given us an opinion upon the difficulties caused to a Finance Minister by small expeditions, namely, that it is very difficult for him to see at the first moment what is coming; but do you think that full weight would be given by the Viceroy and the Council to the Finance Minister's plea for graduating expenditure or spreading it over some time—a sample of what is in my mind is, such a charge as that for frontier defences?—You are not speaking of wars?

13,564. No, I am not speaking of large expenditure, the policy of which is admitted. Of course, one knows that in every financial system discussion takes place when expenditure is undertaken. Supposing seven or eight millions have to be spent, if that sum could be spread over seven or eight or nine years, it could probably be done without adding to taxation under ordinary circumstances. On the other hand, the party who advocate expenditure are generally anxious that it should be incurred off-hand. Do you think that in the Indian system the Finance Minister's plea for not incurring a deficit would have sufficient weight attached to it?—I have already said that in my day I think the Council—every member of it—was very fully impressed with the weight of financial arguments, and I cannot say that I ever had what I may call unfair pressure put upon me to discard financial considerations; but, whether that will always be the case or not, it is quite impossible for me or anyone else, to say.

13,565. It seems to me an important question, as regards India, for this reason. The evidence has established to us the difficulties and risks attending increase of taxation in India, which are much more obvious than they are in England?—Manifestly.

13,566. Of course they involve such dangerous questions as those which have arisen recently between Lancashire and India. Would you say that some inconvenience, even some risk, ought to be encountered, in order to avoid raising such dangerous questions?—Broadly speaking, I should say yes; but of course it depends enormously what the risk is. I rather deprecate the view which is put forward in the evidence—and I must repeat this—that the Financial Member of Council must always take up the financial side of the matter, and that the Military Member of Council must always take up the military side of any matter. That is not what has always happened. I can say in the presence of Sir Donald Stewart that many of the military officers who were there when I was in India, were very deeply impressed by the great difficulty in Indian Government, namely, the undesirability of increasing Indian taxation; and their experience was of very great importance in connexion with financial affairs. Outside Indian experience, again, I come back to the point that it depends enormously upon the individuals.

13,567. Do you think that the presence of two military authorities in the Council tends to give too much weight to the military side?—The theory always was that the Military Member of Council was rather to act as a check upon any proposals for excessive military expenditure put forward by the Commander-in-Chief. That was the theory; was that not so, Sir Donald?

13,568. (*Sir Donald Stewart.*) Quite; they were supposed to be antagonistic?—I can quite understand that, if the two are fully agreed and the Viceroy backs them up, then it is a bad time for the Treasury.

13,569. (*Chairman.*) But on the whole would your experience be that that object was gained?—I do think, looking at it from quite a broad point of view, that in a small Council the presence of two military members is rather excessive; but I do not quite see my way to recommending anything better. You cannot possibly exclude the Commander-in-Chief from the Council, and I do not see how you can exclude the Military Member either. I do not see my way to change the present composition of the Council in that respect.

13,570. Did you yourself find that the supposed object was attained, and that the Military Member of Council was a check on the Commander-in-Chief in practice?—My Commander-in-Chief never wanted checking; that is the only answer I can give to that.

13,571. You will have seen from Sir David Barbour's evidence (Q. 1887) that he does not advise direct communication between the Finance Minister and the Secretary of State. At the same time he admits that there is want of close touch between the Financial Department in India, and the controlling financial authorities at home; do you agree with him on that point?—I think the answer I have already given about communicating with the Secretary of State rather covers that, does it not? I do not think I would encourage any further communication except that which I have indicated; that is to say, I do not think the writing of private letters between subordinate officials is a very good way of carrying on business.

13,572-3. I think Sir David Barbour had in his mind the possibility of strengthening the Council at home on the financial side, and I think that is what he meant by the rather singular expression that there is a want of close touch between the Financial Department in India, and the controlling financial authorities at home. Assuming that that is his view, do you think it would be possible to strengthen the financial advisers of the Secretary of State at home so as to enable him to be a more expert and instructed chief to the Finance Minister in India?—It is very difficult to answer a question like that. Certainly I think that it is a very desirable thing to have a certain number of members in the Secretary of State's Council who attach the utmost weight to finance. On the other hand—I speak under correction about the Secretary of State's Council, I have never had anything to do with it—I imagine that, if you appoint experts to a large extent in London, their tendency would be to govern India rather too much from England. Of course there will be objections to whatever system you adopt in these matters; that has always to be borne in mind; but I am very much impressed with the undesirability of endeavouring to manage India entirely from London, although I think there should be, in the Council, a certain element that will give very great weight to the larger considerations.

13,574. You have had a very large financial experience; do you not think there is rather too much tendency to lay stress upon what is called the financial expert? What is a financial expert?—Yes, I should think so.

13,575. The point is rather important, if you are considering the question of strengthening the council at home by financial experts, which I take to be a suggestion which crossed Sir David Barbour's mind. First of all, I am not quite clear what a financial expert is, and next, if you make up your mind, I doubt very much where you would find him?—There are two wholly different orders of ideas; that is to say, the financial expert, a man who understands accounts and the technical parts of finance; and the other, a man who has a financial head on his shoulders, who is fully convinced of this fact—that he must not spend more than he receives.

13,576. The last man is the one who is really of service as a financial adviser?—On the whole he is the most valuable no doubt.

13,577. And he must have common sense with a certain amount of experience?—I quite agree.

13,577*a*. (*Mr. Buchanan.*) Did not Sir D. Barbour lay stress upon this fact, that for a good many years past there has not been on the Secretary of State's Council any man who has been Finance Minister in India?—Is that the case? Was not Sir John Strachey in the Council for years?

13,578. His answer was that Sir John Strachey had retired?—Sir John Strachey was here for years; also General Strachey who, though not Finance Member of Council, yet had a very large knowledge of finance. I do not remember any other case.

13,579. (*Chairman.*) Did not Sir John Strachey precede you, Lord Cromer?—Yes, he preceded me; he left India in 1880.

13,580-1. In answer to question 2176, Sir David Barbour made another suggestion; he threw out the idea that questions of expenditure might be referred to the Minister of Finance and two other officials specially appointed for the purpose. I really do not know that he laid great stress upon that, but we were rather pressing him—as he had experience in the practice of financial control—for remedies?—In Egypt we have got a little committee, just of this nature, which is useful; but I think the circumstances differ so very much from those in India that I am not quite certain that it would be of the least good to apply such a system to India. In Egypt there is a small Committee, consisting of the Finance Minister, the financial adviser, and a few departmental officers, most of them in the Finance Department, who, before any financial proposal comes before the Council of Ministers, examine it and make their report. They have done rather well. The conditions of government in Egypt are such as I need not

dwell upon just now. But at any rate they are so different from those of India that I do not think the same system could be applied.

13,582. (*Sir Donald Stewart.*) Would not the value of a suggestion of that sort depend on the men composing the Committee?—You can never get out of that; that is what we always come round to.

13,583. (*Chairman.*) I do not quite see the advantage of that. This small council would stand outside the Indian Council; would it carry any more weight than the Indian Council?—I do not advise it; I do not see the object of it.

13,584. You have already given an opinion which answers this question, but I should like to recite it to you from Sir David Barbour's evidence. He sums up his comments on Indian finance in his answers 1928 and 1929: and I think he considers the chief weakness of Indian finance to be that there are too many officers among those who make and direct policy, interested in efficiency—that is, in expenditure; too few who give attention to finance, and who therefore know and appreciate the instability of Indian finance; have you any comments to offer on this point?—Throughout this evidence there is always the contrast made between economy and efficiency. It never seems possible to anybody that economy and efficiency could go together. I have sometimes found the most economical administration also most efficient. That is by the way. I have already remarked, with reference to the evidence of Sir David Barbour, that I rather demur to the view that the Council consists of a number of high officials, who merely represent their own departments and nothing else. If that is what they do, then they do not fulfil what appears to me to be their duty. I think they should rise rather above the departmental view, and look at general interests; they should, in fact, to a certain extent, keep the purely departmental view of their subordinates in check. No doubt, as probably nobody knows better than you do, in every department of every Government that I have been associated with, there is a strong tendency for one department to regard every other department as a hostile foreign power. That, no doubt, is a tendency which exists in every Government, is it not so? It is the business of the head of the department, now and again, to keep that in check, and not to allow it to go too far.

13,585. Sir David Barbour lays stress upon the point. There is evidently a difference between the experience of different Finance Ministers?—Certainly it is rather different from my conception of what the Council has got to do; and I do not see what remedy you are to apply, supposing the state of things to be what Sir David Barbour says, because, as Sir Donald Stewart remarks, it always comes back to the individual; the moral of the thing is, choose your individuals well. Outside that I do not see very much what ought to be done. Of course, I am not saying that the Members of Council perform their duties badly, not in the least.

13,586. Oh, no. Now, passing on from that general question to some of the minor points of Indian finance, are you an advocate of the provincial system of finance, and would you extend it?—I certainly think it is a most admirable system, I mean the system introduced by Lord Mayo and extended by various Viceroys. It has a great many merits. There is the purely financial merit, of decentralizing the administration and relieving the Government of India of a great deal of work. It is perfectly impossible for one central authority to enforce economy over a whole continent like India. As you know, the control, under any system, of the expenditure of such large sums as pass through the English and Indian treasuries is a matter of very great difficulty. I think that should be borne in mind. The most economical administration I have had to deal with is the Egyptian. The reason is that we have 5,000,000*l.* of money to spend, and not 50,000,000*l.* It is a very different thing to control 5,000,000*l.* from controlling 50,000,000*l.*; therefore I think the provincial system is an admirable system. Moreover, it interests the provincial authorities in economy. Then, moreover, it has been combined with a system of local government in the municipalities and rural districts, which brings in the natives of India and interests them in administration, and, therefore, from the political point of view, I think it is a very wise system.

13,587. It has been represented to us that one great financial result has been gained, which was Lord Mayo's object at the time of adopting it, namely, it interests localities, first of all, in the better collection of revenue, and next, in more careful expenditure?—Most distinctly; but when I am asked whether I would like to extend the system, I really have hardly sufficient recent knowledge of Indian affairs to know whether it should be extended. I have often tortured my brain to find out—I daresay you have done so too—whether that system of interesting spending authorities in economy could not be applied to the spending departments of the army, and so on. If one could once find out the secret, whereby the spending authorities themselves would benefit in some way by any economy, a great many financial difficulties would be solved. I have often thought over that matter, but I have been unable to solve it.

13,588. But I believe the cheapest method of military administration, if we could get the bargain adhered to, would be to give the military authorities a certain sum and let them lay it out to the best advantage?—That is the Treasury view. I do not like that system. The fault of the English system and of the Indian system too, is that it looks too much to the amount spent, but not enough to seeing that the money is well spent; and sometimes certainly it is not well spent.

13,589. But at all events, if the military authorities know they had got a limited sum which they can lay out practically as they please, that is the best incentive they can have to economy?—In some respects that is the system adopted in India in the case of the military works. They get a crore of rupees a year, do they not, Sir Donald?

(*Sir Donald Stewart.*) Yes; a crore.

13,590. (*Chairman.*) At present there is a power retained by the central government in the case of an Imperial emergency of retaining, or withdrawing, a portion of the money that has been granted to Provincial Governments. Do you think it is a necessity for the Indian Government to keep such a power in its hands?—I am afraid it is, though I think it is a power that should be most sparingly used, because naturally, when the Provincial Government by virtue of its own good administration has got together a surplus, to have it taken away for some Imperial purpose takes away all incentive to economy; you strike a blow at the root of the whole system. That power must be reserved for any Imperial emergency which may occur, but it ought to be used very sparingly.

13,591. It has been used, as you are aware?—Yes.

13,592. But I think it has been used in the spirit of which you speak, because, if I read aright the financial proposals of the present year, this being a year of prosperity, the intention is to replace, or to replace to a very great extent, the sums which have been temporarily withdrawn?—I am very glad to hear it.

13,593. That would be in the sense in which you would wish?—I am very glad to hear that that has been done.

13,594. You are aware that in this country the Chancellor of the Exchequer conducts his business in constant communication with the heads of the Revenue Departments. He can therefore obtain without delay the most minute and complete information on all subjects which require his decision. The Indian financial system does not centre revenue administration in departments at Calcutta. Did you as Finance Minister experience any inconvenience from not having skilled advisers like our chairman of the Board of Inland Revenue or Customs at hand?—No; I do not think so. I always had very able secretaries, and a very able Comptroller-General; I was always able to get any information I required from people who were thoroughly qualified to give it; I do not think I suffered any inconvenience from that.

13,595. First of all, you never had what we will call the Chairmen of the Inland Revenue and Customs by your side, whom you could summon daily to your council?—I was partly instrumental in doing away with the Customs; there was none left.

13,596. You have known, I daresay, several of those officers of the French Government, called *Inspecteurs Généraux des Finances*?—Yes.

13,597. M. Bligniéres was one?—You are alluding to a remark which was made in the course of this evidence. I have been brought to a certain extent into connexion with the French system, but not, I think, to such an extent as to be able to give an opinion. We have in Egypt inspectors of finance, but they are quite subordinate officers, and hardly fill the same position as the high officials of the French Government. Inspectors of finance in Egypt are merely sent, if the land revenue is in arrear in any province, to see what is the matter, and so on. They are not nearly such high officials as the French *Inspecteurs Généraux*. Whether the French system could be used in

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India I do not know enough to say. It might tend to create a good deal of friction.

13,598. You have got, not a country, but a continent in India, for the finance of which you yourself for a time were responsible. I should have thought there was a great deal to be said for a system by which you would be able to send what may be called *legatos a latere*—which I understand to be the *Inspecteurs Généraux* system—into a particular district to inquire into matters and obtain information?—The interest of the central government in provincial finance has been so diminished that I hardly think that would be necessary. I will tell you what I think might be done. The Provincial Accountants-General might be utilised to a greater extent than they are now, which would rather answer the same purpose. At present the Provincial Accountants-General are used entirely as Accountants-General and nothing else whatever; they are not in any way used to advise on financial matters. All the detail goes through their hands, and they are thoroughly competent to advise on financial matters, and I think their advice might be utilised as to where economies might be made to a greater extent than at present.

13,599–600. I think we heard that the Provincial Governments do constantly avail themselves of their advice?—Yes, but that rather depends on the discretion of the Provincial Governments, does it not? I think something might be done rather in the way of systematising that practice, and using their advice more than is now done. That would rather answer the purpose of *Inspecteurs Généraux* without appointing any further officials.

13,601. Quite so. I happened to be thrown across several of the *Inspecteurs Généraux*, and they always struck me as being very accomplished men in their profession?—I have seen many of them: they are very able men. The French administration is extremely intelligent. You must always bear in mind, from what I have seen of French methods, that there is one very great vice in the French system, which is that it tends to multiply *employés* very much—that is a very great fault.

13,602. The point that occurs to me in connexion with this point is the immense field over which the ultimate responsibility of the Finance Minister extends. If he is to completely and efficiently discharge his duty, does he not want some assistance, which would enable him, as it were, to see through his own eyes, or rather his lieutenant's eyes, what is going on in a distant province?—I say that, if that is to be done at all, it had better be done through the Provincial Accountants-General; but great care must be taken not to have constant friction between the Provincial Accountants-General and the Provincial Governments.

13,603–4. You remember the mistake that took place on the Afghan estimates?—Yes.

13,605. Are you satisfied that the precautions taken after that event are sufficient to prevent recurrence of such errors?—I think so. I was instrumental in introducing that change and received very great assistance from Sir James Westland, without whom I should not have been able to do it at all. Under that system, within ten days of the end of the month, a short account—the major heads of account—was submitted, showing how the money was going out; and also there was a rough estimate made at the beginning of the year of how the revenue and expenditure should stand at the end of each month. I was able, therefore, to compare the actuals with the estimates, and keep very well *au courant* with what was going on.

13,606. In fact, within eight or nine days of the end of the month you were practically well aware of what the outflow of money was?—I do not think that under the present system such an error as occurred in 1880 can possibly occur again.

13,607. Would you prefer the Budget being made up after the close of the financial year, so as to present for the expired year an actual instead of an estimated result?—I should think that would be inconvenient, because, if there are any fiscal changes, they can hardly be brought into operation until the Budget is brought out; therefore I think it would be more convenient to do what is done in England, which is, to bring the Budget out very shortly before the close of the financial year.

13,608. Our budget is brought in after the close of the financial year?—If you have fiscal changes?

13,609. No. Of course, in all cases there are exceptions, but the exceptions are very few?—Do you make your change retrospective then?

13,610–1. No, prospective. A change that takes place is made to date from the beginning of the financial year?—Say you bring your Budget out on the 15th April, and you have some change in the customs?

13,612–3. That change only dates from the passing of the resolution?—Then you lose a few days' revenue. I think I should prefer to do it a little before, so as to get my whole revenue. As Finance Minister I should not like to lose 10 days.

13,614. Perhaps you would not lay the same stress upon this point which I am going to name. When once the year is closed, according to the English system, which is founded on Exchequer issues, not upon actual expenditure, the Chancellor of the Exchequer lays before the country, not what is called in India the revised estimate, but what, for the purpose of the Budget, is an actual account. So much money has gone out of the Exchequer and that is the account for the year. This could not be done in India till a fortnight after the end of the year?—A fortnight is a very short time. It would naturally take longer in India than in England. The country is so very large and local accounts would have to come in. I hardly think it would be done in a fortnight, but a short delay would enable that to be done very well. I do not see any very great object in making the change.

13,615. Perhaps it is more a theoretical than a real object. There has always seemed to me to be a financial objection to a great number of re-calculations of the same account. You, first of all, have in India your Budget estimate; then you have your revised estimate, which is mentioned in the Budget?—And then you have your accounts.

13,616–7. Your revised estimate, which is drawn upon the principle described to us—upon careful lines—is very different from that account which comes out perhaps three months later, or whatever the time may be—which is the actual account?—There are three different statements—the estimates, the revised estimates, and the accounts. But is there any very great practical inconvenience in that?

13,618. Well, if in the Budget, which is brought out, we will say, at the end of March, and, as happens, has been drawn carefully, a surplus of, say, 200,000*l.* is estimated, whereas in the actuals, which are brought out a little later, the surplus is turned into 600,000*l.*, it has the defect, has it not, of putting before the people a number of different accounts or estimates for the same period?—You mean, the disadvantage is with reference to the public understanding?

13,619. Yes, that is the only point. Of course, officials can understand it.

(*Sir Ralph Knox.*) You must have the actual account.

(*Chairman.*) That comes later.

(*Sir Ralph Knox.*) But you must have that; that is the real account, is it not?

(*Chairman.*) That is the eventual account.

(*Sir Ralph Knox.*) You must have that.

13,620–1. (*Chairman.*) We do get here the actuals. But it is only the experts who care about the actuals. They are dealt with by the Comptroller and Auditor-General in his appropriation account. The actual expenditure of the year goes before the Committee on Public Accounts; but inasmuch as it refers to a past year nobody outside experts cares anything about it so long as there are no irregularities. The only thing the public care about is that on the night of the 31st of March the accounts are made up and there is a definite and final account of the Chancellor of the Exchequer's expenditure and revenue for the year?—I quite understand as far as making the public understand; but, until we can get rid of the item in the Indian account, "Local and provincial surpluses and deficits," it will be almost hopeless to get the public to understand Indian accounts; I have never got anybody to understand them.

13,622. On the whole, we are rather making a theoretical criticism?—I do not know whether you know that item in the accounts of which I am speaking.

13,623. Perhaps you will explain it to us?—I do not want to go into a long story about it; but it is an item which is necessitated by the provincial system and which has to be brought in in order to show what is the general result, after the adjustments have been made with the Provincial Governments.

13,624. That must take time?—It does not take a very long time, but it is confusing, being a most difficult thing

for non-experts to understand. It was a good deal misunderstood in Parliament; and on one occasion I took an immense amount of trouble to write a memorandum explaining the figure and I gave it to one or two people, who had no knowledge of finance, with a view to seeing whether they understood it; and I found that they did understand it. But when it came to be discussed by a leading member of Parliament with large Indian experience, I found he did not understand the A B C of it. That shows how very difficult it is.

13,625. Is it in your opinion an absolute necessity that this adjustment should be stated?—I am afraid it is.

13,626. And in this form?—I am not an accountant sufficient to say that, but I am afraid it is a necessity. However, that is by the way.

13,627. Did you consider that the organisation of the Audit Department was complete when you were in India?—On all that branch of the question my evidence is very much less valuable than that of others that can be obtained. I have never professed to have a technical knowledge of accounting and audit. I should say the system was a good one, and I am certainly not able to point out any faults. But, on the other hand, if experts—particularly those in India, who have had experience of it—can show any means by which it could be improved, by all means let it be done. There is one important point which I see is noticed, that is, the question whether the Auditor-General is independent. That is a point to which, I know, great importance is attached in England. I think that the evidence of the Auditors-General themselves would be most important on this point. I do not know who is Auditor-General now; but if Sir James Westland and others were to say that they were at all hampered by the fact that they were not quite independent of the Government, by all means let them be made independent. If there is any doubt, or if they have any feeling that they are hampered by the fact that they are not quite independent of the Government, they can express their opinions.

13,628. We have had Mr. Jacob over here—the present Comptroller and Auditor-General?—What are his views on it; does he think that he is hampered?

13,629. Oh no, he does not think he is hampered; but the Indian official would take a different view of that from the English official. Possibly it is because the system of the independent auditor has not been introduced in India. What strikes the English official in considering the question is this, that the Indian Comptroller and Auditor-General is in many respects also an executive officer of the Treasury. *Quâ* an executive officer of the Treasury, he is in consultation with the Finance Minister, it is to be supposed. In fact, I think he occupies the position of the second officer of the Treasury. It is very difficult for English officials to understand how a man engaged in executive work and partially responsible for many of the executive decisions, can possibly be an independent man, if a question arises which involves the action of his chief, or action on which he has advised his chief. It is impossible for him to be a good critic?—If there be any doubt on the subject, let him be made independent. I should hardly think it is worth while incurring any expenditure for the purpose, but if there be any doubt on the subject, let him be made independent; there can be no objection to it whatever.

13,630-1. I do not think the Indian system has realised up to the present, a state of things, which, I think, has been realised here, namely, that there is a great officer—a Parliamentary officer—outside the executive government, holding office under tenure very similar to that of the judges (he can only be removed by an address to both Houses), who has access, first of all, to the accounts and then to the books of every department—a perfectly free hand—and it is for him to report to Parliament any irregularities that have occurred in the period of the account. On every vote he makes a report. Of course, when things are working well, the greater part of his report is a report that all is orderly. But any irregularity, any case in which the vote of Parliament is exceeded, or Parliamentary powers have been exceeded, or if the assent of the Treasury has not been obtained in those cases in which it ought to have been obtained, he is quite certain to note; and his reports are referred to a standing committee of the House of Commons, which takes in succession every single item on which an irregularity has occurred and judges it. The consequence is that Parliament at least has the satisfaction of knowing that it has the report of the examination of an independent officer upon every detail of expenditure, and its own committee judges whether the irregularities to which attention is called, are such as may be passed by, or whether they require more grave notice. In one or two instances, in one instance certainly, this was a means by which a very grave irregularity in English administration was detected, which I think otherwise would not have been detected for a long time. And the system certainly now works here, I think I may say, to the general satisfaction of Parliament. Well, I do not think that that end is attained by the Indian audit system. The reports of the Comptroller and Auditor-General read to me more like financial reports—such reports as a Minister of Finance might make, reviewing the total income and expenditure of the year simply. That is not what you want from a Comptroller and Auditor-General. You want him to tell you merely that the expenditure has been orderly, that it has been incurred under due authority, properly vouched, and to report any irregularities?—I do not think that my opinion on any of those points is of very much value. If there is any idea in the opinion of competent experts that the Auditor-General's position should be changed I can see no sort of objection to its being changed. I rather deprecate the view taken in England sometimes that these systems of audit, and so on, can do more than is actually the case. At present over and over again waste takes place in spite of the most elaborate checks to prevent it. On the other hand, I have seen economy introduced without some of these very elaborate systems. My experience rather leads me always to come back to Sir Donald Stewart's principle, that it depends on the economical mind; that is the main thing.

13,632. I think you would agree, would you not, that you must have a properly devised system of examination and check, that acts independently of the man?—Certainly; I do not want to have no system; still I think it is a mistake to attach too much importance to it.

13,633. (*Sir Donald Stewart.*) Is it not your experience of the Audit Department of India that it is satisfactory?—I think so. I had any instances of violation or evasion of rules communicated to me by the Financial Secretary and others; it is their business to do that. It is sometimes the business of a Member of Council to break the rules, or rather, when I say break the rules, I mean to take rather a less stringent view of them than his subordinates.

13,634. Of course, the idea of a system of audit is that it is a check, not only on the lowest clerk, but on the Minister himself?—Certainly.

13,635. (*Chairman.*) And acts exactly the same with the Minister as with one of his subordinates?—Certainly.

13,636. I think your view of the audit system is probably rather different from that to which we have been educated. I should not quite agree with you that the audit system here is thought to be capable of doing anything more than any audit system can?—It checks irregularity, but it does not ensure economy; is not that your view?

13,637. I think no person who knows anything of the working of the system here, would hold that it has anything to do with economy?—It ensures regularity, that is your point.

13,638. That is all, but is not that the most important thing in the world?—Well, all I say is summed up in this—if the Indian system is considered by experts to be not independent (and their opinion is much more important than mine on a subject of that sort), by all means let it be altered; there can be no objection to that in the least.

13,639. Allowing the desirability of detecting and reporting irregularity—that is to say, bringing it to the knowledge of high authorities—do you think that there would be any advantage in submitting the reports of the Indian Comptroller and Auditor-General, drawn in the form I speak of—that is to say, noting all irregularities, not to a committee of the House of Commons—because you could not have the witnesses over here—but to a committee, we will say, consisting of members of the Council of India here, with perhaps one or two independent persons on it, who, every year, would go through these accounts and make their report upon them, which might be laid before Parliament?—There can be no sort of objection to that.

13,640. It would tend in the direction of securing that which I think we all feel has been a great advantage gained during the last 30 years in England, namely, the certainty we have that irregularity will be detected and denounced?—There can be no sort of objection to it, certainly. I doubt whether it will do very much good, but there can be no objection to it.

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13,641. We have had evidence upon the apportionment of the home charges for the Queen's troops serving in India; that is an old story, and probably has not been recently in your mind, and I would only ask you if there is anything you would like to say upon it?—I am hardly in a position to answer in detail upon all these series of accounts, though I used to be pretty well up in the question at one time; I have not looked at it for years past, and it has gone out of my mind. I have something to say generally on the home charge.

13,642. That is what we should like to hear?—My view of the question of the home charges is this; I believe there is a very general wish in this country, in Parliament and amongst Ministers of whatsoever party, to deal not only justly, but even generously, with India; but I think it would be an extremely good thing if you could arrange in some way a court of arbitration to deal with these matters. It is not only that the settlement should be just, it is of the highest importance that everybody in India should think it is just, not only the natives, but the European public, who have also to be considered, and the Government of India themselves. Under the present system, although I am not alluding to any special point, or saying that the distribution has been unjust, there is no means of making the people in India think it is just. It is supposed to be arranged between the various departments and the India Office, and the general impression, rightly or wrongly, is that the English view is advocated with greater strength, and more successfully, than the Indian view. Whether that be right or wrong, the mere fact that such an opinion exists is an evil, and therefore I should be very glad indeed if something could be done to have some court of arbitration to settle these matters. That is all the more desirable, because a great many of these matters must be rather the subject of equitable compromise than anything else. Take the case of Aden, to which somebody alluded in the course of these discussions; it is perfectly impossible for anybody to make any precise calculation as to what contribution India should pay for Aden. India is very much interested in Aden, and so are Ceylon, Hong Kong, and the Straits Settlements and English commerce generally. It is a matter of judgment how much India should pay; and it would satisfy Indian opinion, and do a great deal of good in that way, if there were some court of arbitration instituted to settle these matters.

13,643. The point you raise seems to me a most important one; but that leads to the consideration that you have so much relied on, namely the man; and I would ask you with reference to that, whether you are aware of the great difficulty that has existed in the last 10 years, even with the best will in the world between the Indian and English Governments, of choosing an arbitrator. Probably you know that that has been the case?—Yes.

13,644. There has been very great difficulty in finding men of high position and experience who would undertake the task. May I ask you whether you do not think that the best man into whose hands to put the arbitration would be a judge, who would be accustomed to deal with evidence, and who from his training, directly he got into his judicial chair, would look upon things without any party feeling? I should say certainly the judicial element should be brought in; but did you contemplate having only one arbitrator, or a board of arbitration?

13,645-6. Well, this question has hardly been discussed. I have for a long time, from my Treasury experience, been convinced that there can never be a satisfactory arrangement between England and India until you have a tribunal of arbitration. Whether that should consist of one man, or whether it should consist of two or three, is a matter for subsequent consideration. But I have been struck, knowing that the Secretaries of State for many a generation were anxious for an arbitration, with the length of time that has passed in discussions as to who the arbitrator should be; therefore, I should like myself that the person or persons should be definite, not chosen *ad hoc*?—A permanent board.

13,647. A permanent board?—Quite so; that is my view.

13,648. And, when any question arises between the two Governments, it should as a matter of course, be referred to the tribunal—I am now speaking of my own view?—That is quite my own idea; I think I should have more than one arbitrator, I should have a permanent board consisting of three or five people; the whole of the case should be prepared by the particular office, say, by the War Office on the English side and the India Office on the other side; the two stories might be given to the arbitrators, who should have power to hear evidence, and they should give their award. I do not think it should be extremely difficult to find the proper arbitrators. I quite share your view that the judge element would be an admirable component part of the board. Whether it should be exclusively judicial is another matter. I should imagine that in the House of Lords there are men eminently qualified for work of this kind, men not very much associated with party in any way; but after all these matters are a good deal outside party.

13,649. I remember discussions as to the arbitrator in two or three different cases. The Duke of Devonshire was asked in one case. He accepted, but afterwards found it impossible to carry on the arbitration. Lord Rosebery then undertook the task, but had to resign it on taking office. Thus on every occasion there has been great difficulty in securing an arbitrator that would be satisfactory to both parties; that is why I lean to the judge?—I would rather have a permanent board of three, or, if you like, five men. Three men, I think, would be enough, of the nature of Members of the House of Lords, or men of that stamp; I should utilize the judge element to a certain extent most distinctly; it would be rather desirable if you could get men with no very special connexion either with India or with the English Treasury, if you could find them—good business men.

13,650. (*Mr. Buchanan.*) Would you give power to either party to refer any question on which there was apportionment of charge to the board of arbitration?—I think I should. I should make them the court of appeal; in fact, I almost think they ought to be constituted by Act of Parliament with the necessary powers laid down specifically.

13,651. Something like the Judicial Committee of the Privy Council?—Very much of that nature, yes.

13,652. And when a question arose between Home Departments and the Indian Government as to the apportionment of any charge, would you give the power to either party to refer it to the board of arbitration, or would it necessarily go there?—No; I think I would give either of them the power of referring; of course, restricting myself to financial questions—nothing else but pure finance.

13,653. And in regard to these charges which have permanently to be apportioned between England and India, the military charges, and the capitation grant, would you say that they, at intervals of five or ten years, should be referred to this board of arbitration?—I think so. My inclination certainly would be to give the utmost possible guarantee to the Indian taxpayers and the Indian public, that all these questions are decided by some body of men who are quite independent, and who are not in any way biassed against them. I repeat that I am not saying that in the past the decisions have been unjust, but what I want is to satisfy the Indian public that that is not the case, which I think is of great importance.

13,654. And you think it would be of great importance as regards public opinion here and in India, if you could assure the public that, with regard to charges for expeditions outside India, in the future the division of these charges would be submitted to the approval of some such tribunal?—I think it would be a wise measure.

13,655. And on that account you particularly urge it?—I do not want to make any particular allusion to recent events, which I would rather not go into; but I am talking of the question generally.

13,656. (*Chairman.*) Of course, there is one point to be taken into consideration. You say you would confine the arbitration purely to the financial question, not the policy; but supposing that Indian troops were lent for Perak, the arbitrator would have to judge to a certain extent what interest the two countries respectively had in this expedition. To that extent he must judge policy, must he not?—My view was more based upon the division of these permanent charges, military, naval, and so on; it was more with reference to those than with reference to the question of these expeditions.

13,657. In fact my questions to you were addressed to that point. It was Mr. Buchanan who very rightly brought in this further question of what was to be done in the case of expeditions?—I confess I did not quite understand the bearing of the question of Mr. Buchanan at the moment; that is going a step further. It is a serious question to consider whether you could hand over to the board of arbitration to decide on the political interests

that India has in any particular expedition, whether it be to Perak or anywhere else. That is going a step farther.

13,658. (*Mr. Buchanan.*) But would not the two sides of that question be set out in the cases which would be presented by the two Governments, or Government departments, appealing for arbitration?—Then that is constituting a board to decide a political question, which is more in the province of Government and of Parliament, is it not? I have not considered this sufficiently to be able to give a matured opinion, but my particular proposal was more with reference to the apportionment of the permanent charges. The other point requires rather more consideration than I have given it yet to enable me to answer it very definitely.

13,659. Still it is within your knowledge that the division of charges with regard to these expeditions has given rise to a great deal of dispute and difference of opinion, and probably dissatisfaction; would it not, therefore, be eminently desirable, if we are to have this board of arbitration, that it should deal with these very difficult cases, which give rise to most difference of opinion?—I do not say the contrary; but to tell the truth I have not considered the subject fully enough to give a decided opinion upon it one way or another, because it opens out very difficult elements for discussion. *Primâ facie*, I do not see why something of the sort should not be done; but I have not considered that point sufficiently.

13,660. (*Chairman.*) I think we can draw a line between the two cases. We know the case of the permanent charges; and the first point is to get a satisfactory tribunal, such as you have spoken of, which should deal with these questions, which are purely financial questions. When we get beyond that, though it may be desirable to adjust such an important question as that connected with the financial share of the two countries in an expedition, still we are stepping there a little bit beyond pure finance, and it will have to be a matter for subsequent consideration?—Exactly; that is my view.

13,661. (*Mr. Buchanan.*) May I put it in this way. I suppose, Lord Cromer, you would acknowledge, and I should certainly, that there is a distinction to be drawn between permanent charges, such as the military capitation grant, and occasional charges for expeditions outside the frontiers of India; and that under the Government of India Act there is a tribunal, so to speak, appointed, by which the apportionment of these latter charges has to be sanctioned by resolutions of both Houses of Parliament; and I suppose, you would agree, on the whole, that that tribunal has not very efficiently discharged its duty?—I am not quite certain that I know what you are alluding to.

13,662. Under section 55 of the Government of India Act, wherever any money is to be expended outside the limits of India, there is a necessity of getting a resolution of both Houses of Parliament to confirm it. To a certain degree we may look upon that, may we not, as a court of appeal in these cases?—Yes.

13,663. Well, what I wanted to say was this; supposing we could establish a board of arbitration for dealing with the less difficult, if more permanent, charges which had to be apportioned, would it not be a good thing too if we had the power to assign to that board of arbitration the determining of those more difficult charges of expeditions?—I am not prepared to say that you ought not to have it; as I say, I cannot give a very definite answer to that. I have not thought over the question sufficiently, and it is a very difficult question. Moreover, the cases you have mentioned are the exceptional instances, whereas the really important thing for India are these permanent charges, which are with them always.

13,664. From the point of view of the effect on public opinion, would you say so?—No; the money is one thing and the sentiment is another; and, as an ex-Financial Member of Council, perhaps I may be pardoned if I look more to the rupees than I do to the sentiment.

13,665. (*Sir William Wedderburn.*) May I ask if your idea, as regards the tribunal of arbitration, is that that tribunal is to make a recommendation to the Crown, or to make a final decision on the question; which was your suggestion?—My view, within the limits which I have described, and not dealing with the quasi-political point we were discussing, was that it should give a final award, which should be binding.

13,666. Because, supposing the suggestion of the Judicial Committee of the Privy Council were accepted, the form in which they make their recommendation is a recommendation to the Crown?—The recommendation of the Judicial Committee of the Privy Council has all the weight of a decision of a court of law; is not that the case?

13,667. Yes, that is as regards judicial matters?—The recommendation to the Crown is a mere matter of form, is it not?

13,668. I was only dealing with the point, whether in these financial questions that form might not be usefully retained, leaving it to the Houses of Parliament and to the Government finally to decide upon these questions, because otherwise you are taking away the authority of Parliament, and delegating it to a separate authority?—But as regards the analogy, has it ever been heard of that Parliament or the Government interfered with the judicial decision of the Judicial Committee of the Privy Council?

13,669. No, but under the Act which constitutes the Judicial Committee of the Privy Council, the Crown has power to refer any other matter besides judicial questions to the Privy Council?—I see.

13,670. And in those cases which are not judicial, which would be financial, I was only suggesting that the report should be laid—of course, with all the weight that such a tribunal carries with it—before both Houses of Parliament, in order that the Government and Parliament might have a proper responsibility in the matter?—You are getting on to ground now on which my opinion is of very little value. I have never been in Parliament, and I am not in touch with these matters; but I certainly should not give the executive Government the power of overruling the award of the arbitrators. If done at all, I think it should only be done in virtue of a resolution of the House of Commons or both Houses of Parliament.

13,671. (*Sir Edward Hamilton.*) That is practically the same?—Well, hardly, because it is one thing to do a thing by the power of the executive Government, and another thing to get a vote of the House of Commons about it.

13,672. (*Chairman.*) Must we not bear in mind, when we talk of reference to the Judicial Committee of the Privy Council, that the important practical point is this; many questions would arise from time to time, such as would not occupy a tribunal for a very long time; the principle that we want to establish is that either the Indian Government, if it does not come quickly to agreement with the Imperial Government, or the Imperial Government, if it cannot get the Indian Government to assent to its terms, should have the power of going at once to a tribunal; but to put all the machinery of the Privy Council, its judges and counsel, and so forth to work to settle whether India should pay two or three consuls, or a share of the pay of two or three consuls, might be too much a case of using a Nasmith hammer to crack a nut?—I did not understand Sir William Wedderburn to suggest that the Privy Council should take all these matters into its consideration and deal with them; what I understood was that he was using the Privy Council as an analogy.

13,673. (*Sir William Wedderburn.*) No, I was actually suggesting that these cases should go to the Privy Council?—I beg your pardon: I misunderstood you. I think that suggestion is open rather to Lord Welby's criticism. My opinion is that there should be a board of arbitration which should consist of, say, three or five people; the actual composition and powers would have to be fully considered. I should give them very ample powers, and I should certainly not let the executive Government of the day overrule their award. That is the main thing.

13,674. (*Chairman.*) I think that, if the obligation of reference to the tribunal ought only to be withdrawn on sufficient notice, the decisions of the tribunal would be binding on both sides?—Quite so, and I would allow both sides to plead before it. The point, as I have said, to which I have not given much consideration, is as to how far I should submit any political considerations to it.

13,675. There is only one other question I want to bring before you; very possibly you may like to make remarks upon it. You are aware that as between England and India (without taking any special case into consideration) a question has repeatedly arisen as to the loan of troops. It is an important question for India. I do not know whether as an old Finance Minister of India you would like to express any opinion upon it. The arrangement hitherto has been that India lends troops, and in a great number of cases, so long as she is put to no extra expense, she does not charge the Imperial Government; but, of course, then comes the question under what limitations is that part-

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nership to be established; and I think it has been more or less understood that the determining principle has been that India has an interest in the expedition?—Will you allow me for one moment? I am afraid I cannot go into this matter, because it has been a burning question lately, and perhaps it is not all over. I have been concerned in it, and, therefore, I would rather not deal with that point.

13,677. (*Sir Donald Stewart.*) I presume the cases that would be submitted to this court of arbitration would only be disputed cases in which the two governments could not agree?—Quite so; there would be no necessity to submit them otherwise; if they were agreed, there would be an end of the matter.

13,678. (*Mr. Buchanan.*) In this paper presented to the Commission, there is a despatch on the subject of the apportionment of military expenditure of the 10th August 1883 written by you?—Yes; I remember it

13,679–81. May we take it that you still adhere generally to the views that are laid down in these two paragraphs on the subject of the apportionment of military expenditure?—I have not read the despatch right through. It is rather hard to be asked whether I adhere to the views contained in a despatch written 12 years ago; but, broadly speaking, I adhere to the views expressed in the passages you have marked. I should not like to pin myself to every word in that despatch, but I think I may say that I do adhere to that.

13,682. (*Sir William Wedderburn.*) I should like to refer to the opinion given by Sir David Barbour and Sir Auckland Colven regarding the machinery for controlling Indian expenditure. I understand that you concur generally in their view that the Indian administration does not give sufficient attention to financial considerations?—Oh, no, I do not say that. In my time they gave ample consideration; but I cannot give any opinion as to whether they have done so since. What I said was that I could quite understand a combination of circumstances under the Indian or any other system, which might cause the Government to become extravagant; but I make no accusation against the Indian Government by any means.

13,683. But the Financial Department, I think you said does not predominate?—It does not occupy such a predominant position as the Treasury does in England. That is what I said. That is no doubt the case.

13,684. Do you consider it is desirable to take any steps to strengthen the financial control over Indian expenditure?—I have dealt at length with that point already. If any steps could be taken which would not involve other evils, and more especially impair the power of the Viceroy, perhaps it might be desirable to do so; but I have looked through these papers and I have not seen anything that really meets the point at issue.

13,685–6. I would refer you to Sir Auckland Colvin's answer to Question 3125. Sir Auckland Colvin says that he would look for a remedy in the direction, first, of strengthening the financial interests in the Council of the Secretary of State, and, second, in the direction of trying in the same way, without undue interference with the authority of the Government of India, to establish a control emanating from Parliament, as the ultimate authority. May I ask if you concur in that generally?—I have also answered those questions incidentally in the course of the conversation I had with Lord Welby. I said that, broadly, I did not much like any further transfer of power from India to England on account of the very great difficulty of exercising a control here with a perfect knowledge of the local circumstances. As regards the Secretary of State's Council, I see no objection whatever to rather strengthening the financial side, particularly by appointing men with financial knowledge and economical tendencies, and I have also intimated my opinion that it would be advisable if facilities could be given to every Member of Council in India to lay his views before the Secretary of State. As regards Parliament, how is the control of Parliament to be exercised at all?

13,687. In his answers to Questions 2235 to 2237, Sir David Barbour suggests that Parliament should appoint a select committee from time to time to report upon particular questions. Would you concur in that?—I see no sort of harm in it. Of course it is entirely within the discretion of Parliament to do so; they have already had endless commissions and committees about India. There was that very large committee, Mr. Fawcett's. Was it productive of great result? I am not aware that it was.

13,688. That was more upon general questions like this Commission; but I was suggesting a select committee to be appointed each year to examine the Indian accounts; and report to the House of Commons, in the same way that the Public Accounts Committee reports to the House of Commons regarding the accounts of the United Kingdom?—But the Public Accounts Committee here limit themselves expressly, do they not, to seeing whether rules have been attended to and so on; they do not go into any questions of policy, do they.

13,689. That is their main function?—They do not go into any general questions.

13,690. No, I was rather taking the analogy of the Public Accounts Committee, in order to make suggestions, with a view to the decision of the House of Commons being a well informed one, and made upon some definite inquiry and examination of the accounts, instead of being arrived at in the somewhat casual way in which the matter is now dealt with, as you are aware, at the end of the session without any preliminary examination of the accounts. Would not such an inquiry help to give that better informed opinion, which I think you said was very desirable in those matters?—I can see no harm in a proposal of that sort; but I confess I do not think it would do much good. I think whatever you can do in the way of independent real examination it should be done in India, and through the Secretary of State's Council to a great extent. I very much doubt whether a committee of that sort would affect any object which would be worth all the trouble that it would give. I very much doubt it; but there is no harm in it.

13,691. I think you said that it was very desirable that the administration of India should not be transferred from India to England?—Yes, I think that is desirable.

13,692. If it is localised in India, is it not very desirable that the taxpayers—the people of the country—should have a little more voice in the administration? If there is to be something like finality in the decisions of the official Government in India, is it not very desirable that the people should have some little opportunity of having a voice in important financial matters?—That is a very important question, Sir William Wedderburn, which touches the general question of developing, more or less, popular institutions in India, which I should have thought lay a little outside the scope of the present inquiry. It raises some very large issues indeed, and I hardly think I need go into that fully. I may say if anything of the sort was going to be done, and I had to deal with it, the first thing I should do would be to set to work and see how the natives of India had exercised the authority which has already been given them on the local boards and municipal boards, where they had been sitting for a good many years, and make a very exhaustive inquiry into that. If I found they had exercised these powers wisely, and in the interest generally of their fellow countrymen, the taxpayers, I think, then, there would be something to say in favour of some very gradual and tentative measures for giving them some further voice in the affairs of the country; but it is a very difficult and delicate question, which would have to be treated with great care, and I certainly should not like to give any very definite opinion about it without having the views of the best authorities in India about it.

(*Chairman.*) Must we not be rather careful at this moment? we are just treading on the verge of asking Lord Cromer the form of extension of rights in India.

(*Sir William Wedderburn.*) I was going to limit my question to the financial question.

(*Chairman.*) Lord Cromer prefaced his answer by saying that he did not quite know whether the question came within our scope; of course, it would open up a largish field, and I do not know that we should be entitled to enter upon the subject of popular rights.

13,693–4. (*Sir William Wedderburn.*) I do not propose to go in that direction at all; I was going only to refer to the financial question. You are aware that, since you left India, under Lord Cross' Act the Budget is laid before the Legislative Council, and that the unofficial members, in fact, all the members of the Viceroy's Council, have the power of discussing the Indian Budget?—Yes.

13,695. You would see no objection to the members being permitted to move amendments upon the budget, and to divide the Council upon such questions?—I do not know how the Council is constituted at present.

13,696. It is exactly as it was in your time, except that the Viceroy now appoints some quasi-representative men upon the nomination of certain public bodies, but within his own discretion?—I really cannot undertake, Sir William, to answer such an important question as that without much further reflection. I think anything in the direction of generally extending representative institutions in India—I do not say that I am radically opposed to them at all,—requires the utmost possible reflection, and consultation with the best Indian authorities before giving any opinion.

13,697. I do not wish to press for any answer with regard to that; I am only, taking the Council as it is, asking your view as to a method of procedure?—Yes, but I do not know myself how the Council is constituted; in fact, I have not sufficient recent experience to answer such a question as that.

13,698. I think it has been agreed that the personal power and influence of the Viceroy is very great?—Yes.

13,699. And, I think, that, during the time that you were in India, you found economy, to a certain extent, easy, because you received, I think, the support of Lord Ripon pretty generally?—My relations with Lord Ripon were of the most friendly description. I always received his support, but I would not confine my answer solely to Lord Ripon; I always found the whole of the Council took a very reasonable view of all financial questions.

13,700. But the tone of the Council would depend a good deal upon the personal leaning of the Viceroy?—Yes; I have already mentioned that the power of the Viceroy is very great.

13,701. As regards economy, I suppose that really the only strong interest towards economy proceeds from the people who pay the taxes?—No, I am not so sure of that.

13,702. Directly or indirectly from them?—Cases occur very often where people who pay the taxes are generally in favour of economy, and in particular instances very much in favour of extravagance. I think the same may occur in India, but in Egypt the people who are most in favour of economy, are the European officials who do not pay any taxes at all; and the people who are always urging money to be spent, are those who pay the taxes. It seems a paradox, but it is so.

13,703. Do you remember Mr. Disraeli's proposal that there should be four members of the Indian Council here appointed by what he called a special Indian constituency?—No, I cannot say that I remember that.

13,704. In one of his bills there was a proposal to appoint four?—This is the first time I am aware of that; I never knew that there was such a proposal made.

13,705–6. Do you see any objection to a certain number of members being appointed from India by the non-official members of the Legislative Councils in India, in order to give the benefit of Indian feeling and experience to the Secretary of State?—I do not quite follow the question. The point is whether the members of the Indian Legislative Councils in India should elect from amongst their own non-official body a member of the Council here?

13,707. One or more, not necessarily out of their own body, but that they should delegate one or more persons who should be members of the Council here?—I have never thought over that at all. I have never had any experience of the working of the Indian Council here; I should not like to express any very decided opinion upon that point.

13,708. Is it not desirable that Indian feeling and experience should, to a certain extent, be brought under the notice of the Secretary of State here?—Most decidedly. I do not know whether that is the best form of doing it though.

13,709. When members of the Indian Council here dissent from the majority, they are allowed to record their minutes. Would it not be a good thing if those minutes were always laid before Parliament?—Well, I was arguing in the opposite sense in the remarks that I made to Lord Welby. If you wish to have thorough confidential communication between the Members of the Council in India and the Secretary of State, my view is that it should be laid down that those minutes are not necessarily to be laid before Parliament; I mean I make a distinction between ordinary and official but still confidential documents. You will readily understand what I mean. I think there is a certain class of documents which may appropriately be laid before Parliament; on the other hand, if a document is to be laid before Parliament, it certainly puts a very great check upon a man writing what he thinks.

13,710. I quite understand that; I was referring to minutes in the Council here, not the Legislative Councils?—In the India Council here; I know so little about the India Council here that I really cannot answer the question. But I think it much better that formal official minutes should be laid before Parliament.

(*Sir Donald Stewart.*) As a matter of fact they are always laid before Parliament when called for.

(*Sir William Wedderburn.*) No, they are sometimes refused; Sir Donald Stewart's minute was refused.

(*Sir Donald Stewart.*) The paper you are referring to was not a Council minute.

(*Sir William Wedderburn.*) It was asked for under the belief that it was a minute.

(*Sir Donald Stewart.*) It was a confidential paper written for a particular purpose.

13,711. (*Chairman.*) I think Lord Cromer's view was that when a member of the Council out in India wrote a paper, if he headed his memorandum "Confidential," like diplomatic papers, it should not be published without his consent?—That is my view.

13,712. (*Sir William Wedderburn.*) I was not referring to India; I was referring to the India Council here. Would it not be the means of exercising a certain check in Parliament, if a portion of the salary of the Secretary of State in India were placed upon the British estimates? I understand that you are desirous that an intelligent and well-informed criticism on general questions should be exercised in Parliament in place of the somewhat desultory interference that now takes place?—Yes; I have not gone into the general question of Parliamentary interference in Indian affairs; it may have done good sometimes, but I think I could mention one or two cases where, with the best intentions, it has done harm. The tendency of Parliament to interfere in Indian affairs, I think, has done a good deal of harm. The alteration of the Contagious Diseases Acts, for instance, has done a good deal of harm; and so I am not sure that it is wise in Indian interests to encourage English interference, not on account of the intentions of Parliament, which I have no doubt are excellent, but on account, possibly, of their not knowing how to deal with the questions which arise.

13,713. These suggestions were directed to getting greater knowledge of Indian affairs. No doubt Parliament has a power of interference and the danger is that it interferes without knowledge. My suggestions were in the direction of giving Parliament such knowledge?—And what was your particular suggestion?

13,714. The particular suggestion was that the salary of the Secretary of State for India should be placed upon the British estimates, so that matters might then be properly discussed in the House of Commons?—You, being in the House of Commons, are much better able to judge than I am, whether that is the best method of bringing the matter forward, I should imagine. Are there no other means that members of the House of Commons have of bringing the matter before Parliament, without adopting a remedy of that sort?

13,715. It is almost impossible to bring them forward?—That is a matter as to parliamentary procedure, as to which you are much better judges than I am. Not having been in the House of Commons, I cannot say.

13,716. I think you referred to the frontier wars?—Yes.

13,717. And said that, if these wars were to be stopped, it must be in the beginning that they must be dealt with?—Yes.

13,718. I think during the time you were in India there were no frontier wars?—No, there were no frontier wars properly so-called. Sir Donald Stewart will know better than I do.

13,719. (*Sir Donald Stewart.*) There was a small expedition, mainly for survey purposes, on the frontier; I think that was the only one?—There was the Egyptian expedition.

13,720. (*Sir William Wedderburn.*) There was no frontier war?—No.

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13,721. And by careful dealing with the matters in the beginning—I suppose there were threatenings of them—they were got rid of, probably?—I can tell you that as a matter of fact there were none; but whether that is the reason why there were none, I really do not know enough about the subject to tell you, because, of course, that is outside the Financial Department, with which I was concerned. They were dealt with either in the Home Department or in the Foreign Department. I cannot dwell too strongly upon the necessity of dealing with these matters carefully in the early stages; in fact it is only in the beginning that they can be stopped; but I must repeat I do not think that the observation applies only to the Indian system of government; it applies to almost every known system of government; and I could certainly mention cases in England which are analogous to what has happened in India.

13,722. I think you were able to reduce taxation in India?—Yes, because my predecessor handed over a large surplus to me. That was the reason I was able to reduce taxation. I am afraid I cannot lay claim to credit for anything I did myself; I was handed over a large surplus by Sir John Strachey.

13,723 And you considered that the expenditure that you sanctioned in the Financial Department, was sufficient for the needs of India upon the scale that they were on when you were there?—Yes, I think so.

(*Mr. Naoroji.*) My lord, I have been advised, and I think it is good advice, that, as I am to be examined myself, I had better reserve all my questions for my own examination and all my criticism, so I do not think I will trouble Lord Cromer with any questions.

The witness withdrew.

Adjourned till January 1897.

SECTION II.

PROGRESS OF EXPENDITURE.

8th to 11th, 15th, 16th, 18th, and 20th to 25th, and part of the 29th DAYS.

Q. 3676 to 5704, 7184 to 8217, 8718 to 9264, 9614 to 12,268, 13,409 to 13,502.

At the India Office.

EIGHTH DAY.

Thursday, 27th February 1896.

PRESENT:

THE LORD WELBY, G.C.B., (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.

Mr. COLIN G. CAMPBELL, *Secretary*.

Colonel R. WACE, R.A., Inspector-General of Ordnance, Bengal, called in and examined.

Colonel R. Wace, R.A.

27 Feb. 1896.

Ordnance Department.

3676. (*Chairman.*) What office do you hold in India, Colonel Wace?—I am Inspector-General of Ordnance in the Bengal Command.

3677. How long have you served in India?—I went out to India in 1864—32 years.

3678. And what other offices have you held besides that of Inspector-General of Ordnance?—In connexion with the Department?

3679-82. In connexion with the Department. I suppose at first your service was military?—My service was military up to 1874. Then for three years I served as Assistant Superintendent in the Ordnance Factories in Bombay. I then had command of a mountain battery and commanded it through the Afghan campaign from the end of 1878 to 1881; after which I came home and went through a course at Woolwich. On my return to India in 1882, I was appointed Superintendent of the Shell Factory at Cossipore, where all the artillery projectiles are made for India, and served in that capacity for seven years. I was then appointed Deputy-Director-General at head-quarters at Simla, and served in that capacity for four years. Since then I have been Inspector-General of the Bengal Command. I was officiating for a short time, and then I was confirmed.

3683. Would you describe the duties with which the Ordnance Department in India is charged?—The Ordnance Department in India is charged with the duty of providing, storing, issuing, and accounting for all equipments, accoutrements, and munitions of war required for the use of the Army in India, the Native Army, Reserves, the Volunteer services, the Imperial service troops of Native States, and the supply of arms and ammunition to the military police and regular police in India. The total strength of these forces amounts to 355,000 men. In addition to the supply of troops and police as above, there is also the upkeep and supply of ammunition for the several armaments on the coast and frontier defences, which are now mostly equipped with B.L. ordnance, and for those in inland forts; also the supply of munitions of war for the Indian Marine, and the maintenance of certain reserves for ships of the Royal Navy on the East Indian Station, and for fitting out armed merchant steamers in time of war.

3684. Is the Ordnance Department under the Military Member of Council?—Yes.

3685. The direct control of the Department is vested in the Director-General?—Yes.

3686. Does he always report to the Military Member or the Military Secretary, and are decisions given in the name of the Military Department?—All matters in which it is necessary to refer to the Government; of course he would not refer questions with which he has the power to deal himself.

3687. My question was directed rather to ascertain the exact position of the Director-General, in what respects he might act independently, in what respects he is subordinate to a higher authority, especially in regard to his relation to other Departments—for instance, whether he communicates directly with the Commander-in-Chief, and whether the Commander-in-Chief would give him directions which do not pass

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through the Military Member of Council?—The Director-General is the adviser of the Commander-in-Chief.

3688. But would he receive directions which do not pass through the Military Member of Council from the Commander-in-Chief on a subject involving expenditure?—No.

3689. Again, does the Director-General communicate directly with the Department of the Financial Member of Council on questions connected with Ordnance expenditure?—No.

3690. He would do that through the Military Member of Council?—He would do that through the Military Member of Council; all finance questions go through the Military Department.

3691. Therefore he would raise the question and lay it before the Military Member of Council who would represent it to the Financial Department if necessary?—All questions involving considerable expenditure are referred in that way.

3692. Does he always report to the Military Member of Council the financial effect of Ordnance questions which have originated in his Department or have been referred to him?—He reports to the Military Secretary to Government.

3693. That is the same as referring to the Military Member of Council, is it not?—Well, that I could not say, but I should think the Military Secretary generally would refer all considerable questions of finance to the Military Member of Council; I am hardly in a position to answer that question.

3694. On a question of official procedure in this country we always regard the head of the office, the Minister, as the person to whom reports are addressed. Of course those reports or communications are very often actually addressed to the Secretary?—Yes.

3695–7. And in minor matters the Secretary may deal with them without absolute reference to his superior; but all he does is by delegation from his superior, and in his superior's name?—Yes.

3698. And I suppose that is the case in India—the Military Secretary would merely speak in the name of the Military Member of Council?—I should think so, but I should prefer that the question should be put to Sir Edwin Collen.

3699. What is the organisation of the departments in the four Commands into which India is divided?—The Department is divided in accordance with the latest Army scheme into four circles, corresponding with the four Commands, the four circles being the Bengal, Punjab, Madras, and Bombay. An Inspector-General of Ordnance is appointed for each of these circles; he is on the departmental staff of the Lieutenant-General Commanding.

3700. Is the Inspector-General in each circle immediately under the orders of the Director-General, or does he communicate with him through the Lieutenant-General commanding in the circle?—He is under the orders of, and directly responsible to, the Director-General, but he also acts as the official adviser of the Lieutenant-General commanding the Forces.

3701. Then he occupies very much the same position—the Inspector-General in the circle—as the Director-General occupies at headquarters, namely, that he belongs to the Military Department, but he is the adviser of the General Commanding in the circle?—Yes.

3702. Does the Inspector-General communicate direct with the Military Controllers in the Command to which he belongs on financial matters?—Yes, with the Controller of Military Accounts.

3703. And he can do that without reference to headquarters?—Certainly. If we want to know the financial effect of anything we are ordered to communicate with the Controllers and find that out before we communicate with the Director-General.

3704. Quite so. I think your system in India is rather a system of decentralisation than increased centralisation, is it not?—I hope so.

3705. You say the Inspector-General of Ordnance in Commands has full power over all ordnance establishments in his circle, and disposes in accordance with the regulations of all questions regarding pay, promotion, leave, pensions, and so on of the establishments, excepting commissioned officers, subject to the control of the Director-General? To what extent and in what particular does that control limit the Inspector-General's power?—The control of the Director-General?

3706. You speak of the Inspector-General having full power subject to the control of the Director-General, and I wanted to ascertain the kind of control which the Director-General exercises over the Inspector-General in relation to those powers?—We submit, for instance, all recommendations regarding promotions to the Director-General for his final sanction.

3707. Matters of the increase of the establishment?—Yes, of any permanent increase; we cannot carry out or inaugurate any permanent or recurring increase without reference to the Director-General, who submits proposals for the sanction of Government.

3708. Then I suppose with regard to material—any increase of any moment would have to go to the Director-General?—Oh, yes. The reserves that have to be kept up are laid down very rigidly, and we have not the power of increasing those reserves.

3709. I observe in one part of your memorandum you say that the Inspector-General has a power within his circle on emergency of making up his stores?—Yes.

3710. Can he do that without reference to the Director-General?—Within certain limits.

3711. Up to one-fourth, is it not?—That is the power given to ordnance executive officers in charge of arsenals.

3712. An independent power left in their hands?—A certain amount of power is left in their hands.

3713. You make an exception in regard to the commissioned officers in your establishment?—Yes.

3714. Whom are they under?—All questions of their promotion have to be referred home, and the Commander-in-Chief has a voice in the matter.

3715. Then, with regard to their pay. If there is any alteration suggested or proposed in the rates of pay, does that lie with the Director-General and the Inspector-General, or would it be managed by the military authorities?—Any question of increased staff might be put forward by the Inspector-General, and then it would be forwarded to the Director-General for the sanction of Government.

3716. Do these commissioned officers who are seconded and placed upon the ordnance establishment receive their regimental and service pay, or are they put on a consolidated allowance representing a salary for their civil work?—A few receive consolidated allowances, viz., the Director-General and the Inspectors-General, but all the other executive officers receive their regimental pay and allowances, plus a certain staff allowance.

3717. Therefore, with regard to the regimental pay and allowances, any change in them would be made in accordance with general Army regulations?—Yes.

3718. And the only point that you would have to deal with would be that staff allowance, as you called it just now?—Yes. If a new appointment is instituted, the Director-General would propose an adequate staff allowance for it, and that would be referred through the Military Department to the Finance Department. It would require the sanction of the Finance Department.

3719–20. Would you describe shortly the financial powers of the Director-General of Ordnance; can he spend the money allotted in the estimates of his Department without further sanction from the Military Department?—Yes, within his Budget; but as a rule the Budget is not big enough.

3721. That is a general complaint. As soon as the Budget is sanctioned, does the Director-General allot the share that belongs to each circle to the Inspector-General of that circle, and allow him to draw, within the regulations, to the extent which has been allotted to that circle?—The estimates have originally been put forward by each establishment, and they are collated by the Inspectors-General of circles, so that each Inspector-General has put forward his estimate, and if his estimate is cut down in any particular he is told.

3722–3. Quite so. Then, after that the Budget is finally sanctioned by the Government, and, I suppose, from that moment, that is to say, from the 1st of April then following, that Budget comes into force?—Yes.

3724. And what I want to understand is, how the sum that you would be entitled to spend out of the

Budget in the Circle of Bengal, for instance, would be allotted to you; would it be intimated to you that the Budget had been approved, that such a sum was available for the Circle of Bengal, and would you have authority to spend that money within and in accordance with the regulations, or how would you get possessed of the money that the Budget allots to you?—The allotment under each head is published, showing what is allotted for *personnel* and supplies, stores, and everything else, and then we are able to draw for that amount. The actual payment for local supplies is done by the Commissariat.

3725. Quite so, but you are entitled from the time you learn that the Budget has been passed to draw without a direct authority from the Director-General in accordance with the regulations, up to the amount provided in the Budget?—Yes, to spend within those limits.

3726. To what extent can the Director-General initiate expenditure without the authority of the Military Department, and under what circumstances can he exercise a limited power of initiating expenditure?—Only within the Budget allotment of the Department.

3727. But services of emergency occasionally arise for which provision has not been made. Has he any power of initiating expenditure on emergency arising?—His only power is the power of transference from one circle to another for expenditure of a similar kind, if expenditure is likely to be exceeded under any one head in any one circle and a sum is likely to lapse under the same head in another circle.

3728-9. Now, turning to the Appropriation Account of 1894-95 which I have got here, I will take No. 3. Manufacturing Establishments, in which a provision of about Rs. 1,400,000 was made for the eastern circle in Bengal. Could he transfer a surplus arising there to meet an anticipated deficit in Madras under Head 2, Arsenal and Depôts; or must it only be within Head 3 that he can make the transfer?—No, he could not. He can only transfer from one circle to another under the same head.

3730. And is there no power of transfer with the assent of the Military Member and of the Finance Department from one head to another?—Yes, with the sanction of Government.

3731. Quite so; of the Military Department and the Finance Department, I suppose?—Yes, that is what I mean by Government.

3732. Would you describe shortly how the ordnance budget is prepared in the different circles and revised by the Director-General of Ordnance?—Each circle has to submit by the 15th of August their estimate of requirements for *personnel*, and, by a later date, for stores: and the *personnel* budgets are submitted through the Inspector-General to the Director-General of Ordnance after having been reviewed by the Controller of Military Accounts in each circle.

3733. Then the preparation of estimates is a process from the lowest to the highest?—Yes.

3734-6. Each different establishment prepares, I suppose, its own particular estimate, and submits it to the Inspector-General, who acts for the whole of the circle?—Yes.

3737. And when he has revised it he hands it over to the Military Controller for revision, as I understand you?—For check.

3738. Within the Command the draft budget is not communicated to the Financial Accountant-General, I suppose?—No.

3739 You do not refer in any shape to the Financial Department?—No.

3740-1. Then you send it forward to the Director-General and he revises it?—Yes. He may revise it or he may raise objections; they check it very carefully in the Director-General's office.

3742. And does much correction take place there, or, as a rule, are the budgets of the circles accepted?—There is a certain amount of correction occasionally by the Controller, but it is very clearly laid down what is allowed in all matters of *personnel*. There is more correction in the budget, perhaps, of stores owing to superintendents of factories overestimating occasionally their requirements.

3743. One knows that in any service the amount of margin upon which, for a given year, you can what I may call pull and haul is very small?—Yes.

3744. That is to say, establishments cannot be altered to any very great extent within a year; but I suppose the Ordnance Department is one upon which there is a greater power of pull and haul than most departments, inasmuch as a great part of the expenditure is in stores; I do not mean to say for a moment that it is justifiable to reduce stores, but you can do it; you cannot reduce pay or establishments?—No.

3745. And, therefore, there is room for discretion to a greater extent than occurs in most departments, is there not?—There is a certain amount of room, but the estimates for material are based by factories on the estimates of work that they will have to do. Perhaps I should have said that before they submit their estimates for material, an estimate is prepared of work to be done in the following year.

3746. And that is approved at headquarters?—That is sent up separately.

3747. Therefore, that is the measure by which the amount of money is determined?—To a great extent; it is rather difficult always to look ahead and tell exactly what the work will be in any given factory in the following year, but an estimate is always prepared.

3748. There is a discretion exercised, is there not, in regard to works and stores; if you find yourself pressed, you do reduce the expenditure under those heads, do you not?—We are obliged to.

3749. To explain what I mean; I see in this report for the Military Budget of 1894-95 the explanation given of a considerable saving in that budget. It appears that works and stores provided in the original estimate were reduced during the year?—Yes.

3750. Showing that under pressure such a discretion is used?—Yes.

3751. (*Sir Ralph Knox.*) That would be done by the central authority, would it not?—It would be done under the orders of the Director-General; it would involve probably the abandonment of some work ordered, which we could not do without his authority.

3752. (*Chairman.*) I will give you this case: No. 5, stores; out of an estimate (considering 10 rupees to be 1*l.*) of less than 133,000*l.*, there was a saving of 28,000*l.*, and the explanation is that it was due to a smaller quantity of stores having been purchased, Ordnance officers having been enjoined to observe a stricter economy?—Yes.

3753-4. Therefore, after the estimates were framed, orders were given practically to the Ordnance officers that they were not to work up to that estimate; but that their purchases were to be on a more moderate scale?—Yes, that refers to arsenals, not to factories.

3755. That is under the head "stores"?—Yes, stores for arsenals.

3756. Are the estimates for the different services in the Ordnance Department based on averages of past years?—Yes.

3757. But how do you satisfy yourselves that such averages represent the real requirements of the service? The adoption of an average, I suppose, would be modified by a consideration of circumstances which might produce reduction as well as increase?—Quite so. That is very carefully watched, and every storeholder in an arsenal keeps a book in which his actual issues year by year are entered, and if there is any abnormal issue due to re-armament, that is cut out, so that the average annual issue may not be unduly enhanced.

3758-9. I rather meant to take the case of a change going on in some article of manufacture, supposing you found that cordite was going to replace gunpowder, I presume you would, under those circumstances, hardly work up your gunpowder to the average of past years?—When you come to a change like that, it requires a great deal of consideration. You cannot allow your reserves of one store to run away in the expectation of another—say, for instance, when we have gone from one class of ammunition, from Snider to Martini-Henry, or from the Martini-Henry to the ·303—you could not let the Martini-Henry run out, so as to leave yourself with a single year's reserve; there might be some failure in the ammunition which was replacing it.

3760. You will observe my question is merely directed to enable the Commission to understand that, while the preparation of the estimate is, based upon an average, it is yet an average checked by your knowledge of the circumstances of the time, and the requirements of the time?—Quite so.

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3761. By whom is the Ordnance expenditure audited?—By the Military Accounts Department.

3762. Who are quite independent of the Ordnance establishments?—Yes.

3763. Then at each establishment is there a Military Examiner of Accounts?—No.

3764. They are, as it were, travelling examiners, who come and examine the books?—No; each establishment has its own office establishment, who are entirely under the Ordnance officer or the Superintendent of the factory. The ordnance officer, or the Superintendent of the factory, is responsible for the correctness of the accounts as they leave his charge, and they go from there to a central office; they are all sent to the examiner of ordnance accounts, who is under the Controller.

3765. At the central establishment?—At Calcutta. They are all centred there; but all the accounts are compiled in each arsenal and factory before they are sent.

3766. (*Sir Ralph Knox.*) Does the local Controller of accounts have anything to do with them?—The local Controller is at Calcutta; I am speaking of Bengal.

3767. (*Chairman.*) Is there not some inconvenience in that arrangement? Can the masses of vouchers be sent to headquarters without inconvenience, for I suppose the Examiner requires to see the vouchers upon which expenditure is founded?—Yes, they are all sent; he requires to see the vouchers.

3768. His audit is an audit of detail; he accepts nothing upon the faith of the accountant?—Absolutely nothing.

3769. (*Sir Ralph Knox.*) That includes the store accounts as well as the cash accounts?—All accounts.

3770. Accounts of stores; receipt and issue of stores?—Yes.

3771. (*Chairman.*) And all go to the central examining office?—To the Military Account Office. There are two Examiners. The Examiner in the Pay Department, also under the Controller, who deals with questions of pay of the establishment, and the Examiner of Ordnance Accounts who deals with all questions of stores; the Commissariat Examiner checks the payments, because all actual cash payments for local stores are done by the commissariat.

3772. The commissariat are in charge of the stores?—No.

3773. In charge of the store accounts?—No, not in charge of the store accounts. The Commissariat Examiner pays contractors, for instance, who supply local stores.

3774. (*Sir Ralph Knox.*) Upon the demand of the ordnance officer who certifies to the bill?—Who certifies to the bill being a correct account.

3775. And that he has received the stores?—And that he has received the stores.

3776. Then the Ordnance Examiner sees that the stores for which a charge is made are credited in the same account?—Quite so.

3777. (*Chairman.*) Then I should like to understand about the obtaining of money, the actual cash which is required for pay, and so forth. The proper officer in the establishment draws upon the district treasury, does he not?—He receives a cheque from the Pay Examiner, but he has also a permanent advance. Each establishment has a permanent advance corresponding to what their payments are likely to be during the month, and that permanent advance is to enable him to pay the whole of his European establishment, and the permanent labourers and permanent artificers where they have any, and all the extra artificers and all the extra charges like postages, telegrams, office, &c.

3778. And does the pay officer draw the sum representing this permanent advance out of the district treasury and keep it in his own chest?—Yes, keeps it under a guard. He keeps it in the treasure chest under a guard of either native infantry or a police guard.

3779. We are now talking of what goes on at each of the 27 establishments in all India, viz., the 12 arsenals, 6 depôts, and 9 factories?—Yes.

3780. And at each of those 27 establishments, a permanent advance for these charges of pay and contingencies is placed in the hands of the head of the establishment?—The ordnance officer signs for the advance, and when they make over charge, one to the other, they sign for the permanent advance.

3781. The purchase of stores you have just described to us is done through the commissariat?—Yes, the purchase of local stores—of all stores purchased locally which are received in the arsenal; then a voucher goes to the Commissariat Examiner authorising him to pay the contractor.

3782. Does the audit officer under the Military Controller make any report upon the result of his examination of the ordnance expenditure?—The Examiner of Ordnance Accounts sends the Inspector-General a statement monthly showing the actual expenditure under different heads that has been incurred during the month in each establishment in his circle. He gets a detailed list showing what the budget allotment is and exactly what is going out month by month, and the ordnance officer of the establishment also sends him a statement every month showing exactly what he has paid under the different heads.

3783. Therefore, the Inspector-General knows first of all from the audit officer what has been the actual expenditure incurred in his department in the preceding month?—As a matter of fact, he knows it first from the ordnance officer or from the superintendent of the factory, because the Examiner's statement comes in later.

3784. So the Inspector-General gets a check over the expenditure since he learns first what his own officers have claimed and paid, and then what the auditor has admitted?—Yes; and occasionally there are little differences owing to cheques being presented later. A voucher authorising payment might be given before the end of the month to a contractor, and he might not present it till the next month, but the differences are very slight. One has a perfect check over the expenditure of each establishment.

3785. Month by month?—Month by month.

3786. What are the arrangements for stock-taking, and how is it, from time to time, ascertained whether the stores actually in store correspond with the stocks which the books show should be in the store?—Well, there are very stringent orders about stock-taking, and stock is always being taken throughout the year in each establishment of certain articles. In every arsenal there is a certain proportion laid down under regulations, and the storeholder has to check that proportion.

3787. When the storeholder is taking stock, is he accompanied by any independent officer?—No; occasionally where it is possible to do so (it depends upon the *personnel* of the establishment) a junior officer is detailed to take stock; and if the storeholder is taking stock of arms, or other important stores, an officer, or an honorary commissioned officer, actually counts and checks the stores, and signs in the ledger for having done so.

3788. And is his report compared with the ledger to see how far the articles actually found in store correspond with those that the book show?—Yes, immediately.

3789. Is that a complete system for security in your opinion, that there should be no independent guarantee?—Well, not only is a junior officer told off whenever he can be spared to take stock, but the ordnance officer in charge of the arsenal takes a certain proportion of stock himself.

3790. And there is never any test from a perfectly independent department, such, we will say, as the Audit Department of the Military Controller?—Yes. The Examiner once a year sends an officer of his Department to each establishment, and he counts a certain number of stores. That has only been instituted of late years—the last two or three years. The Examiner sends an officer round to each establishment, and he says: "lay out such and such stores." They are laid out for counting, and compared. And in addition to that the Inspector-General himself, in his inspection, often asks to see certain stores. I have often done it—had the stores laid out and counted them, and compared them with the ledger on the spot. I might mention also that there is often a great check on the quantities of stores when large issues are made. For instance, if stock has run at all low in one arsenal, and we find the stores in another, we order one arsenal to supply another. Every arsenal renders a statement of monthly balances, and if we found, for instance, that they had 100 Martini-Henry carbines which we wanted somewhere else, we would send them an order

to issue the whole lot. We should very soon find out whether the stock was not correct.

3791. How do you, as Inspector-General, satisfy yourself that the reserves of important articles of war material are, at any given moment, up to the proportion necessary; if at any moment there is an emergency, a likelihood of a drain upon the stores, how do you know that you have got a full stock to draw upon?—We know, because each establishment, each arsenal and depôt, submits a monthly balance of important stores.

3792. How long after the expiration of the month?—I think on the 10th of the following month.

3793. On the 10th of the month the Inspector-General knows what stores are in hand on the 31st of the preceding month?—Yes, we want to know that, because we have so constantly to transfer stores from one arsenal to another, and from that a statement is compiled every quarter, which goes up to the Director-General, showing the exact quantity of arms, ammunition, and camp equipment in each circle, and from these a general statement is compiled, from which the Director-General knows to a round what ammunition we have got in all India.

3794. You learn it within your circle on the 10th. When does he learn it?—The Director-General would get the return of stores in hand on the 1st of April before the 1st of May. It takes a little time to compile and to check.

3795. (*Sir Ralph Knox.*) Are those returns sent up monthly with a view to their being compiled?—Quarterly to the Director-General of Ordnance.

3796. (*Chairman.*) But at any time by telegraph he can learn from each Inspector-General what the state is within 10 days you may say?—Well, it might take a little longer than that, because I should have to communicate with the arsenals; but within two or three weeks.

3797. On the 10th each Inspector-General knows what the state of the store balance is?—Yes.

3798. Within the 10 days you would know what existed on the 1st, and you are therefore able to inform the Director-General within that very short period?—If the Director-General telegraphs to me at any time, I could tell him what the balance was on the 1st of that month within a few hours.

3799. And you also would know whether there had been any heavy drafts in the interval?—No, I could not tell that without communicating with the arsenals; for this reason, that every requisition does not come to the Inspector-General now as it used to do, but if an officer in charge of an arsenal receives a requisition which is covered by the regulations he can issue at once without reference to me.

3800. But at all events the number of establishments is not very great, the Inspector-General can communicate with them pretty quickly; it is quite a small number of places?—Yes.

3801. Would you describe the establishment of the Ordnance Department in each command?—The several circles and the establishments contained in them are as follows:—

Arsenals.	Depôts.	Factories.
PUNJAB.—Ferozepore	Dera Ismail.	—
Rawal Pindi	Khan.	—
BENGAL.—Fort William.	—	—
Allahabad	Agra	Small-arm ammunition, gunpowder, gun carriage, shell factory, harness and saddlery.
MADRAS.—Madras	Fort Dufferin	Gun carriage.
Rangoon	Trimulgherry.	—
Bellary.	—	—
BOMBAY.—Bombay	Poona	Small-arm ammunition.
Quetta	Ahmedabad	Gunpowder.
Karachi	—	Gun carriage.
Aden.	—	—
Mhow.	—	—

3802. Would you subdivide those factories, because I see afterwards in your memorandum you allude to the different kinds of work done in the factories. There are three gun carriage factories, are there not?—There is a gun carriage factory in each Presidency, Futtygurh, Madras, and Bombay.

3803. And besides that the other six factories?—There are two gunpowder factories in the Bengal circle, and one in the Bombay circle, and two small ammunition factories, one in the Bengal and one in the Bombay circle. Then there is one shell factory for the manufacture of artillery projectiles and fuzes for the whole of India in Bengal, and one harness and saddle factory at Cawnpore.

3804. Have you mentioned the small arms ammunition?—Yes, I mentioned that; there is one in Bengal and one in Bombay.

3805. I see in the Appropriation Account of the Army expenditure that Bengal is divided into two circles?—Yes.

3806. Does Bengal include the Punjab Circle, because I see there is Bengal Eastern Circle, Bengal Western Circle, Madras Circle, and Bombay?—Yes, the Eastern circle is Bengal, the Western circle is Punjab.

3807. Would you give us the distinctions between the business of an arsenal and a depôt?—Well, an arsenal is a very much larger establishment than a depôt. An arsenal exists for the supply to a very large number of troops of all equipments which they can possibly require, not only arms and ammunition, but harness and saddlery, camp equipage, and accoutrements of every kind; depôts are only maintained for the supply of ammunition and entrenching tools.

3808–9. With the amount of regular communication that there is now is that, in your opinion, a necessary distinction? Is the concentration of stores carried as far as is desirable or possible?—That is a question about which I hardly like to give an opinion; they have been reduced very largely, as I think I have pointed out. There has been an enormous reduction since the Ordnance Commission of 1875. Whereas there were in 1879, 16 arsenals and magazines, so-called, and 17 depôts, there are at the present time, 12 arsenals and six depots, so that there has been a very considerable reduction. Whether that reduction could be carried further is rather a question for the Commander-in-Chief. Personally I should like to see them reduced.

3810. You think it does admit of further reduction?—Yes.

3811. There does not seem to be any reason on the face of it why there should be any separation between a depot and an arsenal; why the bigger depository of stores should not include the smaller one if railway communication is sufficient?—It was considered necessary in former years. They had several so-called magazines in which ammunition was stored and other small stores, but there is no doubt the establishment of those depots originally was owing to the want of railway communication.

3812. There seem to be a large number of arsenals in Bombay as compared with other commands; is there any reason for such a distribution?—Yes, because it is such a straggling command.

3813. Of course we at once except Aden, that stands by itself; but then you are left with Bombay, Quetta, Kurachi, and Mhow?—Quetta, of course, is far away on the frontier, and there is Mhow.

3814. And I also see you put Kurachi?—Kurachi is a very important point, as it would be the basis of operations on the frontier. Kurachi is a very important point, so is Quetta; Mhow may be open to question.

3815. I am struck by the number of the arsenals there, because I see, taking the work, the limit for urgent expenditure in Bengal is 30,000 rupees; in Bombay 20,000; which looks as if the work in Bengal was considerably bigger than in Bombay, and yet there is a larger number of arsenals thought necessary in Bombay?—That does not refer to the expenditure in arsenals, that particular expenditure is principally in connexion with factories. We are given a larger limit in Bengal, because three-fourths of the manufacturing power in the whole of India is in Bengal in those five factories.

3816. Do you think in Bombay itself it is necessary to have an arsenal?—Yes, either there or at Poona.

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I should like to see it moved to Poona. I might mention that a proposal has been a long time under consideration to move the Bombay arsenal to Poona. We should be very glad to see it done.

3817. (*Sir Donald Stewart.*) What is the reason for that?—Well, the Bombay arsenal is a great deal too small, and they cannot increase the limits of it, the ground outside is so valuable; and the stores are not well arranged in the Bombay arsenal.

3818. (*Chairman.*) You were mentioning just now the reductions that had been made in ordnance establishments consequent on the recommendations of the Commission of 1879, was it not?—1874-75.

3819. Could you describe a little more fully what led to such a large reduction as that that you pointed out?—Simply financial considerations.

3820. You had come to the conclusion that the old system of a great number of arsenals and depôts was rendered unnecessary by railroad extension, I suppose?—That must have been the reason of it.

3821. (*Sir Ralph Knox.*) But have you not a store establishment handy to any considerable mass of troops; do you not find that necessary?—Not in addition to these arsenals and depôts.

3822. These are sufficiently contiguous to the troops?—Yes, these work very well.

3823. What distance are they from any large number of troops?—Well, of course, some of them are contiguous to the troops, but in some cases stores have to be sent some hundreds of miles by rail.

3824. To what force of troops would that be—a brigade for instance?—Oh, to more than brigades. The number of troops supplied by these arsenals varies very considerably; Allahabad has a very large circle of supply, and so has Rawal Pindi, because there are so many troops concentrated on the frontier there.

3825. Is there no store establishment at Rawal Pindi?—Yes, there is an arsenal at Rawal Pindi; Rawal Pindi is one of the arsenals.

3826. But what I wanted to know was, whether it is not necessary to have a store near such a force as a brigade?—No, we do not consider it necessary.

3827-8. Then what is your largest force which is without a handy store establishment?—I could not say at once.

3829. (*Sir Donald Stewart.*) Peshawur would be the largest?—But Peshawur is only 100 miles from Rawal Pindi; there is no difficulty in supplying it. Meerut has no arsenal; Meerut is dependent on Ferozepore.

3830. (*Sir Ralph Knox.*) But has it not a depôt?—No. It is a very expensive arrangement keeping up separate depôts, and very unsatisfactory.

3831. But the annual issues of ammunition and equipment of various kinds is sent from Meerut, for instance, to some considerable distance to be supplied?—Well, the immediate requisitions would be, but each arsenal has, of course, a list of the troops under its supply—so many regiments of British infantry and cavalry and so many batteries of artillery, and so on—and from that list of corps dependent upon them they are able to estimate their requirements exactly, and then all those separate regiments send their requisitions at due times to the arsenal of supply. It becomes merely a question of whether it is cheaper to send stores 200 or 300 miles by rail or to keep up a separate establishment, and then, even if you keep up these depôts, you cannot keep up establishments of all the different kinds of equipment that are required without very considerable expenditure. It is a much more economical plan to keep up arsenals that are centrally situated as regards the railway.

3832. And experience has shown that the reduction in the number of depôts and arsenals has not given rise to any inconvenience as regards the equipment of the troops?—None whatever. I have never heard any complaint of it. And we have much better control of an arsenal than we have of a depôt. For instance, the establishment of an arsenal is one ordnance officer of the first class, that is a senior officer of experience, and one third, and one fourth, and that allows of efficient control by commissioned officers. When we come down to depôts our Department is handicapped in the matter of *personnel*. You are supposed to have one third-class officer; under him you would have a few senior warrant officers; if the officer goes sick the depôt is immediately thrown on the hands of warrant officers.

3833. The force of the regiments in India is maintained at a fuller establishment than at home, and suppose they had to be moved, for instance, they would not have to be supplied with so much extra material as a force organised at home?—They are always kept fully equipped and all the troops included in the mobilisation scheme are provided with their mobilisation equipment which they keep now in regimental charge.

3834. Oh, I see, then practically you meet the difficulty of any immediate extension or mobilisation by having an increased regimental charge?—Well, I would not say an increased charge. Formerly the mobilisation stores were kept in arsenals, but it was deemed by the Commander-in-Chief in India more expedient that they should be kept in regimental charge.

3835. That explains the difficulty I was under. I understand now that you have regimental local charges of stores up to the full equipment which may be required by the units in the case of any movement or mobilisation?—Yes.

3836. So that a local store of that kind exists?—Yes.

3837. (*Sir Donald Stewart.*) Do they keep regiments in possession of their service ammunition now?—Yes, of all the regimental ammunition. For a British infantry regiment going on service each man has 100 rounds, and the regimental reserve is 239 rounds, that is, they keep those 339 rounds with the regiment. Then the ordnance reserves in ordnance charge amount to 300 rounds per man. That brings the total up to 639 rounds a man. Each regiment in the first or second army division which is in possession of mobilisation stores keeps those mobilisation stores till it is relieved by another regiment. Then it hands over its mobilisation equipment to the regiment that comes into the army division.

3838. (*Sir Ralph Knox.*) How is control exercised over those stores in the hands of the troops; is it by your Department?—No, the officer commanding is responsible.

3839. But who examines the account?—The account is rendered to the Examiner. The Ordnance Examiner examines all the accounts of regiments.

3840. It is not through your Department?—No; the commanding officer is responsible to the Government, to the Commander-in-Chief rather, that he is in possession of these stores.

3841. But those accounts are rendered to whom?—All regimental accounts are audited by the Examiner of Ordnance Accounts independently of the Ordnance Department.

3842. (*Chairman.*) The Examiner of Regimental Accounts is an officer of the Military Controller?—Yes.

3843. (*Chairman.*) I think you have told us that in 1879 there were 16 arsenals and magazines, and 17 depôts, whereas at the present time there are 12 arsenals and six depôts. I gather from your memorandum that two new arsenals in the meantime have been created?—Yes.

3844. Owing to the extension to Quetta?—Quetta, and there was an arsenal at Peshawar which has been removed to Rawal Pindi; the Peshawar arsenal has been abolished.

3845. Then one arsenal has been created in consequence of the extension of territory?—Yes, Quetta; and one depôt, Fort Dufferin.

3846-7. Fort Dufferin is in Burma?—Fort Dufferin is in Upper Burma. And there is one new depôt at Trimulgherry; also one at Ahmedabad, a minor alteration in consequence of the abolition of the arsenal at Ahmedabad, which is quite close.

3848. That was a substitution of one thing for another?—Yes.

3849. (*Sir Donald Stewart.*) At the same place?—Yes.

3850. (*Chairman.*) But at all events I gather that you are strongly in favour of a few large establishments rather than a number of small ones?—They are much better administered.

3851. And I suppose in the main more economical?—I should say so.

(*Sir Ralph Knox.*) It is coupled, however, with the system that I have just elucidated, that there is a complete equipment of stores held by each unit of the army.

3852. (*Mr. Courtney.*) What is about the largest radius from the arsenal to a regimental charge?—Well, I could not say without looking at the map. If there was a map of India here I could tell you.

3853. Could you give any estimate?—No; but as a matter of fact no inconvenience has arisen. I have never heard that advanced.

3854. (*Sir Ralph Knox.*) Where would transport be obtained from in case of movement?—On the frontier?

3855. No; where would the transport articles be supplied from; regiments do not keep the equipment of transport with them?—No.

3856. (*Sir Donald Stewart.*) Some regiments do?—Some regiments on the frontier keep the equipment of transport, but only a limited quantity I think now; but we keep a reserve of transport saddlery: we keep a large reserve of transport saddlery and transport saddles.

3857. (*Sir Ralph Knox.*) But how would the carts be obtained—the waggons?—We keep the carts.

3858. Then you would have to send them a very considerable distance from the arsenals?—No, because the carts are kept at Rawal Pindi and Ferozepore, and wherever we can keep them with advantage.

3859. But it is a considerable distance from some of the troops is it not?—Yes, it is.

3860. (*Mr. Courtney.*) Then you use the railways?—We use the railways to send them up, but that is all worked out under the mobilisation regulations—the supply of the transport. Of course that comes more under the Commissariat Department, the supply of the transport not being an ordnance matter.

3861. (*Sir Ralph Knox.*) Would they keep a reserve of transport articles?—We keep a large reserve of transport articles, of saddlery and saddles.

3862. But not of carts?—The carts have been made over now, I think, to the Transport Department.

3863. (*Mr. Buchanan.*) At depôts as well as at arsenals?—No, there are no transport articles kept at depôts; depôts are only for the supply of ammunition and entrenching tools.

3864. (*Chairman.*) But the result of your answers to these questions appears to be that you are perfectly satisfied with the present arrangements, that the regimental charge is sufficient for all immediate wants, and from the great centres supplies can be forwarded sufficiently quickly to prevent any inconvenience?—Yes, I think so; I should be very sorry to see the number of establishments increased, certainly unless we were given a very considerable addition to our *personnel*.

3865. Now, as to the ordnance factories: I see there are nine in India, of which three are gun carriage factories. The Special Ordnance Commission of 1875, I think, recommended that one of these factories should be closed and some other modifications made. Would you tell us what has taken place with regard to them?—It will be seen that there are nine ordnance factories in India.

3866. (*Mr. Courtney.*) Pardon my interrupting you; are there seven working days in the week?—Six days. The manufacture of steel for all artillery projectiles has been satisfactorily introduced in the Cossipore factory during the last three years, and there is no reason why the requirements of gun mountings and carriages should not be similarly met if proper plant and establishment are given. India would then be entirely independent of England in this important manufacture, and undoubted economies would be secured in the future by the employment of native labour.

3867. (*Chairman.*) Perhaps you would continue your remarks on the subject of the other factories?—Then the gunpowder factories; there were originally three gunpowder factories in India, one for each Presidency, but the Madras Factory has been closed for work for some years past on the grounds of economy, and the public service has not suffered in consequence. It will probably be always considered necessary to maintain the two factories at Ishapore and Kirkee, as, even if the possibility of accidents from explosives is not taken into account, the manufacture of black powder will have to be continued for many years to come, in addition to the manufacture of cordite, the introduction of which into India is, in all probability, only a question of time.

3868. Is Kirkee in the Bombay circle?—Yes.

3869. And Ishapore?—Ishapore is near Calcutta. A small plant has already been supplied to Kirkee for the experimental manufacture of this new explosive. There are two factories (Dum Dum and Kirkee) for the manufacture of small arm ammunition, the demand for which is so considerable that it would be inexpedient, and probably also impolitic, to concentrate it in one factory. There is only one factory for the manufacture of artillery projectiles. The question of an alternative factory in the Bombay Presidency was under consideration a few years ago, but was abandoned for financial reasons. The existing factory at Cossipore is fully able to meet all demands on it in the future, and there would not be sufficient work to justify the erection of duplicate steel works, with all the accompanying establishment, as well as expensive finishing plant. There is also only one harness factory, in which are also manufactured the equipments for British and Native troops in India. The factory is situated at Cawnpore, which is a great centre of the leather trade in India. The installation of a second factory at Bombay has been sanctioned by the Secretary of State for India, but for financial reasons has not yet been carried into effect. Consequently the Bombay and Madras Presidencies are largely dependent for the supply of leather on the local market, which has not been altogether satisfactory, owing to the competition of the trade being insufficient to secure a constant supply of good leather. All these factories are under the direct control of artillery officers, who are specially selected from among the officers who join the Department in the executive grades as Ordnance officers, and an assistant superintendent is allowed for each factory, who is taken from the third or fourth grade of Ordnance officers. The European staff of engineers and foremen is kept down as low as possible, and no addition to sanctioned establishment is ever allowed without the fullest explanation of the circumstances which necessitate such increase. The supervision of native labour when employed on skilled work and in the manipulation of expensive machinery, is a very important matter, and cannot be reduced without waste of labour and material, and a consequent loss of efficiency.

3870. Have you ever formed any idea of what has been the financial result of these large reforms in Ordnance establishments since 1879?—No, I have not.

3871. You have no means of forming an opinion upon that point. For instance, a comparison of the Estimates of 1879 with the current Estimates would not enable you to form an opinion?—With reference to the reduction of arsenals and depôts?

3872. With reference to the reduction of charge for arsenals and depôts?—Here is a note on the military expenditure on the army in India for 1872–73 and for 1883–84. If I might read from this, I think it is stated here. It says: "On the other hand, considerable reductions were effected in 1875 and subsequent years on the recommendation of the Ordnance Commission of 1874, various magazines, depôts, and establishments being abolished or reduced; and again in 1879, on the Report of the Ordnance Committee of 1878, when the reserves of ammunition and other stores were largely reduced. Moreover, since 1879–80 the value of all stores issued to the police and other provincial services has been deducted from charges, instead of, as heretofore, being credited to receipts under Grant 10. The average annual deductions in the last five years of the series have amounted to Rs. 3,17,000."

3873. But that refers to the reductions on account of police, does it not?—That was only a minor item.

3874. But what is the force of the word "deductions"?—Deductions from the Estimates.

3875. Are they not reductions?—There were considerable reductions.

3876. And they put it at three lakhs?—I find it so stated.

3877. Is that three lakhs annually?—"Yes. The average annual deductions," it is here stated, "in the last five years have amounted to three lakhs and 17,000."

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3878. (*Sir Ralph Knox.*) Has there been any corresponding increase in the regimental expenditure as to their stores?—I cannot say; but there is no doubt that there was very considerable reduction of expenditure due to the abolition of those establishments; there must have been.

3879. (*Chairman.*) Would you give us the authorised numbers of administrative and executive officers at Headquarters and in the several circles?—The Administrative Staff consists of one Director-General and a Deputy, four Inspectors-General.

3880. I suppose the Director-General and the Deputy Director have a considerable clerical staff under them?—Yes.

3881-2. The Director-General and a deputy, four inspectors-general, and four assistants?—There are four Inspectors-General of Ordnance and four assistants to Inspectors-General of Ordnance in the circles; total 8.

3883. And those are the officers that you said were seconded, did you not?—Yes, the four assistants are seconded.

3884. Does not the seconding apply to the whole of the staff?—No.

3885. Is not all the staff of the Director-General removed from the active service list?—They are seconded in the regimental list.

3886. Will you tell us about the executive officers?—The Executive Ordnance 1st class, 5; 2nd class, 7; 3rd class, 11; 4th class, 13; making a total of 36, but out of that 36 we have to find 9 assistant superintendents for the factories, so that that only leaves us 27 officers for the executive charge of the arsenals and depôts.

3887-8. These are all Royal Artillery officers seconded for the time being from active service?—Yes, seconded for employment in the Ordnance Department.

3889. And how are they allotted within the arsenals?—A first-class arsenal is supposed to have always one first-class Ordnance officer, one third, and one fourth: a second-class arsenal has one second class ordnance officer: a first class depôt, one third class ordnance officer in charge: second class depôts are in charge of warrant officers, but the Director-General has power to move them as he may consider necessary.

3890. (*Sir Ralph Knox.*) Do they often go back to their corps after having joined the Ordnance Department?—When they are first appointed they are appointed for five years, and if, when a man has served his five years he wishes to go back, he can leave the Department, and if he wishes to stay on, it rests with the Director-General whether to recommend his re-employment or not for another term of five years.

3891. They are for terms of five years only?—The first and the second terms are for five years only; but during an officer's second term of five years, or towards the termination of his second five years, he may apply to be continuously employed in the Ordnance Department. If we find an officer is likely to make a valuable superintendent in charge of a factory, he may be recommended for continuous service in India, similarly to the way in which Royal Engineer officers are employed, and then he remains in the Department for the whole of his service. We have 20 continuous service officers on the list now; out of about 55 officers, 20 have been selected for continuous service.

3892. They will have given almost all their career to Indian service, I suppose?—Yes, and they have the advantages of the Staff Corps rules as regards furlough and pension.

3893. (*Chairman.*) Then, perhaps, you would pass on and give us some information as to the European staff of engineers, foremen, and civil European subordinates, as compared with the number of Natives employed, and the cost of the two forces?—The European staff of engineers and foremen is kept down as low as possible, and no addition to sanctioned establishment is ever allowed without the fullest explanation of the circumstances which necessitate such increase. The supervision of native labour, when employed on skilled work and in the manipulation of expensive machinery, is a very important matter and cannot be reduced without waste of labour and material and a consequent loss of efficiency. The European staff of engineers, foremen, and warrant and non-commissioned officers at present sanctioned for the several factories is as follows:—

Factories.	Civil Engineers and Foremen.	Military Subordinates.
Small-Arm Ammunition, Dum Dum.	6	23
Small-Arm Ammunition, Kirkee	8	8
Foundry and Shell Factory -	11	7
Gun Carriage Factory, Fatehghar	5	9
„ „ Bombay -	8	7
„ „ Madras -	4	8
Gunpowder Factory, Ishapore -	8	6
„ „ Kirkee -	7	4
Harness and Saddlery Factory -	4	12
	61	84

3894. And these are all Europeans; and, added to the 36 executive officers of the first, second, third, and fourth class, comprise all the Europeans employed?—No, you must add to the 36 ordnance officers these nine superintendents. The definition of an ordnance officer is a man employed in charge of an arsenal. They are employed in arsenals. The nine superintendents of factories are separate from the ordnance officers. It is kept as a separate branch of the Department, but out of those 36 ordnance officers we take nine as assistant superintendents of factories.

3895-6. That makes, I reckon, without the central administration of the Inspectors-General, 190 Europeans; and if, to make it complete, you add 10 for the central establishment, exactly 200 Europeans. You have got 36 executive officers of the different classes; you have got 10 of the central establishment; you have got 9 superintendents of factories; you have got 61 civil engineers and foremen, and 84 military subordinates?—Yes, that makes 200.

3897. And that is the number of Europeans employed in the whole establishment?—In the whole establishment? No, the whole European establishment is very much larger than that. I have not introduced into this statement the number of warrant and non-commissioned officers employed in arsenals; I only brought in the military subordinates here, because I wanted to show the actual amount of supervision in factories.

3898-9. Your statement here refers to the supervising force?—The supervising force over the factory labour. The European staff in the arsenals I have not included, as I was only referring to factories.

3900. This does not include the supervising staff in the arsenals?—No, that is quite separate. I have not included the number of European storekeepers in this memorandum at all.

3901. With regard to the supervising staff in the factories, could you give us any estimate of what they cost?—I have said there are 61 civil engineers and foremen, there are 84 military subordinates; in addition to that there are nine superintendents and nine assistant superintendents, that is a total number of 163 Europeans, the actual number of Europeans who supervise the manufactures in nine ordnance factories. Their total cost, taken from the last Budget 1893-94, was 6 lakhs and 45,000 odd. The value of the out-turn during the same year of these factories was about 120 lakhs, so that the cost of European supervision of manufacture thrown over the whole of the factories did not amount to 5½ per cent. of the value of the out-turn.

3902. Yes, by the way, I should like to mention that from our estimates I should judge that the superintendence at Woolwich is 26,000*l.* against an out-turn of 2,100,000*l.*; that would represent 1¼ per cent.?—But that 26,000*l.* does not, I think, include every foreman and manager and leading hand.

3903. You include everything in your estimate?—I include every European in the factory.

3904. I asked a question about the cost of supervision at Woolwich, and I was told that was the case; but it is possible that it might require modification: I am simply putting it before you as a test?—My calculation includes every foreman we have got. The cost of superintendence at Woolwich probably does not

include managers, engineers, foremen, and leading hands.

3905. With reference to the question of the growth of military expenditure, you have reason, I think, for holding that increase rather than reduction of your supervising establishment may be expected. Perhaps you would give us your reasons for holding that opinion?—Because our manufactures are increasing every year.

3906. I think the Commission would like to hear your view upon this subject, because it bears upon the question of the growth of expenditure?—Yes. I referred to the executive officers in charge of arsenals and the value of stores, which has increased very much of late years. Of late years we have sent four officers home every year to go through courses in the Artillery College and the Arsenal, to keep their knowledge up to date, and it is absolutely necessary to do that if the ordnance officers are to be able to deal with all the different equipments of the present day. They require very considerable knowledge of ordnance stores, and sending home four officers every year makes a constant reduction of the number who are available for duty.

3907. (*Sir Ralph Knox.*) You send them home for instruction in processes of manufacture, or with a view to learning the stores?—Both; we send officers who are employed in factories home to go through courses in the Arsenal, and to follow manufactures, so as to keep our manufactures up to date; and we also send the ordnance officers in charge of arsenals home, to acquire knowledge with regard to stores, because it is necessary that the ordnance officer should be as much up to date as the regimental officer outside who has to use the stores.

3908. (*Chairman.*) Will you kindly state your reasons for considering an increase of the supervising establishment probable?—The staff of executive officers allowed as Ordnance officers is very small compared with the number of troops under supply. Deducting the nine Ordnance officers of the 3rd and 4th class who are employed as assistant superintendents in factories, and whose services in that capacity can never be spared, it will be seen that only 27 officers remain for the executive work of the several arsenals and depôts on which the Army in India and the other services numbering some 355,000 men are dependent. I know from personal knowledge that these officers are very hard worked, and that if they were not specially selected, and if care was not taken to retain in the higher ranks only men of proved ability and zeal for the public service, the work of the Department could not be carried on as satisfactorily now as it has been in the past. There is also in the sanctioned establishment of officers no adequate allowance made, as in other Departments, for a certain proportion of officers who may be absent on furlough, and the alternative of bringing in young officers to officiate during the absence of senior officers, when absent on duty or on furlough, is of little value, because no young officer can become sufficiently acquainted with his duties in the Department with less than a year's service. The reason why no fixed additional proportion in the several grades of ordnance officers was given in fixing the administrative and executive staff of the Ordnance Department was that officers are appointed in the first instance for a period of five years as for the staff of the army, and consequently the question of furlough was not admitted. Officers are still appointed in the first instance for five years, and seconded for employment in the department, but they can be re-appointed for a further term of five years, during which, if it is found advisable to continue their employment, they can be selected for continuous service in India, which carries the advantages of furlough rules and Indian pension; and up to the present time 20 officers have been granted these privileges. Of late years also the Government of India has sent to England annually four officers belonging to arsenals and factories, for courses in instruction in the Artillery College and Royal Arsenal. This is very necessary in order to maintain the required standard of efficiency in the Indian Ordnance Department, but it reduces the number of qualified officers available for duty. The time has come when some permanent increase to the commissioned officers of the Department must be given, and the Department be placed at least on the same footing as other Departments in regard to the staff of officers. The improvements in war material of late years have made it more than ever necessary to have a highly trained staff of executive officers, and the charge of a first class arsenal is so heavy that it is impossible to secure thorough supervision over all matters of receipt, storage, and issue, if the officer in charge has not under him an efficient staff. The value of stores has also increased very much of late years.

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3909. (*Sir Ralph Knox.*) Do the officers on joining the Department undergo a course of instruction in the stores and the duties?—Yes; they are attached to the different divisions to learn the duties connected with those divisions in a large arsenal. They are always sent to a large arsenal to learn their duties, and it takes a man fully a year before he is of much value as an executive officer.

3910. Does he take up the duties of the Department, or does he go through a period of systematic instruction on joining before he takes up work?—He goes through a period of systematic instruction on joining under the senior officer in charge of the arsenal and undergoes an examination.

3911. But without being charged with any duties in the meantime?—He would have no executive charge until he had learnt his duties.

3912. Of course, he would be a subordinate officer; but would he devote his time entirely to learning his business?—Yes, at first.

3913. And then be subjected to an examination to ascertain whether he had mastered the details?—Yes. He would be put first of all into the requisition branch, to see how the requisitions are checked when they come in from corps.

3914. But that is hardly an instruction in store duties, and in stores from an artillery point of view. Would he go through, for instance, a firemaster's class, before he would be appointed?—We have no firemaster's course in India.

3915. I allude to it, because that is the system that is to be adopted in the future in the service at home—the officers in the first instance are to go through a complete system of instruction at the Artillery College and the Arsenal before they are appointed to their duties?—Quite so, and that is what we have been aiming at in India, but we have no school of instruction. Most of our officers now go through what is called at Woolwich the firemaster's course, and that is why they are sent home. It is most important that they should do it, but we have not a school of instruction to carry it out, and in the meantime we have to utilise their services as best we can. In my own circle I have had the Calcutta arsenal, which is a very big arsenal, constantly in charge of only two officers, and I have had it in charge of one, instead of three; and I have had the Allahabad arsenal, which ought to have had a first-class ordnance officer and another one to help him, in charge of a third-class ordnance officer, a comparatively young captain.

3916. If that young captain had undergone a thorough course of instruction, there would be no objection to his being in charge, would there?—I think there would be very great objection, simply because the amount of supervision is too great; if you have a large arsenal in charge of one man, he certainly cannot go and check stores; he has no time for that, his whole time would be taken up in the office routine, in looking after his cash expenditure and checking the receipts and issues of stores. In an arsenal like Allahabad, which has some 40,000 troops dependent on it, there is a constant receipt of material which has to be checked by an officer—the senior officer. It is one of the duties laid down that the senior officer in charge of an arsenal is in charge of the receipt division, and he is supposed to see all the stores that come in, which is necessary to ensure only stores that are thoroughly serviceable being received from contractors and people. The main check that we have in the arsenal that things are going right is the supervision of commissioned officers.

3917. (*Chairman.*) And therefore you are anxious for an increase of establishment in order to get a more efficient control?—Yes, I am; I know it is absolutely necessary. I do not want to throw any slur on the honorary commissioned officers and warrant officers, who are a hard-worked and valuable body; but the staff of commissioned officers is the backbone of the Department.

3918. Do these remarks on the necessity of increase apply throughout your establishments, namely, to the factories as well as to the arsenals?—No, I referred

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only to the arsenals. As regards the factories, so far as I can say at present, so long as we have got a superintendent, and one assistant superintendent, I do not want to ask for more. Two assistant superintendents would be better than one, but the most important thing at present is to see the arsenals strengthened. The receipt and issue and safe storage and accounting for all munitions of war for 350,000 men is a very big job, and I know from experience that our officers have complained bitterly of the amount of work that is thrown on them; and I know their complaint is true.

3919. (*Mr. Buchanan.*) Have you made application to the Government of India from time to time to increase your arsenal staff?—I believe a proposal has been put forward by General Walker, the present Director-General.

3920. The matter has been, from time to time, laid before the Government of India?—Yes, I believe with a view to a proportion of 25 per cent. additional to cover the absence of officers on furlough. It varies from 20 to 25 per cent. in the different departments, the Military, the Military Accounts, the Commissariat, and so forth, and the proportion is thrown over the whole. I would not begin with the first, but with the second class ordnance officers, who are thoroughly efficient officers; that would be a valuable addition to our arsenal staff. If you take the Army List, you will see that an addition to officers of the third and fourth class would mean that, when our senior men are absent, the arsenals would be left in charge of very junior officers, many of them very good, but the very best of them cannot learn their work in a year.

3921. (*Chairman.*) Your evidence on these points is most interesting, and concerns our Commission. First of all it is a proof, coming from yourself, of the fact that the Indian Government administers, or endeavours to administer, a great part of the army expenditure very carefully without any waste of staff, and next it is a warning to us, in looking to this in the light of your experience, that we must rather expect an increase than a diminution of staff under the ordnance head of expenditure?—Yes.

3922. But may I call your attention to one point. If you compare the details of ordnance expenditure in 1884–85 and 1893–94, the staff of arsenals and depôts has increased by some 147,000 Rx. That is a very considerable increase?—Yes, but that includes the employment of labour; that is not only the cost of supervision. The supervising staff in the beginning of that table is the Administrative Staff, the Director-General, the Inspector-General; then come the arsenals, including the pay of all the officers, and of the junior grades, and even the extra labourers, the coolies who have been employed.

3923. I refer to this in passing to show that there has been an increase?—There has been an increase there, but not necessarily on the officers who are in executive charge; it includes all the charges.

3924. (*Sir Ralph Knox.*) What is the minimum number of officers that you have in charge of an arsenal?—A second-class arsenal has only one second-class officer.

3925. And a first-class arsenal?—A first-class arsenal is supposed to have three officers, and if it always had three officers we could get on; but none in my circle have had three of late years.

3926. But for a second-class arsenal do you think the one is enough?—No, I do not; I would never like to have less than two for this reason, that if an officer goes sick, which constantly happens in India, the arsenal is left in charge of a warrant officer.

3927. He has to go on leave?—He goes on privilege leave, yes. If he goes on privilege leave an officer has to be taken away from a first-class arsenal, and the staff there is reduced. It is a matter of efficiency. The waste of money that may go on in an arsenal is very great, if it is not properly controlled. All these arsenals have a work-yard where repairs are carried out, and this has been very much developed of late years. When the Ferozepore arsenal was put on its present system, it was given a very large workshop, and the same has been done at Quetta and Rawul Pindi, so that all local repairs can be carried out in arsenals. That entails an enormous amount of supervision.

3928–9. (*Chairman.*) You say that Ordnance officers and superintendents of factories are authorised to purchase stores locally to meet out-standing demands, or to bring up stock, to a quarter of the annual issue, provided funds are available from the "local supplies grants." Would you explain rather more fully the term "local supplies grants"? Is this power used to any great extent; is it a discretion?—It has only been granted within the last two or three years, and to the best of my knowledge, it has not been used yet to any considerable extent.

3930. What equipments are the Ordnance Department charged with, besides weapons and munition tools and ammunition?—The Ordnance Department supplies everything that is required by the Army in the way of Ordnance stores. It supplies arms, ammunition tools, harness, saddlery, entrenching equipment, all magazine stores.

3931–4. Anything for the troops, tents for instance?—All camp equipage.

3935. (*Sir Ralph Knox.*) Does it include furniture?—No, we have got nothing to do with furniture, that is done by the Barrack Department; we have nothing to do with clothing or furniture.

3936. (*Chairman.*) Can you put before us and distinguish to us the stores which you manufacture in India, from those that you import from England?—At the present time we import from England all guns and rifles, and of late years we have imported gun-carriages, not completed gun-carriages, but all their steel and iron components; we have simply erected them in the country and built their wheels and boxes.

3937. That is, I suppose, because of late years the gun-carriages have become a much more complicated matter of manufacture?—Quite so.

3938. Is all your powder made in India?—Yes.

3939. What you use for big guns?—Yes, we are now making the prismatic powders. We imported some prismatic powders until we got the machinery to make them; but we are now making them.

3940. That was what I wanted to ascertain, whether you had still to get from home any of these peculiar powders?—We shall not get any more.

3941. What is the value of ordnance stores sent from England to India?—In 1875 I find that there were nearly half a million worth sent out to India, 480,468*l.*; and then, in 1884–85, it fell to 182,000*l.* odd; then, in 1889–90, it was 253,000*l.*; 1890–91, 721,000*l.*; 1891–92, 830,000*l.*; 1892–93, 583,000*l.*; and 1893–94, 547,000*l.*

3942. (*Sir Ralph Knox.*) Those larger figures would be connected with some matter of re-armament?—Yes. Might I read what has been the cause of the considerable increase?

3943. (*Chairman.*) Yes, if you please?—The expenditure in England on ordnance stores, during the last five years, has been very heavy owing to the re-armaments which have been carried out. The British infantry have been equipped with Lee-Metford rifles. The whole of the Field and Horse Artillery, comprising 53 batteries, and 11 batteries kept in ordnance reserve, have been equipped with 12-pr. B.L. guns, and even the carriages have been supplied from England, with the exception of the wheels and ammunition boxes. The coast defences have been re-armed with 10-inch and 6-inch B.L. guns on hydro-pneumatic mountings. The armament of the frontier defences, comprising 72 new B.L. guns and howitzers, are still under supply, as also a new siege train, equipped with B.L. guns and howitzers and four heavy field batteries. The expenditure on these armaments is nearing completion, and the home expenditure during the next few years will be considerably diminished; but it must not be forgotten that guns and rifles will require renewal. In the meantime, also, the expenditure in India will increase, since the cost of repairs and of ammunition for modern B.L. guns and rifles is considerably more than that of the arms which have been superseded. The total expenditure in India and England, without taking into account the eventual replacement of the present armament, can never revert to the average expenditure of former years. To show how expenditure has increased, I would quote the enhanced cost of ammunition which is yearly expended in practice. Taking War Office vocabulary rates, the shrapnel-shell of the 12-pr. B.L. gun with which all the Field and Horse Artillery is equipped cost 44*l.* 17*s.* 10*d.* per 100, as against 25*l.* 17*s.* 10*d.* for the shrapnel of the 9-pr. R.M.L. gun, which has been superseded. The

time percussion fuses now in use with the 12-pr. B.L. guns cost 31*l.* 9*s.* 4*d.* per 100, as against 3*l.* 12*s.* 8*d.*, the cost of the wooden time fuses in use with the 9-pr. R.M.L. equipments. The cast steel common shell of the 10-inch B.L. guns on coast defences cost 942*l.* per 100, as against 219*l.* 10*s.* 3*d.*, which represented the cost of the iron shells for the 9-inch R.M.L., and 655*l.* the cost per 100 of those for the 12·5-inch R.M.L. guns, which formed the heaviest armament for coast defence. Small-arm cartridges for the ·303 Lee-Metford rifle now cost 5*l.* 12*s.* 3*d.* per 1,000, as against 3*l.* 13*s.* 9*d.*, the cost of the ammunition for the Martini-Henry rifle.

3944. Then that large expenditure on stores from England, 1890–91–92, was due to the re-armament of the artillery and infantry?—Yes.

3945. Have you any remark to make upon that point?—That increase has not been due solely to changes of patterns and improvements in war materials; it was not simply done because there was a better gun brought out, but would in any case have been largely necessitated by the fact that the guns and rifles which have been replaced had mostly served their time. The 9-pr. R.M.L. guns, with which the Field and Horse Artillery were armed, had been in use for about 20 years, and the Martini-Henry rifles, with which the British infantry were armed, had been in use for a similar term. All the Martini-Henry rifles, however, which were still serviceable, or had a certain number of years of life still in them, were passed on to the Native infantry, which are now armed with the Martini-Henry rifle, and the Snider rifles (which the Native infantry had) thus set free were converted to smooth-bores for the use of police. Some 50,000 Snider arms were thus converted at very small expense, to smooth-bores for the police, and I quote it as an instance of work done by our armourers in arsenals. We took the rifling out and generally repaired them in the arsenal armouries, and re-armed the police ourselves at a less cost than it would have cost to send the arms to England.

3946. (*Sir Ralph Knox.*) Taking the rifling out was not a very difficult matter?—The arms had to be put in an efficient state, and we had to make special ammunition for them, which is done in the factories.

3947. (*Chairman.*) Do you think you could manufacture economically more articles in India than you do, and if so, in what direction would you extend manufactures on the spot?—Well, we could do all our carriage work, I think, if we had a good central carriage factory, with all the necessary appliances and plant.

3948. Even these new complicated carriages?—Certainly.

3949. What, in your view, would be the financial effect of doing so; would it lead to economy?—Yes, I am sure it would. In many of the carriages, for instance, that are now under supply at Woolwich, there is any amount of work that we could have done in India with native labour.

3950. And more economically?—Wherever labour comes largely into the manufacture it must be more economical to do it in India than in England.

3951. That is to say, you think the work would be as well turned out in India, for practical purposes, as it is here, and it would be turned out by more economical labour?—Yes, that is what I think. We are making what is more complicated than a gun-carriage, we are making all our metal fuzes for India. If we can make our metal-fuzes we can make our gun-carriages.

3952. Of course, to whatever extent you can manufacture in India, apart from your own personal view of the advantage of it, that means less expenditure over here of Indian money?—Quite so, a reduction of home charges.

3953. Do you include carriages for the larger kind of guns?—Yes, I mean all carriages.

3954. The hydro-pneumatic and all?—Yes, I include the hydro-pneumatic.

3955. How would you describe the policy of the Government of India in regard to manufacturing all ordnance stores? Do you consider that it is that of encouraging manufacture in India or not?—I have always thought that the policy of the Government of India is to make India self-dependent, only limited by economical considerations.

3956. Is it distinctly laid down and known throughout the service that that is the policy in India?—I think it has been understood for many years; I have always been given to understand that it is the policy of the Government of India that India should be independent, as far as possible, of England; it has been limited by our manufacturing power, but I think it ought only to be limited by economical considerations.

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3957. And, therefore, you would say that the choice between the two methods of supply is, and ought to be, solely governed by financial considerations, that is to say, how stores can be obtained at the least cost to the Indian taxpayer?—Yes, that is what I think. Someone the other day was proposing that there should be a factory in India for the manufacture of rifles. I am doubtful whether it would pay, because a rifle lasts 20 years, and it would mean putting down very expensive plant and keeping up a separate establishment. I would not say positively that it would not pay, but it would have to be carefully considered; I should be doubtful of it.

3958. (*Mr. Buchanan.*) You do not expect to be able to make your own rifles?—We could make them; but the question is whether it would pay.

3959. You do not expect to be able to do so economically?—I do not think so.

3960. (*Sir Ralph Knox.*) Why should it not be so if it is a question of labour? If the argument as regards labour applies to the carriage, why not to the rifle?—Well, because the demand would not be sufficient. We carry out all our repairs to rifles already in arsenals. We have an establishment in each arsenal, who make tours of the troops in the circle. Any arms requiring repairs are sent to that arsenal to repair. But it would not pay if you had to bring the rifles from all over India to a central factory at Jubbulpore to be repaired, as in England.

3961. As regards the carriages, is not the argument the same? You only want large supplies of carriages when you have a re-armament?—That is true; but repairs to carriages are considerable and cannot be carried out in the arsenal; only the woodwork of wheels and boxes can be repaired there; any worse breakdown, of hydraulic buffers, for instance, or of elevating gear, or extensive alterations which have to be made with expensive machinery, cannot be done in an arsenal.

3962. No, I quite understand your doing all repairs?—They would have to be replaced in a factory; therefore you would have to have a gun-carriage factory.

3963. You are arguing in favour of a place where you would make your gun-carriages?—Yes, but they would also require repairs from time to time.

3964. Yes, but so do rifles and all other war material; I do not quite see why, if it applies in one case, it should not apply in another case?—Well, we have got three gun-carriage factories at the present time.

3965. But that is entirely a matter of capital expenditure. You rely mainly upon the argument that the labour is so much cheaper out in India; it is equally cheap for one article as for another?—Yes, if you have sufficient demand for the article.

3966. But you surely have a larger demand for rifles than you have for carriages or gun-carriages?—No, I believe the repairs to gun-carriages will be very heavy indeed in the future, as soon as these hydraulic-carriages begin to wear.

3967. I understand that of necessity you have a repairing shop for these carriages?—Yes.

3968. But what you propose is that you should make them as well?—Certainly, because we could not repair all parts of them without the power to manufacture. If certain steel sections and steel parts had given way, we should have to cast and roll those sections.

3969. You have at present all machinery necessary for making carriages?—No, we have not; we have only the machinery necessary for making the obsolete carriages. To make a modern gun-carriage we should require a small steel furnace and other plant.

3970. But does it not apply equally with regard to the rifles? For instance, you have a full power of repairing a rifle; you can repair any portion of a rifle?—Yes.

3971–2. If that be the case, have you not the necessary arrangements and machinery for making a rifle?—No, we have not. We could not make a rifle barrel in the country.

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(*Mr. Naoroji.*) You can make it if you choose.

3973. (*Sir Ralph Knox.*) You cannot make a rifle barrel?—We could not make a rifle barrel in the country. We could repair all the smaller parts of them, re-stock them, anything of that sort, but we can only replace a barrel by putting in a new barrel received from England.

3974. But if you could make the intricate parts of a gun-carriage, could you not make a rifle barrel in India?—Yes, I say we could do it; the only doubt I have expressed is whether it would pay. I could go farther than that and say we could make our own ordnance in India. There is no real reason why we should not make a 12-pounder gun.

3975. If you rely for the cheapness of carriages on the labour, it appears to me to apply equally to everything. I cannot understand why it should apply only to carriages?

(*Mr. Naoroji.*) Only the first new capital laid out would be necessary, that is all.

3975A. (*Mr. Buchanan.*) You think it would be a good thing if you could manufacture your own rifles in India, supposing it could be done without great loss? If it could be done as cheaply as you get them from England, would you be in favour of having them made in India?—Well, I always have had doubts about the manufacture of rifles. I am against the local manufacture of guns, because it would involve a very large proof department for the proof of the guns. The guns last so long, and so do rifles as a rule, and we keep up such large reserves of them.

3976. (*Chairman.*) Confining yourself purely to the question of the cost in England, is there not something to be said on this point, that in all probability, as you have here a large manufacturing department of guns and rifles, that department could manufacture a large stock for England and India together more cheaply than two separate establishments, one in India and one in England, inasmuch as two separate establishments generally work more dearly than a single one?—Yes, probably.

3977-8. You have to take that into consideration as against the much cheaper rate of labour in India which Sir Ralph Knox has been speaking of. It thus becomes a rather complicated question, which would have to be gone into; but I take it from what you said before that the test would be the cost to the taxpayer in India, and if you were convinced that the rifle or the gun could be made in India at less cost to the taxpayer in India you would advocate it, supposing they were equally efficient weapons?—Yes.

3979-80. Could you give us any illustration of what you mean when you say that an economy results from manufacturing in India as compared with importing from England? Take, for instance, the cost of manufacturing gun-carriages as against that of importing them?—Yes. I can give you instances of the comparative cost of our manufactures. I produce a comparative list of the cost of certain stores, showing the cost of some of the principal manufactures in the ordnance factories in Bengal during 1893-4 as compared with the home supply. Take the 12-pr. shrapnel shell, we have our steel works at Cossipore, and are making those there from our own steel. The cost of manufacture in India was Rs. 760 per 100, as against Rs. 813 if imported from England.

3981-4. (*Sir Ralph Knox.*) Rs.760 against Rs.813?—That was the saving. I do not know whether they have reduced their cost at home. Those are the War Office vocabulary rates, to which are added freight charges and charges for inspection, and so forth; but that is really what the Military Accounts Department stated that they cost in India if imported from England.

3985. Including the transport, of course?—Of course; that price includes the freight and inspection charges, and so forth.

3986. (*Chairman.*) I understood you to say that the Rs. 813 included freight?—Yes, it includes everything; it is what the cost of the imported article actually amounted to in India.

3987. Can you give us other instances?—Well, take the Martini-Henry carbine ammunition or the Martini-Henry rifle ammunition, of which a great quantity is made in India, the whole of the native infantry and cavalry are supplied with it, the cost of it made at Dum Dum is Rs. 51 per 1,000. The cost, if imported—and these are actual invoice rates—was Rs.79. That is a difference of Rs. 28 per 1,000.

3988. That is 60 per cent?—Yes.

3989. (*Sir Ralph Knox.*) That includes transport?—That includes everything; that is the cost of the imported article in India. In our factory we make it for Rs.51 and if imported from England it costs Rs.79.

3990. (*Chairman.*) Take the ·303 powder?—The cost of manufacture of ·303 powder in India was Rs.110 per 1,000; the cost of the same ammunition made at Woolwich, actually invoiced, was Rs.117. The difference there is not so great, but still it exists; and that was only in the beginning of the manufacture at Dum Dum, which is always most expensive.

3991. (*Sir Ralph Knox.*) Which article was that?—Ammunition for the magazine rifle.

3992. Black powder?—The pellet powder; we first began with it.

3993. (*Chairman.*) Can you you give us one example showing the manufacture of gunpowder in India as compared with home?—The R.F.G[2] gunpowder, which was used for filling the Martini-Henry cartridges, cost in India Rs.51, and if imported Rs.79. Those are not my figures; I took those from the report of the Military Accounts Department on the financial review.

3994. (*Sir Ralph Knox.*) Could you explain how your cost accounts are made up?—Yes; I can explain how they are compiled in the factories. We take the labour first; the labour is taken by a staff of timekeepers who are natives; they are employed under the civil foremen in charge of the shops. There is a very elaborate check—a ticket check—very similar to what is carried out at Woolwich, as to the number of workmen that pass into each factory. Then they are afterwards mustered again in their several branches, and the total number of men who passed into the factory is compared with the totals that are rendered from the timekeepers of the several departments. Then it is the duty of these timekeepers to ascertain from the foremen exactly the job on which all these men are employed, and in that way the actual amount of labour that is employed daily is thrown on each separate work order. The material is drawn as it is required by the several foremen in what are called "Requisition Books," which are checked by the superintendent; who see that there is nothing excessive drawn on the several orders: the material is accounted for in a very simple form which is kept in the factories, which we call the "Daily Abstract of Stores drawn," which has vertical and horizontal columns—one shows the work orders, and the other the amount of material expended on them. At the end of the month from that daily abstract they are able to take out the amount of material that is expended on the individual work orders, and that is carried with the labour into a work report. The great difference between our system in India and the system at home is that in England they draw their material on a "Demand Ticket," and the demand ticket is priced immediately by the storekeeper. We cannot do that in India, because our storekeepers do not know the value of their stores. We account for so many pounds of material expended on a certain order, and the valuation is done in the central office. In England the demand ticket is immediately priced, and the separate demand tickets are brought together and abstracted, and the total amount of money that has been expended is thrown at once on to the work, and there is no further writing. With us I am sorry to say there is an enormous amount of writing, because the several descriptions of material used have to be written over and over again each month. The total amount of material and labour expended is entered in a work report, which is submitted monthly to the Examiner, and the Examiner has a cost ledger in which he collects these monthly, and it goes on to the end of the year, or until the job is finished.

3995. But that does not represent the cost as contained in those lists, does it?—Oh, no, but at the end of the year the total amount of the material is priced, and the total of the labour and material, to which are added the charges for supervision and other indirect expenditure, gives what used to be Balance Sheet Number 1—in which you have your labour and your material and your indirect expenditure.

3996. (*Chairman.*) That makes Balance sheet Number II.?—Well, Balance sheet Number II. has been done away with; there is only one balance sheet now.

3997. (*Sir Ralph Knox.*) How do you deal with machinery and capital charges?—10 per cent. on machinery and 5 per cent. on buildings are added to the indirect expenditure in the same way as, I believe, it is done at home. It is done in the Military Accounts Department; I have no control over that; they add the whole of the indirect expenditure together and then throw it over the whole of the work done.

3998. Do you think your indirect expenditure is accurately ascertained under the system?—I believe it is; but I am not responsible for it. I know the indirect expenditure is very heavy.

3999. Unless the system of calculating the indirect expenditure is very complete the cost ascertained may be fallacious; it depends really as much upon that as upon anything else?—Yes.

4000. (*Chairman.*) Has it ever been criticised by any inquiry in India?—Yes, they had a committee on it in 1887, I think, on which Mr. Kiernan and other men who were not connected with the Ordnance Department sat, and the system was approved. Our system is the system which has hitherto been adopted in England; I should say rather that it was formerly adopted in England. The system differs from the present system in England in so far as an enormous amount of compilation is thrown on the superintendents, whereas in England nothing is done by the superintendents.

4001. (*Sir Ralph Knox.*) Yes, but the indirect expenditure is an ingredient in the cost of the articles?—Yes, I know it is, and so it is with us; all office establishments are charged to the indirect expenditure.

4002. (*Chairman.*) In what year was that commission of which you spoke?—I am not sure; it sat either in 1887 or 1891.

4002A. Do you suppose there is a copy of its report in the India Office?—I should think so.

4003. (*Sir Ralph Knox.*) Are the cost accounts published in India?—Yes. I have got the financial report of the Ordnance Department of the Bengal Presidency for the last year; which has been published, with the cost of every article.

4004. If that is so, a comparison can be made with the cost accounts at home, and it can be ascertained how much the expenditure on labour was?—Certainly.

4005. That comparison alone would show how far the article was cheapened by the cost of labour?—Yes.

4006. (*Mr. Naoroji.*) That would be affected somewhat by the higher salaries and pay paid to the supervisors; that is to say, the European agency; and, notwithstanding, there is still an economy?—Yes, but the supervising charge is separate from the labour.

4007. (*Sir Ralph Knox.*) Still it forms a part of the indirect expenditure chargeable?—Yes, on the total; I thought you referred to the labour expenditure.

4008. (*Chairman.*) Would you put in a table of the different prices?—I submit a table showing the comparative cost of certain articles; I chose those articles because they are articles of large expenditure.

COMPARATIVE STATEMENT showing COST of some of the Principal STORES manufactured in the ORDNANCE FACTORIES, BENGAL, during 1893–94, as compared with HOME SUPPLY.

	Cost of Manufacture in India.			Cost, if Imported.		
	Rs.	a.	p.	Rs.	a.	p.
Shells, B.L. shrapnel, 12-pr.	760	0	0	813	9	0
Gunpowder, R.F.G. 2, per 100 lb.	55	0	0	69	15	5
Cartridges, S.A. ball:						
M.H. carbine, rolled case, 0/00	48	0	0	*86	3	10
M.H. rifle, rolled case	51	0	0	*79	11	8
·303 (powder)	110	0	0	*117	2	5
Harness and Saddlery:						
Saddles, iron arch, luggage	9	4	0	*24	6	6
Pouches, ammunition, V.E. pattern 1888, for ·303 ammunition	5	8	0	*6	1	7
Braces, buff, V.E. pattern 1888, left and right	7	0	0	*9	5	8
Scabbards, sword bayonet, M.H. rifle	1	0	0	3	4	1
Cartouches, B.L. 12-pr. limber	5	12	0	7	11	8

The cost of imported stores marked * are invoice rates, and when not so marked are War Office vocabulary rates.

4009–10. (*Mr. Buchanan.*) And the figures in them showing the cost of the Indian manufactured article are the official figures?—Yes. I took them out of the financial review which is compiled by the Military Accounts Department.

4011. (*Chairman.*) If you imported those stores from England, would they be obtained from the ordnance factories at home or from elsewhere?—Some would be manufactured in the ordnance factories in England and some would be obtained by contract; a good deal of ammunition has been obtained at different times by contract.

4012. But at present your imports from England are chiefly guns and rifles, are they not?—They are chiefly guns and rifles; but when we have been pressed, we have had to get ammunition, and when we suddenly changed our equipment from 9 to 12 pounders we could not make all that we required at the time, so we had to get out a large amount of ammunition. Then similarly, when we changed from the Martini to the Lee-Metford we had not the power to manufacture the ammunition, because it took us some years to acquire.

4013. Your object is to make all the ammunition in India?—Yes.

4014. When your object is attained, practically the only things you would get from England would be guns and rifles?—Yes.

4015. And they would be got from the ordnance factories?—Not necessarily; the rifles are got from the trade sometimes.

4016. You go to the trade?—Well, *we* do not, but the India Office do.

4017. (*Sir Ralph Knox.*) We do very largely?—And for guns for that matter.

4018. Yes, for guns?—For both guns and rifles.

4019–29. (*Chairman.*) You have given us, in the case of the factories, I think, the number of the European supervising element. Can you give us the numbers and cost of the natives employed?—I am afraid I cannot; it is not available.

4030. (*Sir Ralph Knox.*) You told us, I think, that the accounts of your manufacturing establishments were published?—Yes.

4031. Can you put them in?—This is the Indian Ordnance manufacturing establishment for the year 1893–94.

4032–3. (*Chairman.*) Could you put it on the table?—Yes.

4034. (*Sir Donald Stewart.*) I should like to ask one question about the cost of harness. I notice in your statement that a saddle made at Cawnpore only costs Rs. 9, and a saddle made in England would cost Rs. 24. Would the saddle made at Cawnpore last as long as the English saddle?—I think it would.

4035. Is that your experience?—The experience as regards the saddlery that is made at Cawnpore now is that it is very good indeed.

4036. That is another thing; but does it last as long as the best saddles that are made in England?—I cannot say from practical experience of any trials; but I can say this, that during the last few years we had a comparative trial of Indian leather made at Cawnpore and of English leather which was imported, carried out by an expert, and most exhaustive tests were carried out of the strength of the two leathers under different conditions, and the result was in favour of the Cawnpore-made leather.

4037. How are the indirect charges upon the saddlery ascertained?—The indirect charges are thrown on the work of the Cawnpore factory just as they are on that of any other factory. There is only one system of compiling the accounts of all the factories.

4038. Is there any charge made on account of the interest of the money sunk in that factory from first to last?—In no factories in England now do they charge the interest on capital, it has been abolished of late years—they charge a certain percentage on buildings—5 per cent. on buildings and 10 per cent. for depreciation of machinery, but the interest on capital is not thrown, I believe, either in England or in India; we follow the home system in that respect.

4039. Then these charges are made out exactly on the same principle as they are in this country?—They are

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supposed to be, but I am not directly responsible for their compilation.

4040. Is it required to last the same period as saddlery made in England is supposed to last?—Yes, I believe the periods of duration are the same.

4041. (*Sir Ralph Knox.*) Of course, where the rate of interest in the two countries differs, it does become an ingredient in a comparison of the two prices, that is to say, if the Indian Government has to pay more highly for its capital than the British Government does for its capital, it would be an increase to the Indian charge?—Yes, of course it would.

4042. (*Chairman.*) I understand from you that some changes have been made in the method of making up the accounts; in what directions do those changes tend?—The changes have not yet been made.

4043. But you are contemplating them, are you not?—Yes, certain changes. I believe it is General Walker's wish that, as far as possible, the same system should be followed as at home in the actual compilation of the accounts from the factories. I do not think we shall be able to follow the home system entirely, because it would mean duplicating our European establishments in factories. The work is taken up in the Woolwich factories by a staff of what they call "work takers," who ought to know as much of the work as foremen, and if we doubled the establishment of our foremen it would cost too much money. But what we are aiming at is to relieve our superintendents of an enormous amount of clerical labour that they have at present.

4044. (*Mr. Buchanan.*) Are your foremen all Europeans?—Yes, all our foremen are Europeans; and the present system of compiling the accounts entails an enormous amount of work and responsibility on the superintendents of the factories, whose time really should be devoted to the supervision of the quality, quantity, and economical outturn of the factory. I think that superintendents may be very good officers and yet they may not be trained accountants.

4045. (*Sir Ralph Knox.*) But your time-keeper relieves the factories of a work-taker, does he not?—Yes, he does; he takes up the time of the men, and the distribution of the labour is shown in the work report, which is tendered monthly; we do not have weekly accounts, but we have monthly accounts.

4046. The men are all paid, I suppose, by time; there is no piece-work system?—Oh yes, we have a very large piece-work system; we work on the contract system as much as we can, as we get more work out of the men.

4047. But I thought I understood from you that the time-taker went round and took notes of the work upon which each man was employed?—Quite so.

4048. And noted it, and his note became an order for the men's wages?—Well, it does not become directly an order; what I mean to say is that from that a record is obtained showing how each man has been employed—if he is on the contract system, the nature of work on which he is employed. He is then paid in accordance with the finished work passed into store.

4049–50. But in what way does that differ from the work-takers' system at Woolwich?—Well, because the work-takers at Woolwich are under the War Office; they are the War Office staff. Our time-keepers are natives, and they are employed under the foremen.

4051. But you say it would be a re-duplication of the employment if you had the work-taker system; it appears to me that you have the work-taker system, only they are working under the directions of the superintendent instead of working under the direction of an independent person?—Quite so.

4052. It would not duplicate the staff if those time-keepers were placed under someone independent of the foremen, we will say even under the superintendent, who is the chief officer at your factory; he would carry out the function that the work-taker does at our factories?—Yes, except in this way, that all our time-keepers are natives; they do not know anything about the work. The work-takers at Woolwich are more or less intimately acquainted with the work and with all the different methods of manufacture. Our time-keeper is entirely dependent on our foremen for the information he collates; therefore it practically amounts to the same thing as if the work was done by the foremen themselves.

4053–4. But if the foremen were relieved from this duty and it was given to these men working under some independent authority, there would be no objection, would there?—They could not do it. They are simply native clerks, and they could not do it unless they were directed by the foremen and things were explained to them.

4055–6. So that really the debiting of the expenditure for wages against these different articles is left to the foreman who directs the time-keepers?—Yes, it comes to that.

4057. So that the foreman may regulate his prices very much as he likes?—He can; but the foreman has the superintendent over him, and the foreman cannot raise any man's wages without communicating with the superintendent of the factory.

4058. But as between each job that may be turned out by the factory, the distribution of the wages is entirely left to the foreman?—It is, in the first instance. When a man is brought into the factory he is tried, the value of his labour is assessed and then it is referred to the superintendent for sanction.

4059. Yes, but in the cost of labour the distribution of that man's wages is left to the foreman?—Yes.

4060. He may charge a larger portion against one order and a smaller portion against another just as he wishes?—Yes, he could.

4061. The work-taker was instituted in order to guard against that sort of thing?—Yes.

4062–3. And to ascertain, as separately from the foreman's interest as possible, what the actual cost of the output was?—Quite so, but the work-taker, to be any good, must have very considerable knowledge of manufacture, consequently, if the work-taker system was introduced with us it would mean duplicating our European establishment. Our present system works very well, and the superintendents of factories check very carefully the cost of articles. They are all only too eager to keep it down, so that the cost of their manufactures may compare favourably with imported stores.

4064. Their interest may be to keep down certain prices, and allow others to run up to anything?—Then, again, we check all their different articles of supply. For instance, in the list I gave you, I gave the shell from Cossipore, and the ammunition from Dum Dum, and the gunpowder from Ishapore; those are by far the largest items of manufacture, and we always watch those carefully year by year.

4065. (*Mr. Buchanan.*) Then, although there might be an error in one individual article, still the general result of your table would hold accurate?—Over all, the grand total would, but the superintendents watch very carefully what things are costing from month to month.

4066. (*Sir Ralph Knox.*) You are practically in the foreman's hands as regards the distribution of the labour charge?—Yes.

4067. The apportionment of the labour charge lies wholly in the hands of the foreman?—Yes.

4067*a*. (*Mr. Buchanan.*) He can make changes in individual cases, but I gather he apportions the full charge for wages?—It must all be shown.

4068. And substantially we may take the general result of the table as true?—Yes; the total amount must be apportioned.

4069. (*Sir Ralph Knox.*) The total amount is exhausted against something or other; but where it is the interest of anyone to cheapen a particular article and to throw the cost of it upon something else, it is possible for whoever has control of the business to do it?—It is possible for him to do it, if it is not detected by the superintendent of the factory.

4070. Of course, in the manufacture of large supplies like ammunition, this power would not operate at all?—No, it would not.

4071. Or a large manufacture of gunpowder and so on?—Oh, no, and moreover it would not operate very much in the shell factory at Cossipore, because the 12-pr. shell is made in one building. The cartridge metal-rolling business has to bear its own cost; it is carried on in one building by itself; the foreman could only cheapen one kind of strip and make another dearer, it would be on the same class of work.

4072. (*Chairman.*) Have you any capital account of the land, buildings, and plant of your manufactories?—Yes; I am not able to produce it, but there is a capital account kept of the value of the land, and it is very considerable in amount. The land has been valued, I believe I am correct in saying, not by the actual value that was paid for it, but by what the value of it would be if it were sold. In many instances that is far in excess of what it was originally purchased for.

4,073. Of course there is always the question how far in apportioning among articles manufactured the charge of manufacture, an item like the cost of land should from time to time be put down at an increased valuation; it only cost the Government what it paid for it?—Quite so.

4074. I gather from what you have said that in making up a capital account your object is to follow the same principle as in England?—Yes; the interest on the capital is not added in England now. I believe I am right in saying so.

4075. (*Sir Ralph Knox.*) That subject has been under discussion; it is not added as a portion of our account, because it would introduce all sorts of difficulties in selling stores as to what we should do with the credit when we got the money; but it is intended to add a note to the accounts showing how much the prices would come out at if the interest were added.

4075*a*. (*Chairman.*) Yes, exactly; is that the same line that is to be followed in India?—I could not say.

4076. (*Sir Ralph Knox.*) There is nothing included in your statement?—No, there is nothing shown there; it is not in the cost there.

4077–9. (*Chairman.*) Could you tell what has been the increase of the outturn in your manufactories of late years? You gave us the figure for one particular year?—Yes, I think I can give you that, my Lord. I find I can give you a reply to your former question. The net capital of the factories in land, buildings, and machinery increased from 59½ lakhs of rupees to 71½ lakhs in the seven years between 1884 and 1891, and a further increase has since taken place. During the same period the value of the outturn of the factories in Bengal increased from 48½ lakhs of rupees in 1884-5 to 95¼ lakhs in 1891–92, or nearly double.

4080. Therefore the increase of outturn is considerably in excess, so far as you can apply that test, of the increase of capital?—Quite so.

4081. I think it would be interesting if you would put in a table showing in juxtaposition your ordnance expenditure during certain years in India, and as against that the value of the stores sent out from England?—Yes, I have not got them all for the same years.

4082. You have got the expenditure on ordnance stores in England from 1889–90 to 1893–4?—Yes, I have, and I have got the expenditure in India for the same years.

4083. And rather more?—Yes, I go further back than that; the expenditure in India I have got from 1884–5 to 1893–4.

4084. Perhaps you would not mind giving us the figures in juxtaposition, so that we could see them together?—The figures are as follows:—

Years.	Expenditure in India.	Expenditure in England.
	Rx.	£
1889–90 -	631,667	253,504
1890–91 - -	715,984	720 814
1891–92 - -	724,316	830,247
1892–93 - -	790,195	583,819
1893–94 - -	830,074	547,202

4085. You have brought into comparison the cost of labour at Woolwich and in India. I am not for a moment thinking of stating anything in opposition to what you say, but I want to call your attention to one or two points connected with it. You give the average of all the ordinary labour in India, at 7 annas or 8 annas a day, and against that the 5*s*. a day which is the average for Woolwich. But I would ask you if would it not be necessary, before we drew any deductions from those comparisons, to make sure that the kind of labour is the same. Would it not be the case that here in England there is more work of a higher kind, which, of course, would tend to throw up an average? The more ordinary and common-place the work that is done, the lower naturally would be the advantage. Now, I believe there are quantities of boys employed in Woolwich earning from 1*s*. and 1*s*. 6*d*. to 3*s*. a day, and unskilled labourers—I do not know, I have not got the most recent returns—from 19*s*. to 21*s*. per week. Would not that kind of labour, the pay of which, of course, with us is very much in excess of that which you have put down for India, be the labour, the average of which would be a truer average to take against the Indian labour, than one which included the highest class of skilled labour? I am only suggesting to you whether, in considering such a point, we should not avoid too hasty a generalisation?—Well, take, for instance, a fuze factory; all those metal fuzes are made at Cossipore, and there is an enormous plant of machinery for working them. I am perfectly certain that the average men actually employed at those lathes and the different machines, would compare very much as I have stated with the men employed on the same work at Woolwich.

4086. Quite so, and be paid very much less?—Yes.

4087. But, for instance, we are speaking of the highly skilled work that turns out guns. You have not got that class of labour?—No, that we have not got.

4088. That would be the highest. I want to guard ourselves against assuming too hastily that an average taken from the two would give a fair comparison between the cost of labour in the two countries. That does not affect the question, which is evident on the face of it, that labour is cheaper in India?—Yes.

4089. (*Mr. Buchanan.*) What is the rate of wages for the highest skilled native labour in your factories?—I do not think any man gets more than 1 rupee 4 annas a day. The rupee now is 1*s*. 2*d*.; that is not much more than 1*s*. 6*d*.

4090. You said the average over all was about 7 annas?—Well, I put it at 8, and I know that is a great deal beyond it. I should have been nearer the mark if I had put it at 6, I believe.

(*Sir Ralph Knox.*) Lord Welby's argument is that there is none of the very highly skilled work done out there, such as is done in a gun factory here. There is no work of that kind done, and the average, as represented by Colonel Wace, is the average over the whole factory.

(*Mr. Buchanan.*) And the fact of there being that highly skilled work here brings up the average.

(*Chairman.*) My argument was one of caution, not to generalise too hastily; I was not in the least sense objecting to what the witness says.

(*Sir Ralph Knox.*) No doubt in the laboratory at Woolwich the average would be very much less than in the gun factory.

4091. (*Mr. Buchanan.*) What would be the highest skilled native labour in your factories that you compare with English work; what is the work that is highest paid in your factories?—For the steel furnacemen we have to pay pretty high, but I should think men employed on tools in cartridge factories, on gauges and tools.

4092. (*Mr. Caine.*) You mean engineers' tools?—Yes, gauging-tools. They have to be turned to the thousandth of an inch. I should think that they represented the most highly skilled workmen.

4093. And do you consider that their work is in all respects equal to the same class of work in this country?—I think it is.

4094. And can they turn out as much per hour, do you think?—I do not think they do.

4095. You have no figures to show any comparison between the two?—No, it would be very difficult to fix that, but supposing you get twice as much work out of an Englishman, after all it is not manual labour, it does not depend on him, it depends to a great extent on his lathe. If you give a man a good lathe and good tools to work with, the quantity of work produced by an English artificer and a native artificer should compare favourably.

4096. (*Mr. Naoroji.*) The quantity of work?—Yes, and the quality.

4097. (*Mr. Caine.*) One may fairly assume that two Indian workmen may turn out on an average as much

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as one English workman?—I think so, if you give them good lathes.

4098. It is about five to three in cotton factories, comparing Indian cotton factories to English cotton factories?—I did not know that.

4099. I should think you ought to get the same class of work out of your class of workmen?—I think so. I know we get good results. Of course, occasionally they spoil material.

So they do here, I am afraid.

4100-1. (*Chairman.*) I wish to ask you a question or two on the subject of the ordnance expenditure. I have before me now the Appropriation Account of the Accountant-General of the Military Department for the year 1894-95, and I see, taking the ordnance vote, that whereas the accounts of 1893-94 showed 83,00,733 rupees, the original budget estimate of 1894-95 showed a very considerable increase, 91,21,800 rupees, and the revised estimate of 1894-95 was 83,65,000 rupees, pretty nearly the expenditure of the previous year. The accounts of 1894-95 brought the expenditure rather lower down, but very close upon the expenditure of the previous year, namely 82,71,599 rupees. Well, that is rather a curious result, because, first of all, the department had before it the result of the previous years; they then put it up by not quite 10 per cent. in the estimate; then, long before the year is over, when the revised estimate is made, they put it down to what had been the expenditure of the year before, and the final out-turn of the expenditure is somewhat less than that of the year before. Can you explain how such a thing as that would happen?—Simply because pressure was put on by the Finance Department. Every year we are constantly asking for money that we cannot get; we cannot get money for works that have been actually sanctioned, increases of our buildings and things of that sort, but it goes into the estimate, and then afterwards, when money is not forthcoming, we are told that we must reduce in some direction.

4102. That is the form, either in the shape of stores or work?—Stores, buildings, and so forth.

4103. Well, the reduction that took place was chiefly, I see, upon the local supplies, upon the manufacturing establishments, and the arsenals and depôts?—Yes.

4104. And I think the biggest of all took place in the manufacturing establishments. There the expenditure had been the year before 19,47,518 rupees, the estimate for 1894-95 increased it to 21,79,140 rupees, that is over 200,000 rupees. Then it fell down to almost exactly the cost of the previous year, and the explanation given is: —"The decrease is due to the following "causes:—Less charges for extra temporary artificers "and others due to less work having been executed, "and to a change in the system of paying these men in "Bengal, whereby their pay for February 1895 was "disbursed in April 1895, instead of in March 1895 "as heretofore"?—That made a difference.

4105-6. And under the head of arsenals and depôts the decrease, which is a considerable one, is thus accounted for:—"Less charges under salaries, owing to the de-"duction made in the Budget on account of probable "savings having been insufficient, partly counter-"balanced by a fall in the rate of exchange for the "payment of non-commissioned officers. Less charges "for exchange compensation allowance, owing to a "larger number of officers and others having been on "furlough than anticipated. Less charges for extra "temporary artificers and others, owing to less work "having been executed than anticipated; the saving "also is in a measure due to officers of the Ordinance "Department having been enjoined to observe the "strictest economy." And therefore your answer, as I take it, is not that your estimate of 91,21,800 rupees was excessive, but that you were compelled by the Government to keep your expenditure down to the level of the previous year?—Yes, quite so, but the work done has been reduced, and that means that the reserves of stores in stock are kept down as low as possible.

4107. Now, has any mischief come from keeping the expenditure down to that of the year before?—Well, I do not think it has yet; but there has been no very heavy strain upon the Department. These things can only be tested by war. I think it would be a very serious thing to reduce our reserves much, to keep them low; you cannot tell till the strain comes.

4108. Is this reduction carried out by keeping the reserves low, do you think?—Not altogether; I could not say exactly how those figures have been arrived at.

4109. I see the greatest economy was made in the Bengal district?—Yes, because we are the principal spending people; three-fourths of the whole manufacturing power is in Bengal. Our out-turn is between 80 and 90 lakhs of rupees, and the whole out-turn is only 120 lakhs of rupees.

4110. Do you ever have any criticism addressed to you by the Financial Department as to whether your expenditure corresponds fairly closely with your estimate? Yes, it has been criticised of late years.

4111. When we say corresponds closely we ought not to call that criticism. Practically, unless there has been some extravagance going on, the greatest compliment you can pay a Department is to call their attention to the fact that their estimate is close to their expenditure?—Yes, but it is compared by the Finance Department, and it has been noticed that as a rule our expenditure runs pretty closely with our budget of late years. I think those figures that you quoted include something besides ordnance.

4112. No, it is the details of this head:—"Ordnance "establishments, stores, and camp equipage"?—8,000,000 seems a large amount.

4113. You must take it that I talk of rupees; you would call it lakhs or tens of rupees?—Yes, 80 lakhs.

4114. But we must look upon it then that the reduction in the expenditure as compared with the estimate was a bit of financing on the part of the Government of India?—It was brought about by pressure brought to bear upon us to reduce expenses.

4115. That is the official method of saying financing?—Yes, it comes to that.

4116-7. Would you be prepared to put before us your view of the reserve ordnance expenditure in India, and as to whether it will increase or decrease; whether an economy may possibly be looked for there?—Not in India; the ordnance expenditure in India will increase. I hope, but there will be a greater corresponding reduction in the home charges.

4118. Therefore the whole charge of the Ordnance Department in India, as it falls on the Indian taxpayer, you hope, will not be increased?—No, I do do not think it will; I think it is to be hoped that the total ordnance expenditure, as we gain manufacturing power, and are able to do things for ourselves in India, will decrease slightly.

4119. Are you satisfied sufficient care is taken in India to introduce, where possible, reductions. In an immense country like India, in which railroads have been of such recent development, there is always a danger that old methods and old fashions of dealing with expenditure, which were necessary when communications were difficult, will not be changed under the new state of things. Do you think that sufficient attention is turned to economies that may be effected in that manner?—Do you refer to the reduction of establishments?

4120. Economies of any kind. You have alluded to one of them, namely, the abolition of establishments: but I only give the most obvious thing that occurs to one's mind, that, as railroads are pushed forward in a great country like that, you are able to feed troops, for instance, and supply them with stores and whatever they want at much greater distances with less labour, and at less expense than formerly, when there was merely a road of communication?—Yes.

4121. Do you think that the officers who estimate in India keep that before them, and that, while expenditure grows in one direction, they are also considering whether economies are not possible in another direction?—Yes, I am sure that they do.

4122. I notice with reference to that point, that the Commission of 1879, of which you spoke, recommended various things, some of them have been carried out; but others which seem to me to have been approved have not been carried out, and the interval of time is very considerable?—Yes. The difficulty is to get all these schemes to coincide one with another.

4123-4. Are there any other points that you would like to bring before us in connection with this branch of expenditure?—I should merely like to say that the

necessity for economy in all branches of the Department has been constantly insisted on by the Military Department of late years, and every effort has been made by the Department to carry out the wishes of Government in this matter. The closest supervision is exercised by Inspectors General of Ordnance over the annual and intermediate demands of arsenals, and over the expenditure of material in arsenals. The responsibility for expenditure on extra labour must rest to a very great extent upon Superintendents of Factories and Ordnance Officers in charge of arsenals. Any extravagance in this respect leads to the cost of out-turn comparing unfavourably with that of imported stores, and all superintendents are anxious that this comparison shall be favourable to their own establishments. If the principle of making India self-dependent is to be followed with a view to the reduction of the home charges, it will be necessary from time to time, as manufactures develop, to strengthen the *personnel* of the manufacturing establishments in the direction of skilled European supervision. The percentage of cost for supervision as compared with the annual out-turn is at present very small as has been shown above, and any reduction in this direction would be false economy leading to waste of labour and material and loss of efficiency.

4125. (*Mr. Buchanan.*) I presume that the possible increase of cost due to increased European superintendence would be more than outweighed in the future by the diminution of cost owing to your manufacturing more of your ordnance stores in India itself?—That I am quite sure of.

4126. And that is the source to which you look in the future for economy, if there is to be any great reduction of expenditure?—Yes, I think so

4127. Otherwise you think in all probability expenditure for ordnance in India will not be decreased?—No, it can never go back to what is so often quoted as the average of former years; because we have all these improved armaments; if you have breech-loading rifled guns you cannot fire spherical shot out of them, and the cost of ammunition and everything has gone up so tremendously of late years: to quote one single item, the old wooden fuze that we used with the 9-pr. muzzle loading gun cost about 36*l.* a thousand, and the metal time and percussion fuse that we use for the 12-pr. breech-loading gun costs 31*l.* a hundred; that is one thing alone which costs nearly 10 times as much. Then there is the 12-pr. breech-loading shrapnel shell, which is nearly 10 times the value of the old one, and the value of the old friction tube was only 2*d.* or 3*d*, while the value of the new vent sealing tubes was 2*s.* 6*d.* the other day. I believe they have gone down to 1*s.* 6*d.*

4128. That creates a constant and automatic increase in the cost of ordnance?—Yes; then, again, the value of our Martini-Henry ammunition in India, when the British infantry was armed in that way, was 52 rupees a thousand; and the ammunition of the ·303 magazine rifle was 107 rupees a thousand. It was nearly double. That has gone down, but that is what it was for some time.

4129. And the source from which you expect a decrease is to the wider extent to which you may make your own?—Yes, developing Indian manufactures, that is our only chance of doing the thing economically.

4130. I do not want to go back on the question of the rifles, but I suppose if it could be shown that it is possible to make the rifles in India at least as cheaply as you get them from this country, you would be in favour of starting an establishment for their manufacture?—Yes, if it could be clearly proved.

4131. Is your objection solely based upon the fact that you cannot, at present, see your way to estimating to do it at a cost equal to what you have to pay?—Well, I have not gone quite so carefully into it perhaps as I should have done. I am afraid I shall repeat myself, but what I think about it is this, that we already have the power, and it is absolutely necessary to have that power, of repairing rifles within the limits of arsenal supply. Each arsenal has its armourers and civil chief master armourers, who inspect the arms in the circle, and all ordinary repairs can be carried out in the arsenal within the circle of supply, and that system works very well. If we had to send all those arms—it is nothing in England to send the arms of any corps to Birmingham to be repaired, but it is a very different thing in India—if we had to send the arms to a central factory to be repaired, there would be an enormous railway charge and it would hinder the public service altogether. I think it is an important matter to keep that power of repair within the circles of ordnance supply as we do at present, and that would limit the utility of a factory simply to the manufacture of new arms. And if we put down a factory for the manufacture of the ·303 magazine rifle, very likely 10 years hence, when we wanted to replace them, the whole set of machinery would have to be altered before we had any considerable outturn of rifles.

4132. (*Sir Ralph Knox.*) You mean that you would like all your repairing factories really to be able to manufacture?—No, to make it pay, we should have to repair arms.

4133. Your repairing factories are necessarily so numerous that you could not carry on a manufactory at each of those places?—No.

4134. And you would not have an economy arising from the fact that your repairs and manufactures were at the same place?—No.

4135. (*Mr. Caine.*) You could have three or four manufactories and repairing shops in combination in the most important districts, and simply have repairing shops elsewhere, could you not?—Three or four manufactories would involve an enormous expense. A rifle factory is a very expensive thing to set up. The present system has worked very well as regards the supply of rifles and guns, and they are wonderfully cheap.

4136. (*Sir Ralph Knox.*) You know that the principal repairing factory at home is not the same as the principal manufactory?—I know it is not.

4137. (*Mr. Caine.*) May I ask, if it were proposed to put down a rifle manufactory to cope with the Indian requirements, which of course would be rather a large factory, could you find the skilled hands in India to man it?—Yes, we could run it, I have no doubt; but I very much doubt whether we could make rifles as cheaply as at home. The magazine rifle is really wonderfully cheap. The price here is given as 4*l.* 10*s.*, but it is less now; it is 3*l.* 10*s.* now.

4138. (*Chairman.*) Would you not anticipate that it is extremely probable that, if you had one large manufactory turning out a quantity of rifles both for England and India, that manufactory would be able to work, even under the circumstances under which English work is done, more cheaply than by establishing a second manufactory in India?—It might be so, but then we should have to import the steel.

4139–40. I was asking the other way; do you not think it more likely that one great manufactory in England would be able to turn out, even under the circumstances of English labour, rifles more cheaply or quite as cheaply as India could turn them out if she were to start all the plant, buildings, machinery, and that sort of thing of a second manufactory?—Yes, I am inclined to think it would.

4141. That is the *per contra* to the view that Mr. Buchanan put forward. He rather relies on the cheapness of Indian labour, which is a most important element; on the other hand, I do not think he brought into prominence what I think is a *per contra*, namely, that two establishments generally work a thing rather more dearly than one?—Yes, I understand.

4142. (*Sir Ralph Knox.*) That is, by dividing the manufacture you would increase the cost to both countries as it were?—Yes.

4143. (*Mr. Caine.*) The item of wages must be extremely heavy, because the raw material of rifles as compared with 4*l.* 10*s.* must be very small?—Yes.

4144. So you would get a very large saving of labour?—There would be a saving of labour.

4145. The average wages in our small arms factories here must be 26*s.* a week at least?—I should think so.

4146. You would get the labour there certainly at 1½ rupees a day?—Oh, yes, less than that.

4147. (*Sir Ralph Knox.*) Of course the real consumers of stores are the regiments and batteries, the military units?—Yes, quite so.

4148. Does your department exercise any check upon the demands made upon them by the military units?—Yes. There are equipment tables published for all the

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different branches of the service, and against each item of stores there is the period of duration, and when stores are indented for we always want to know what has become of the others that we have to replace, and how long they have been in use, and if they have not served their time we make further inquiries, and if there is any doubt about it, we ask for a board; that is, in the final issue we have a board to decide.

4149. Then you go into that when the ordinary demands are made, but if any extraordinary demands were made; you would certainly query it or examine into it?—Yes, if any demand is made that is not covered by the regulations, by the equipment tables, that is immediately referred to the Inspector-General of Ordnance.

4150. I am rather alluding to this; supposing an abnormal demand were made for rifles or saddlery, or any portion of saddlery, it would immediately attract your attention, and you have the authority to question that demand and ask for an explanation?—Yes.

4151. Is there any stocktaking that you know of, of the regimental stores?—Yes, they are taken annually

(Sir Donald Stewart.) Inspection used to be taken twice a year; I do not know what it is now.

4152. *(Sir Ralph Knox.)* By a regimental board, I suppose?—No, I do not think it is by a regimental board.

4153. By what machinery, not by the storekeeper himself, I suppose?—No, not by the quartermaster. I cannot answer that question. It does not come immediately within my duties.

4154. But more or less an independent stock examination is made of the stores, independent of the storekeeper; is there not a board of survey, or something of that kind?—Of the stores in regimental charge?

4155. Yes. However, whether there is or not, you think it would be a very necessary provision, would you not?—Yes.

4156-7. *(Sir Donald Stewart.)* The quartermasters send in periodical returns, and one column shows the established proportion, the stores issued and expended, and the authority for everything that is expended?—Yes, they send in a return, with the vouchers; but I thought Sir Ralph Knox meant the actual counting of the stock.

4158. *(Sir Ralph Knox.)* Yes. I mean the actual counting of the stock?—The commanding officer is responsible.

4159. He is responsible, and he satisfies himself that the stores correspond with the account?—Yes, Then he sends in his account with the vouchers authorising receipt and issue.

4160. You said it was very necessary in your own establishments to have a very efficient staff of officers in order to be completely watchful as to the receipt and issue of the stores, to guard against irregularities, and so forth?—Yes.

4161. Do they, in taking stock, find from time to time many discrepancies between the ledgers and the actual stores in existence?—No, not many. There are discrepancies, always must be, but no considerable discrepancies have come to light of late years, not in Bengal.

4162. Would you describe to us what the process is for dealing with those discrepancies when they do arise?—Whenever a deficiency comes to light, it is immediately brought to the notice of the Ordnance officer in charge of the arsenal, or the superintendent of the factory. He would immediately proceed to take stock himself, and see whether it was an actual deficiency, and compare the books, and trace it up; and as soon as it is established beyond doubt that there is a discrepancy, it goes into what is called a transfer statement, which is sent to the Inspector-General. If the loss is under 100 rupees, and he is satisfied as to the explanation for it, the Inspector-General has the power to write it off—anything beyond 100 rupees and under 500 is reported to the Controller of Military Accounts of the circle. The Controller of Military Accounts has power to deal with it up to a limit of 500 rupees; beyond 500 it goes to Government. The transfer statement is forwarded to the Director-General, with a report of the inquiry that had been held upon it, and he would report it to Government; and it could only be written off by the sanction of Government.

4163. *(Chairman.)* And the sanction of Government would be, I suppose, with the assent of the Finance Department?—I am not sure as to that; that I cannot tell you.

4164. *(Sir Donald Stewart)* Is there no sort of inquiry held in case of deficit?—Not for a very small deficit, sir, but for any considerable deficit there would be a court of inquiry; and an order has been lately published in the following terms:—"In cases of theft "of arms or other important stores in ordnance charge, "ordnance officers in charge of arsenals and depôts "and superintendents of factories will apply to the "station staff officer for a board of investigation the "same day that the theft is discovered, reporting "the facts of the case at the time as far as known "to the Inspector-General of Ordnance."

4165. *(Sir Ralph Knox.)* It is rather difficult to know whether a deficit of stores is due to theft or otherwise; but it is a deficiency?—The order is to report to the military authorities.

4166. And the security that he does so report it is the independent stocktaking, or rather the fear of an independent stocktaking?—Yes, that is so.

4167. Some attempt has been made in the direction of the manufacture of cordite, has it not, out in India?—We have an experimental plant at Kirkee.

4168. Has any been turned out?—Not yet.

4169. What are thought to be the probabilities of success?—In India?

4170. Yes?—Well, the cordite question in India stood much in this way. We were strongly in favour of cordite, but some years ago they fixed a heat test for the cordite, which we found after a time the cordite sent to India did not stand. When the authorities in India found that it did not stand the heat test that had been laid down they began to be doubtful of it, and the matter was referred home. The heat test has since been reduced. But they have not stopped making the ·303 ammunition. Magazine rifle ammunition at the present time is being made up with cordite. I am not sure whether they are making it at Kirkee yet, but they are making it at Dum Dum. In my circle the cordite is sent out from home, and as far as I know there are no misgivings of it. The ballistics of it have been always good, and the shooting of it is excellent.

4171. But as regards the manufacture I was asking. Has this modification of the heat test admitted of your going on at Kirkee with the manufacture?—No. Well, I do not know why, but I presume that the authorities are not yet satisfied in their own minds about the keeping qualities of cordite in India.

4172. Really their diffidence arises, not as to a doubt of their power to make cordite, supposing it to be acceptable, but rather as to whether cordite should be adopted for the Indian service?—I think it is something of both.

4173. If cordite were adopted generally, and you found it difficult to make cordite out in India, the whole of the manufacture of the small-arm ammunition practically would come home?—No; the combustible would come from home, but we should make up the ammunition in India.

4174. *(Chairman.)* All the components for small-arm ammunition are made out in India?—Yes.

4175. Drawn cases and everything?—We make drawn cases. We perform the whole operation from first to last. I believe also we shall make the cordite.

4176. *(Mr. Naoroji.)* If sufficient encouragement and training were given to natives, would they not be able to come up to any level of any Englishmen, and drawn from a better circle of men, should we not be able to get as good skilled persons as you can have among Englishmen?—Do you refer to the supervision or the actual labour?

4177. To skilled labour, to supervision in any Department?—I think as far as regards labour, that it is very good, but I do not think we could get really good native supervision. You must have men who have been trained in factories in England.

4178. Well, if you give sufficient encouragement to train them there, and then give them a finish here, you can get such men?—Can we get such men?

4179. Can you?—Well, we have not employed any natives of India in supervising the staff.

4180. You have not employed them, and that is just the reason why you cannot get them, but if encouragement were given, and a sufficient standard put down, to say that if anybody qualified himself in a particular way he would have the opportunity of being employed, then will they not be produced?—Well, time alone could show.

4181. Yes, but unless the experiment is made it cannot be shown?—Quite so.

4182. (*Mr. Caine.*) If you brought a factory foreman out for a seven years' appointment, do you think at the end of the seven years you could replace him with a native?—I am a little doubtful whether the ordinary native workman would look up to a native in the capacity of a foreman in the same way that he looks up to an European.

4183. (*Mr. Naoroji.*) Perhaps I did not make myself clear; what I mean to say is that if the same facilities of learning and of encouragement in every way were given to natives, that you may be able to get from a certain level of natives, that you can get competent men just as well as English foremen or English supervisors; it depends upon the training, the encouragement, and the teaching?—It does depend on the training, no doubt.

4184. (*Mr. Caine.*) But you would be afraid of—well, discipline?—To a certain extent. I think as regards ability, you could train natives of India up to the mark.

4185. (*Mr. Naoroji.*) That is all I wanted to say?—They could be tried, but I doubt whether they would have the same power over the native labourer.

4186. But then there is no reason why they should not have, the natives are the same, they have the same power in the Native States?—You think they have.

4187. In fact there was one Parsee superintendent of a whole Bombay factory, with Englishmen and natives under him, and the Parsee superintendent was the head of the Department?—Yes?

4188. That depends on the encouragement given and the class of natives you draw from. If you draw from the lower level you cannot get the proper stamp of men?—That is no doubt true.

4189. But if you could provide encouragement there will be the proper stamp of men coming out; out of 300,000,000 you can get any people.

4189A. (*Mr. Caine.*) You could get some data of experience from the railway works probably?—Yes.

4190. They use Eurasians, do they not, as foremen?—I do not know them.

4191. Do you employ Eurasians much as foremen?—No, we do not employ Eurasians very much.

4192. (*Mr. Naoroji.*) There is one native of Bengal who has come over here, and gone through a training in many of the factories here?—Yes.

4193. And if he sought for employment there I do not know whether it would be given to him or not. He has gone through the whole training and done everything that was required of him?—It is very difficult for us to know what the value of a man like that is. No one is engaged for any of our Indian factories of whom we do not get a full report, where he has been employed, and the India Office make full inquiries; we know exactly what his value is.

4194. If you lay down some rules, and all the necessary inquiries for qualification can be made, then they get regularly admitted, but if no rules or no qualifications are laid down in order to admit natives they cannot prepare themselves for it?—Yes, that is true.

4195. This native that I am talking about from Bengal seems to have very valuable testimonials from all the different works in which he has actually worked. I thought you knew him?—I think I know the man you refer to, but he has been employed in blast furnaces, of which we have none. He was at Bolckow Vaughan's for some time, and I have been trying to get him employment.

4196. He is quite willing to be trained to any department if it is once suggested to him what he should do?—I was going to do what I could for him when I got out to Calcutta. I think he ought to get employment at Barakur.

4197. I do not pretend to be a judge of his qualifications, except so far as I read his testimonials, but I do not take his case, I mean to say generally, if some qualification is held out and proper training given to natives, that they would prepare themselves just up to the same mark as any Englishmen. That is what I want to say?—Yes.

(*Mr. Caine.*) I understand that Colonel Wace this morning gave evidence that a great many very intricate pieces of work can be done and are being done in India which appear to me quite as intricate as rifle work, and the mere cost of the establishment of a rifle factory, although it is great, would very soon be repaid, if it were found that Indian workmen, even at the rate of two to one, could turn out as much in a given time as is turned out in our factories here; you could afford to employ double the labour in India and still leave a very handsome profit on any capital likely to be expended on the establishment of a rifle factory.

(*Sir Ralph Knox.*) Of course what Colonel Wace points to is this: that when an arm is introduced into an army it has to be supplied all at once, a huge manufacture has to be entered upon, and that lasts only a few years, and then the supply after that is practically *nil*, and he has a fear that starting that sort of thing in India would not be reproductive or economical as compared with the plan that now prevails. We charge India exactly the same price as we charge ourselves, and he doubts whether he could do any better.

4198. (*Chairman.*) I think I understood you also, Colonel Wace, that as far as this intricate complicated work which is done in the carriage department is concerned, you have already a carriage department existing, and it is only a case of the adaptation of plant already existing, but you are rather apprehensive of starting a totally new method of manufacture without being first of all convinced that it could be done without any extra charge to the Indian taxpayer?—I think we shall have to go into it very carefully in India to find what our demands are likely to be, and what we should have to do in the time.

The witness withdrew.

Adjourned till Thursday next at 11 a.m.

At the India Office.

NINTH DAY.

Thursday, 5th March 1896.

PRESENT:

THE LORD WELBY, G.C.B., (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEEL, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. S. Jacob, C.S.I.

Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor-General to the Government of India, re-called and further examined.

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4199–201. (*Chairman.*) We propose to take up to-day the Department of Law and Justice, which, I think, you have been investigating, and on which you have given me a memorandum, embodying generally the results of your investigations?—Yes.

4202. Your comparison of expenditure on law and justice, ranges over 20 years; it begins with 1875–76. Is there any special reason for adopting that year as the commencing point?—The reason for taking 1875–76 as the commencing point is, that it was the one chosen as the starting point in the Memorandum on Indian Financial Expenditure dated the 26th June 1895, which was prepared by the British Committee of the Indian National Congress.

4203. There was another reason, was there not? Namely, that the method of preparing the accounts facilitated comparison over the 20 years, but, if you had gone much farther back than that, you would have had considerable difficulties in re-adjustment, would you not?—Well, as matter of fact we had specially to re-cast the accounts of 1875–76 in order to make any detailed comparison with the accounts as now kept.

4204. Therefore we may take it that 1875–76 is a convenient period for comparison, and that there would be inconvenience and delay if an attempt was made to go farther back than that, inasmuch as it would entail a considerable re-adjustment of account?—Yes, and a reference to India would be necessary; we could not re-cast the accounts here.

4205. Could a fair comparison be instituted without difficulty, if one single earlier year were taken as the starting point? The point to which I would draw your attention is this: the time when India fairly emerged from the mutiny is, perhaps, the date which would strike a number of people as a convenient starting point in any comparison of finance over a long period?—I do not think it would be possible to make any fair comparison with an earlier year; for instance, in 1860 I see on referring to the accounts of that year that the police and judicial charges are mixed up together, and it would be quite impossible from the accounts themselves to separate the former from the latter.

4206. Would it be possible to give us the total charges for law and police, we will say, in 1860, as compared with 1895–96?—I think the charges as given in the accounts of 1860 include all the law and police charges then incurred, but it would be quite impossible for me to say absolutely that we were comparing like with like, if we went back to the earlier years.

4207–8. Perhaps later, subject to that reservation, I may ask you if you can give us the gross figures for the two sides, as far as you know them?—Yes, I will look into the accounts and see what I can do.*

4209. Taking now 1875–76 as the starting point, can you tell us the population of India subject directly to the Queen's rule, for whom legal and judiciary establishments, costing Rx. 2,274,000, were provided?—The population as given in the Statistical Abstract for 1875–76, excluding Native States and Berar, is 183,783,537.

4210. Can you tell us next the extension of territory in the interval between 1875–76 and 1895–96 which has taken place, and the population in 1895–96 of that extended territory?—The area of British India, including Native States and Berar, in 1875–76 was 862,878 square miles. In the interval the only material addition made has been that of Upper Burma, the area of which is 83,473 square miles, and the Quetta districts, the area of which is not given in the Statistical Abstract. The total area of British India as above is given in the latest Statistical Abstract as 947,275 square miles. The addition of 924 square miles is due to numerous petty alterations, arising from re-survey, &c. The population at the last census was 218,275,461.

4211. How much of that increased population would be due, as far as you know, to extended area?—The population of Upper Burma is 2,946,933, and of Quetta, &c. 27,270. Deducting these, therefore, we have a population in 1895–96 of the territory subject to the Queen in 1895–96 of 215,301,258.

4212. That would be an increase of something like 17 or 18 per cent., I think, would it not?—Yes, it would be about 17 per cent.

4213. In asking you these questions at the outset I want to ascertain to what extent in 20 years the population inhabiting the territory for which the Budget of Rx. 2,274,000 sufficed in 1875–6 has increased and also the population of new conquests acquired since that date?—Yes, that is the information given in my reply as above.

4214. Your paper compares the actual expenditure of 1875–76 with the expenditure as estimated for the year 1895–96. As a matter of experience does the actual expenditure on Law and Justice correspond sufficiently closely with the estimate to enable the figures to be fairly compared?—My experience is that a comparison between actuals and estimates is hardly ever fair; the estimates almost invariably exceed the actuals. And for this reason it will be noticed that, while I have given in my tables the figures of the Revised and Budget Estimates for 1894–95 and 1895–96, I have made the detailed comparison with the actuals of 1893–94—the latest year for which the actuals were available until this week.

4215. I think the Commission quite understand the wisdom of taking the last complete year for the purposes of comparison; but do you think that, as compared with 1893–94 in which the ascertained expenditure was Rx. 2,996,000 (which we may call three millions for all practical purposes), you would find an increase in 1895–96 of something over Rx. 100,000?—I should doubt it very much.

4216. You see that the revised Budget of 1894–95, which, I suppose, approaches accuracy, inasmuch as it contains something like nine or ten months of actual expenditure, shows an increase very nearly halfway between the Budget of 1895–96 and the ascertained account of 1893–94?—Yes.

* *See* Appendix 14.

4217. I am omitting certain insignificant expenses in England. The figures are Rx. 2,996,000—say, three millions—in 1893–4, Rx. 3,060,000 in the revised estimate of 1894–95, and Rx. 3,125,000 in the Budget of 1895–96?—Yes, but a considerable part of the increase in 1894–95 is due merely to a transfer of charge from another head; it is not an actual increase.

4218. Therefore if we take the Budget estimate of Rx. 3,125,000 we are probably taking the very outside figure of expenditure?—I should think so.

4219. And you doubt whether the actual expenditure would represent so large an increase over the three millions which the accounts of 1893–94 show?—I should doubt it. I have received this week the actuals for 1894–95, and I find that the totals of the actuals under this head for 1894–95 are almost the same as the totals of the revised estimate.

4220. How much are they?—For India, Rx. 3,067,875.

4221. Therefore the revised estimate almost exactly represented the actual expenditure?—Yes.

4222. You point out that the larger part of the expenditure on Law and Justice has in the interval between 1875 and 1895 been transferred from the central budget to the provincial budgets, but I gather from your memorandum that that transfer does not prevent a fair comparison being instituted between the total expenditure on Law and Justice at the two dates?—Yes, that is so.

4223. In 1875–76 the provincial expenditure seems to have been very small indeed on Law and Justice—Rx. 30,000?—Yes; the head of Law and Justice (Courts) had not been made provincial at that date.

4224. And when the transfer was made it was a transfer of the existing charges *en bloc*?—Yes.

4225. Did that, within your knowledge, lead to any increase of the powers of the Provincial Governments, to increase charges for Law and Justice within the province without reference to the Supreme Government?—Yes, they had increased powers from the time of the transfer—the powers which we described in the evidence we gave before—such, for instance, as the power of sanctioning certain establishments on salaries not exceeding 250 rupees.

4226. Any power of that kind has not been largely exercised, I take it, from the very gradual increase of the Law and Justice charge?—The power has certainly been exercised, but I do not think it has been very largely exercised.

4227. Because looking at the increase of the population the increase of expenditure is not very striking?—The expenditure has increased more proportionately than the population.

4228. It has increased more?—Yes.

4229. But against that may we not give a *per contra* in the shape of the receipts?—Yes.

4230. The expenditure on Law and Justice in 1875–76 was Rx. 2,274,000; that is omitting very small sums paid in England?—Yes.

4231. The estimate for 1895–96 is Rx. 3,125,000, an increase of Rx. 851,000, or more than 33 per cent. How much of that increase would you attribute to territories annexed since 1875–76?—The estimated expenditure under Law and Justice (Courts) in Upper Burma in 1895–96 is Rx. 89,300, of which Rx. 3,000 is for refunds. The exact amount for Quetta is not given separately in the accounts but it is not large; it probably does not exceed Rx. 5,000.

4232. Then you may say that the charges for Law and Justice in the territories which have been annexed since 1875–76 would be represented by about Rx. 100,000—89,000 and 5,000?—Yes, something under Rx. 100,000.

4233. Leaving the increase upon the old territories of the Queen in India at something like Rx. 750,000?—Yes, it is a little above that.

4234–5. You have just mentioned an item in the estimates which you call "refunds"; what does that item refer to? Is that a refund of the stamps or fines which have been found overcharged?—It would be a refund of any of those classes of receipts that are credited under the revenue head of Law and Justice, such as fines; not court fees, those are credited under Stamps, and the refund of court fees would be charged under the major head "Refunds" which includes all refunds of the principal revenue heads.

4236. I see it is a considerable sum year after year?—From about Rx. 37,000 to about Rx. 50,000.

4237. Or even higher than that?—Yes, in one year—1893–4—it amounted to Rx. 58,000.

4238. It is simply a refund of fines or charges of the court which have been found to be improperly charged or have been remitted, I suppose?—Yes.

4239–41. You have shown us an increase of Rx. 750,000 on 2,274,000; that would be an increase of about——? It would be just about 33.

4242–3. It is an increase of about 33 per cent., and during that time I think you said just now the population has increased by about 17 per cent.?—Yes.

4244. Of this total increase Rx. 416,000 arises on Civil and Sessions Courts, and Rx. 291,000 on Criminal Courts; in fact there is only a net increase of about Rx. 100,000 on all the other subjects of expenditure in the Law and Justice Budget?—Yes. This is the result when the actuals of 1875–6 are compared with the estimates of 1895–96. But comparing the actuals of 1875–6, with those of 1893–94 the differences are Rx. 416,000 and Rx. 205,000. The further increases shown in the estimates are to a great extent not real increases of expenditure but transfers from other heads.

4245. Could you deduct from these two heads of Civil and Criminal courts the expenditure in territories annexed since 1875–76?—For Upper Burmah the expenditure is—

——	1893–94.	1895–96. (Estimate.)
	Rx.	Rx.
Civil and Sessions Courts - -	1,735	1,780
Criminal Courts - -	74,308	77,620

making a total of 76,000 in 1893–94, and 79,000 in 1895–96.

4246. Therefore the larger part of the increase is found in the Criminal Courts in Burmah?—In the Civil and Criminal courts. It is true that the larger part is shown in the accounts under the head of criminal courts, but in Burmah there is no separation of the Civil and Criminal courts to the extent that there is in the Regulation Provinces; the officers of the general district staff exercise civil as well as criminal jurisdiction.

4247. Is that in consequence of its being newly annexed and therefore not fully settled yet?—Yes, the system is that which has generally been followed on the annexation of a new province.

4248. It is therefore at present in a transition state? Yes.

4249. And you must lump those two sums together?—Yes.

4250. And deduct them from the increase in the total for the Civil courts and for the Criminal courts in the rest of India?—Yes.

4251. After deduction of legal expenditure in those annexed districts, can you analyse the heads into which "Civil Courts" amounting to Rx. 898,000, were divided in 1875–76 so as to show the items of expenditure in which the increase between 1875–76 and 1895–96 has chiefly arisen?—I have the figures here.

4252–3. Perhaps you would give them to us; we are first of all dealing with the Civil Courts, which show, in 1875–76, Rx. 898,000?—Rx. 898,000, yes.

4254. We want to see how that breaks up?—That includes Civil and Sessions judges; Joint and Assistant Judges, and Judicial Assistants, Rx. 253,451.

4255. Those are the highest judges that come after the Supreme Courts?—They are practically the Sessions judges.

4256. The sessions judges?—Yes, the highest civil judges, including the High Courts and the session judges.

4257. The charge for them is Rx. 253,000?—Yes, then Subordinate Judges and Munsifs, &c., Rx, 224,493;

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establishment, Rx. 212,613; contingent charges, Rx. 34,033; diet money of witnesses, Rx. 6,175; process service, Rx. 167,370; that makes up a total of Rx. 898,135.

4258. There the Civil Courts are broken up into what I may call superior courts, between Rx. 200,000 and Rx. 300,000; subordinate courts at Rx. 220,000; establishments, Rx. 212,000—I suppose they are clerical establishments?—Clerical and menial, yes.

4259. And process servers Rx. 167,000?—Yes.

4260. (*Mr. Buchanan.*) You have broken these heads up in the same way as they are given in the Finance and Revenue accounts?—Yes. Shall I give you the corresponding figures for 1893–94.

4261. (*Chairman.*) If you please?—On the first head, civil and sessions judges, joint and assistant judges, and judicial assistants, Rx. 326,331, subordinate judges and munsifs, Rx. 331,599; establishment, Rx. 304,453; contingent charges, Rx. 85,747; diet money of witnesses, Rx. 14,195; process service, Rx. 250,284; total, Rx. 1,312,609.

4262–3. I have got here Rx. 1,314,000 on the accounts of 1893–4?—I have excluded the Upper Burma charges.

4264. I only wanted to see that we were using the same figures?—In one or two cases the classification is slightly different.

4265. Will you do the same with the Criminal Courts?—Yes, for 1875–76, Magistrates and Collectors and Assistant Magistrates and Assistant Commissioners—that is to say, members of the Indian Civil Service and of Non-Regulation Commissions—Rx. 354,232; Deputy Collectors and sub-divisional officers, Rx. 108,988, Cantonment, City, and Railway Magistrates, Rx. 51,602; office establishments, Rx. 221,494; travelling and other allowances, Rx. 35,871; diet and road money of witnesses, Rx. 9,234; process service charges, Rx. 22,171; other charges, Rx. 70,691.

4266–7. That makes up your total, does it not, of Rx. 874,000?—Yes.

4268. Now for 1893–94?—The first head—Magistrates, and Collectors and Assistant Magistrates—the Indian Civil Service and members of Commissions—Rx. 342,955.

4269. That shows a reduction?—Yes. Deputy collectors and sub-divisional officers, Rx. 213,037; Cantonment, City and Railway Magistrates, Rx. 43,205; office establishments, Rx. 224,708; travelling and other allowance, Rx. 48,531; diet and road money of witnesses, Rx. 35,018; process service charges, Rx. 31,854.

4270–1. Would you give me again the process service charges for 1875–6?—Rx. 22,000 in 1875–6, and Rx. 32,000 now in 1893–4. Other contingencies, Rx. 65,578; making a total of Rx. 1,004,886. If the Upper Burmah charges, which I have excluded from the above figures, and which amount to Rx. 74,308, are added, this makes up the total of Rx. 1,079,194 for Criminal Courts in 1893–4.

4272. This compares the two fairly?—Yes.

4273. Making, I think, Rx. 874,000 in 1875–6 against Rx. 1,004,000 in 1893–4, for the purpose of comparison?—Yes; the Upper Burmah charges make up the difference between the latter figures and the total for the minor head of Criminal Courts.

4274. Then I think on the Supreme Courts themselves the increase has been comparatively small, has it not?—In the High Courts, Chief Courts, Judicial Commissioners' and Recorder's Courts, the increase, excluding Upper Burmah, has been Rx. 47,000.

4275. That is in 1893–94?—Yes; it is the increase comparing 1875–76 with 1893–94.

4276. On Rx. 295,000?—On Rx. 299,955.

4277. Do you arrive at Rx. 4,000 to Rx. 5,000 more by excluding Upper Burma?—No, the figure I have given is the total for 1875–6, including the High Courts and the Recorder's Court; the two heads taken together make up a total of Rx. 299,955.

4278. But you say in your memorandum "excluding "the Upper Burmah charges, the total increase in "the salaries of the higher paid officers amounts to "only Rx. 84,950, and of this Rx. 49,726 is due to the "increased cost in the Punjab." Does that refer to a further classification that you have made?—That includes some of these other charges that I have been giving you.

4279. Therefore, a question as to that would come later?—Yes.

4280. Perhaps you would proceed with the High Court?—That is the figure I have given you, Rx. 47,240, excluding Upper Burmah.

4281. And does that arise on any particular items or generally down the line of the courts?—In the salaries of the judges and judicial commissioners, and so on, the increase is Rx. 24,000.

4282. Are there any sums included in this comparison between 1893–94 and 1875–76 on account of allowances for loss by remittances home?—Yes, the exchange compensation allowance paid in 1893–94 is included.

4283. And would that Rx. 24,000 practically represent, do you suppose, those allowances?—I do not think it would be so much as that; I have not taken out the exact amount of exchange compensation allowance paid under this subhead.

4284. It is really charged upon the High and Chief Courts?—Yes.

4285. Well, then there come Law Officers: that shows a considerable increase, I think, does it not?—Yes.

4286. The charge is rather more than doubled, because it rises from Rx. 43,000 to Rx. 96,000 in 1893–94?—Yes, that is an increase of Rx. 53,000.

4287. Can you tell us the reason for such a large increase?—Of that Rx. 53,000, Rx. 37,000 has occurred in the salaries and remuneration of Government pleaders.

4288. Who are the Government pleaders?—The Government pleaders are scattered over the districts; there is generally at least one in each district to represent Government. He receives a very small salary as a kind of retaining fee, and is also paid for the work that he does in Court.

4289. But how would you account for such a very large increase within that comparatively short period of 19 years, because, I suppose, the same need for Government pleaders existed in 1875–76 as in 1893–94?—Yes, but I may observe that the legal charges of Government were not so accurately classified in 1875–6 as they now are, and though I have taken pains to include for 1875–6 any such charges which were shown in the accounts under other heads, it is quite possible that some of them may have escaped notice. It is, however, the case that the interests of Government in local law suits were often very much neglected in 1875–6, and in almost every province it has been found necessary since that time to improve the arrangements in force in regard to the defence of suits against Government, and to raise generally the remuneration of the Government pleaders. In Bombay a Legal Remembrancer has been appointed since 1875–76, one of whose principal duties is the superintendence of the Government pleaders in that province.

4290. But I thought I gathered from you that the idea of a Government pleader is, first of all, that he receives a retaining fee, and then, that he is paid for the business he does?—Yes, that is generally the case; and the figures which I have given include the special remuneration by fees as well as the retaining fee.

4291. Then would you explain the reason for doubling that charge in that 19 years to be this, that the service was inefficient and that this increase represents the increase which the Government thought necessary in order to make it efficient?—Yes; that is generally the reason for the increase.

4292. Even to the extent of doubling the charge?—Yes. I may mention as regards the Bombay case that the Committee represented that Government cases in the districts were imperfectly prepared owing to the weakness of the machinery at its disposal, both at the head office (Legal Remembrancers) and in the districts (Government Pleaders, &c.), and they made recommendations for considerably increasing the expenditure; and the same was the case in other provinces.

4293. Then you may say that practically the increase on that classification of legal expenses which is above the Sessional and Criminal courts is represented by about Rx. 100,000?—Yes.

4294. Of which more than half is the result of what is an improvement which the Government thought to be necessary in the position of the men that they employed as pleaders in the courts?—Yes.

4295. Do those pleaders occupy the position of Government prosecutors?—In many cases they do;

but they generally represent Government in civil cases only.

4296. Revenue cases, I suppose, chiefly?—Suits against Government brought in the civil courts as a rule.

4297. Then perhaps you could tell us something about these other courts which you classed as Presidency Magistrates' courts, Coroners' courts, and Small Cause courts?—The Presidency magistrates' courts are the magisterial courts in the Presidency towns—Calcutta, Bombay, and Madras; they dispose of all the magisterial work.

4298. Why do not you class them with the other criminal magistrates?—They are a separate class and have separate powers.

4299. The charges remain very nearly stationary?—Yes.

4300. They therefore do not call for remark. Coroners' courts show a slight decrease?—Yes, the coroner's court in one of the Presidency towns has been abolished.

4301. And the Small Causes courts show a considerable decrease?—Yes, they ought to be taken with the Civil and Sessions courts, because in many cases the subordinate judges have taken over the work of the Small Cause courts.

4302. Then, in fact, we might throw them in with the Civil and Sessions courts in considering the matter?—Yes.

4303. And that, I think, makes up the total of the leading expenditure. I notice here, in comparing 1875-76 with 1893-94, that the refunds, which are only an expense of order, have doubled; that is casual, I suppose?—Yes.

4304. Rx. 28,000 in 1875-76, and Rx. 58,000 in 1893-94?—Yes.

4305. I call that an expense of order, because practically it ought to be deducted from the receipts; it is not a real expense?—No, in a comparison of the results of different years it ought to be deducted from the receipts.

4306. Now, just going back upon those figures, we find that the High Courts have increased in 18 years by Rx. 47,000. upon an expenditure approaching Rx. 300,000?—Yes; that is the case.

4307. The Law Officers have increased by Rx. 53,000 upon an expenditure of Rx. 43,000?—Your figures in this case include Upper Burma.

4308. They are as given in your memorandum?—They are the totals there given; but in that sum of Rx. 47,000 for High Courts I excluded Upper Burma.

4309. Then will you exclude Upper Burma from the next head?—Excluding Upper Burma from the Law Officers it would be Rx. 52,000.

4310. Then we pass on to the Civil and Sessions Courts?—And the Small Causes courts—including them.

4311. They show an expenditure in 1875-76 of Rx. 992,000, and in 1893-4——?—Rx. 1,381,000 in round numbers against Rx. 993,000 in 1875-76.

4312. Now I should like to ask you one or two questions about that. The figures show a total increase upon that head of Rx. 389,000, do they not?—Rx. 388,000.

4313. And we may divide this increase between superior courts, subordinate courts, and establishments?—Yes.

4314. The superior courts show an increase from Rx. 253,000 to Rx. 326,000?—The amount is slightly different when the Small Cause courts are included; the totals I gave you just now included them. Taking the Civil and Sessions courts and the Small Cause courts together, the charge for the higher grade courts rises from Rx. 283,000 to Rx. 347,000; that is an increase of Rx. 64,000.

4315. Then come the subordinate courts?—The subordinate courts, Rx. 240,000 to Rx. 343,000.

4316. Being an increase of——?—Rx. 103,000.

4317. Establishments?—Rx. 250,000 to Rx. 336,000. Process service Rx. 176,000 to Rx. 251,000 being an increase of Rx. 75,000: and other charges, Rx. 44,000 to Rx. 103,000, an increase of Rx. 59,000.

4318. (*Sir James Peile.*) That is excluding Upper Burma, is it?—Excluding Upper Burma. Yes.

4319. (*Chairman.*) One is struck by the increase in the process service. Can you tell us what that branch of the service is; is it simply the branch that carries out the edicts of the courts?—Yes, it is the department that actually serves the processes of the courts.

4320. They are the administrative officers that give effect to the orders of the court?—Yes. To some extent the increase is due to the fact that in former years the process servers' charges were often not shown in the accounts; the charge was sometimes levied and paid to the process server without passing through the accounts at all.

4321. Out of the sums received?—The charge was sometimes paid by the suitors into the court, and the court paid it direct to the server without bringing it into account in the Government accounts.

4322. Would that go far to account for the very large increase between Rx. 176,000 and Rx. 251,000?—I think it accounts for almost all of it except such increase as is due to the increase of litigation.

4323. There has been no large increase of staff, in order to make the carrying out of the orders of the court more effective?—There has been a large increase in some cases, but I think it is chiefly owing to an increase in the litigation.

4324. (*Sir James Peile.*) There is an equivalent receipt, I suppose?—There is much more than an equivalent receipt; there are process service fees which more than cover the process service charges.

4325. (*Sir Ralph Knox.*) That receipt is not shown in the earlier years?—Yes, to whatever extent it was levied as a fee creditable to Government, it would be shown.

4326. (*Chairman.*) When we come to the receipts, which is a very important item in our investigation, we shall see that they were smaller in those years, and according to Mr. Jacob's explanation to a certain extent this Rx. 75,000 increase in expenditure should rather have appeared as a reduction of receipt. The real charge, I take it from what you say, in process service in 1875-76 would be much nearer Rx. 251,000 than Rx. 175,000?—I should not go so far as that, because there has been a considerable increase in litigation.

4327. Contingent charges rise from Rx. 44,000 to Rx. 103,000; that is a very big increase in administrative charges, a good deal over 100 per cent.?—That to a large extent includes special charges for copying, which are covered by special fees levied; they are not paid to the regular establishments and so they are shown as contingent charges.

4328. Would those charges cover a large part of the increase, do you think?—It covers a very considerable part, but a very large increase is in Bengal, where the litigation has increased very largely.

4329. Therefore, in reality the explanation of that increase is that you will find the receipts increased on the other side?—Of a portion of it.

4330. And these expenses are covered by those increased receipts?—The total additional expense under this head is much more than covered by the increase of court fees generally.

4331. Therefore, that very large increase of over 100 per cent. does not represent *bonâ fide* increased expenditure out of the taxpayers' pocket?—It really consists to a large extent of charges for such things as copying orders, and so forth, for which the suitor pays; also the number of courts has been increased, and that, of course, increases the contingent charges.

4332. Then, reserving the Judges to the last, the increase in the clerical and menial establishments is large, Rx. 86,000 on Rx. 250,000; how do you account for that?—Nearly half of that again occurs in Bengal where the courts have been very largely increased in number.

4333. And the remainder?—Rx. 17,000 occurs in the Civil and Sessions Courts of the North-West Provinces and Oude, Rx. 14,000 in the Punjab, Rx. 25,000 in Madras.

4334. And is that increase of salaries, or is it increase of staff?—Almost entirely increase of staff.

4335. Would you confirm, from your experience, what I have seen stated on more than one occasion, that practically the pay of people occupying the position of clerks and servants in Government offices has not increased during the last 20 years?—Yes, I should say on the whole that it has not increased.

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4336. The statement I have seen is a very general one, namely, that the pay of all persons of that class has not increased, including Government servants?—Yes.

4337. *Primâ facie*, of course, this increase leaves room for the supposition that there has been an increase in the pay of the individual; but I gather that that is not your opinion, but that you believe it to be due to an increase of staff and the larger number of courts?—Yes, chiefly, I think, it is due to an increase in the staff.

4338. Taking the case of people of the clerk and menial class, does your experience confirm the view generally, that there has been no increase in their pay during the last 20 years, since the time that the rupee began to fall?—Yes, so far as my own experience goes, I do not think there has been any general increase in the pay of the clerical establishments.

4339. We now come to the Judges. Can you tell us to what extent increase of courts, as distinguished from increase of pay, accounts for this increase in the superior Civil Courts of Rx. 64,000, on Rx. 283,000, and of Rx. 103,000 on Rx. 240,000 in the subordinate courts?—In the higher courts Rx. 33,000 occurs in the Punjab, Rx. 17,000 in the North-West Provinces and Oude, Rx. 3,000 in Lower Burma, and Rx. 5,000 in the Central Provinces. These are almost entirely due to the steps which have been taken to separate the judicial and executive functions of the officers in the non-regulation commissions.

4340. Making Rx. 58,000?—Yes.

4341. And, therefore, with regard to the higher courts you may say that almost the whole amount of the increase is due to steps taken to separate judicial and executive functions?—Yes; there have been, of course, slight increases and decreases here and there, but they have not been large in any case.

4342. I suppose what is put under this sub-head is simply the judicial increase?—Yes. Where officers perform both judicial and executive duties a portion of their pay is, as a rule, though not invariably, charged to Law and Justice, and a portion to Land Revenue or to the other department in which they serve.

(*Sir Ralph Knox.*) Does this sub-head provide for both duties still?

4343. (*Chairman.*) Perhaps, having heard what Sir Ralph Knox has said, you would wish to enlarge upon that answer, so as to make it clear to the Commission how the separation of duties appears financially in the Budget?—The separation does not refer at all to the separation of magisterial and executive functions, but to the separation of the higher judicial functions, such as those of civil and sessions judge. In the Punjab, for instance, the duties of the Civil and Sessions judge were performed in 1875–76 entirely by the Commissioners, with occasionally an additional Commissioner appointed where the work was extremely heavy.

4344. The Commissioner being a civil officer?—The Commissioner being a revenue officer.

4345. (*Sir Ralph Knox.*) And not provided under this head?—No part of his pay was provided under this head. If additional Commissioners were appointed to discharge the judicial work their pay was charged to this head, and, as a matter of fact, in 1875–76 two additional Commissioners were charged to this head at a cost of about Rx. 5,000.

4346. It is really due then to a transfer of duties from another class of officers, provided elsewhere, to this department?—Yes. But, in fact, the Commissioners were overworked and they could not efficiently perform their judicial work as well as their revenue work, so that the opportunity was taken, as it was necessary to increase the establishments, of, at the same time, effecting a separation of the judicial and revenue functions as far as possible; and now the judicial establishment in the Punjab consists of 13 Divisional Judges, 9 District Judges, 14 extra judicial assistants and 83 munsifs, all of whose pay is charged entirely to this head of Civil and Sessions Judges. In 1875–76 the only pay charged to this head in the Punjab was the pay of those two additional Commissioners at Rx. 5,000.

4347–8. (*Chairman.*) And all the duties performed by that large number of additional officers that you have just named, apart from the duties performed by the two or three additional Commissioners, were performed by high officers who had also important civil duties?—By high and low officers. In the latter category I include the extra judicial assistants and munsifs; their work was done in the Punjab in 1875–76 by the general district staff; and, as I have said, the only charge under this head was for two additional Commissioners at a cost of Rx. 5,000.

4349–50. You mentioned that this increase has taken place in consequence of the separation of judicial and executive functions in the Punjab and Oude and Lower Burma and in the Central Provinces. In the other provinces—Bombay, Madras, and Bengal—had that separation already taken place?—Yes.

4351. And may we understand that, as far as these higher courts are concerned, that separation is now complete throughout India?—No, not complete throughout India.

4352. Where is it not?—In the Central Provinces and Burma a very large portion of the civil judicial work is still performed by the revenue officers.

4353. And is it the intention, as opportunity occurs, to complete this transfer?—I should say it was. I know that from the Central Provinces there have been proposals for a more complete separation, which were negatived mainly on the ground of the extra expense involved.

4354–5. Well, that accounts for very nearly the whole of the increased charge?—Yes, in the higher offices.

4356. (*Mr. Buchanan.*) May I ask one question on this subject? Has any estimate been made as to what the cost would be of separating the judicial functions throughout the remainder of India where they are not already separated?—Do you mean the separation of all original magisterial functions?

4357. You say that it has already been done at a cost of Rx. 58,000 in Punjab, Oude, and other provinces. Supposing it were carried through on the same scale elsewhere in India, have you made an estimate of what it could cost?—That, as I have said, only refers to the separation of the functions of the higher criminal courts and of the Civil Courts from the revenue functions, not to the separation of the magisterial and revenue functions.

4358. (*Chairman.*) I may take it from your previous answer that a separation in the case of the higher appointments is almost complete throughout India?—Yes, excepting in one or two of the smaller provinces, but nowhere is there a separation of the magisterial and executive functions.

4359. When we get to the magisterial courts I have a question I want to put to you about that. I will now ask you about the subordinate courts. How did the Rx. 103,000 increase, on Rx. 240,000, in the interval since 1875 occur?—Rx. 43,000 of that occurs in Bengal, Rx. 19,000 in the North-West Provinces and Oude, Rx. 21,000 in the Punjab, Rx. 14,000 in Madras, Rx. 5,000 in Bombay, and Rx. 2,000 in the Central Provinces. Those are the main increases.

4360. Now, taking Bengal, is it the opening of new courts, to which you alluded before, that has caused that increase?—Yes, the subordinate judges in Bengal have increased from 41 in 1875–76 to 53 in 1893–94 and the munsifs, the lowest grade of court, have increased from 184 to 290.

4361. And would that account for the whole of that 43,000 or has there been any increase in their pay?—There has been very slight alteration in the pay. As far as any alteration has been made in the pay of the munsifs there has been a decrease; a lower grade has been created on 200 rupees a month, which did not exist in 1875–76.

4362. That is to say, if you add a lower grade for administrative or judicial reasons to a class of judges, that lowers the average of the pay of the class which is made up of these grades?—Yes.

4363. It does not mean a lowering of the pay of the judges as they previously existed?—No.

4364. It is an addition of a class of judges with a very much smaller amount of power?—The average pay of the munsifs in 1875–76 was 359 rupees, and in 1895–96 it was 348.

4365. That is due, not to lowering the pay of the class as it existed before, but to the addition of another class?—To the addition of another grade. The pay of the other classes is exactly the same, save that in the case of the subordinate judges one grade has been extinguished. There were grades of Rs. 600, Rs. 700, Rs. 800, and Rs. 1,000; now the grade of Rs. 700 has

been abolished. The result has been that the average pay has decreased from 890 to 850 rupees.

4366. Of subordinate judges?—The subordinate judges.

4367. (*Sir James Peile.*) And the numbers have been largely increased?—Yes, from 41 to 53.

4368. (*Chairman.*) And does the same apply in the Punjab and the North-West Provinces and Oude, where you say the increase has been Rx. 19,000?—There the subordinate judges have increased from 18 to 33, and the munsifs from 71 to 94. That is largely owing to what I have already mentioned, the separation of the judicial functions in Oude.

4369. And the same applies I suppose to the Punjab?—Yes, as regards the subordinate judges and munsifs.

4370. And in Madras and Bombay and the Central Provinces the increase is comparatively small; is there any reason for that?—There has been a very small increase in the numbers in Madras; the subordinate judges have increased from 13 to 14, and the munsifs from 112 to 114. In Bombay there has been a considerable increase in the numbers, but the scale of pay has been slightly reduced.

4371. We will next take the criminal courts and begin with Magistrates and Collectors. Magistrates and Collectors have only fallen from Rx. 354,000 to Rx. 343,000: they are nearly stationary. Do I understand that the item of Magistrates and Collectors represents that portion of the pay which those officers receive which you attribute to their judicial functions?—This subhead includes all the magisterial officers belonging to the Indian Civil Service; and the charge shown is for that portion of their pay which is actually charged in the accounts on account of their judicial functions.

4372. Another portion of their pay is charged to the civil establishment?—To Land Revenue.

4373. Now this is the point at which I think Mr. Buchanan's question comes in; are not these the officers about whom a question has been raised in public discussion, as to whether they have not intermingled civil and judicial functions, which ought to be separated?—Yes, I believe there has been some discussion raised about that question.

4374–6. You may probably recollect that there was a good deal of talk about what Lord Kimberley and Lord Cross said. I confine myself to the financial side of the question; I am not going to enter into the question of whether it is desirable or not, because that is not our business; but Lord Kimberley and Lord Cross have both said in the House of Lords that they thought it would be desirable to separate these functions whenever possible; and those answers have been a good deal quoted in India. I, therefore, wish to ascertain if you know what are the classes of officers to whom they referred. You have already told us that in the Civil Courts separation is almost complete; but on coming to the item of Magistrates and Collectors in the Criminal Courts, it looks as if primary criminal justice is administered by officers, who have the executive functions of revenue collector and so forth and the judicial functions of magistrate. Are you able to say whether these are the officers to whom those remarks apply?—I believe they are the officers referred to.

4377. And therefore this is the item around which discussion as to separation of judicial and executive functions would turn?—Yes, I presume so.

4378. I ask these questions because they are leading up to a financial question. Has any estimate ever been made, that you know of, of what would be the effect of carrying out such a separation?—I am not aware of any such estimate having been made.

4379–81. You have not seen any scheme or proposal put forward as to the manner in which such a separation should be made?—I have seen a scheme which was put forward, I think, by the British Committee of the Indian National Congress, but I have only seen their paper within the last few days. It contains a scheme which was propounded by Mr. R. C. Dutt, a Bengal civilian, which I believe has been adopted by the British Committee.

4382. That is the paper that was in my mind. I did not think it quite amounted to what could be called a working scheme?—I understood it was put forward as a scheme for the separation.

4383. Still, keeping ourselves to the financial side, can you point out to us shortly the method by which Mr. Dutt proposed to carry out the separation; then I should ask you what in your opinion would be the financial effect of such a scheme?—His scheme, as far as I understand it, is that the district judge should be the head of all the judicial officers, including magistrates, in the districts, and that the magistrates should not exercise any revenue or executive functions, but should be entirely confined to their magisterial work.

4384. And, therefore, if that were done there would have to be a number of new officers appointed to perform the civil functions?—Yes, I should say it would cause a considerable increase of expense.

4385. Do you think that that proposal, which the gentleman, who puts it forward, thinks would not cause a very considerable expense, would cause a considerable expense?—His idea was as follows:—Say there were four officers, subordinate to the Collector and Magistrate and doing both revenue and magisterial work, he would take two of them and would make them magistrates, and put them under the District Judge, and two of them he would make assistant-collectors and restrict them to revenue work and put them under the Collector; and so he thinks that there would be no increase of expense at all. But, even admitting that this plan would work, my experience always has been that, when you begin to divide off the mass of work, which is done by a certain number of officers taken together, you always have to increase the establishment in order to cope with the divided work.

4386. I think it is the general experience of people who are versed in administration, that by combining work you may make economy; but that, by dividing it among a number of officers, you increase the expense?—Exactly; you cannot always divide the work exactly in the proportion of the officers.

4387. I do not ask as to whether it is desirable or not, I only take note of the fact that Secretaries of State have spoken of the principle as desirable; but I want to see, supposing it were carried out, whether the judicial budget is likely to impose a heavier charge on the taxpayer. I ask you, therefore, supposing the plan named were carried out, do you consider that the increased charge thereby imposed on the taxpayer would be a considerable one?—I think it would be very large, especially in the case of the sub-divisional officers. In the sub-divisions, as a rule, I think, only one superior officer, called either Tahsildar or Mamlatdar, carries out the magisterial and the executive work. You must have a man of a certain status in order to do the work and if you separate his functions you would need two men—each of them being on the same pay as is now given to the one—to do the two works.

4388. (*Sir James Peile.*) And I suppose if the superior officer is relieved of his administrative functions you would say that the people under him must also be relieved of theirs, that is to say they cannot serve two masters, can they?—I should think that would be the case.

4389. You would have two establishments instead of one?—You would have two establishments instead of one all through.

4390. (*Chairman.*) Should you anticipate that that would be a heavy charge?—Certainly in sub-divisions I think it would be a very heavy charge. In the districts I think it would cost some extra expense, I mean as regards the district staff. You could not always divide the staff according to the work exactly if, for instance, you have five men for the combined work, you will probably need three for each of the divided branches. There it would cause some increase of the expense. In sub-divisions I think it would almost double the expense.

4391. Really?—Yes.

4392. I think you told us before that you were not aware of any calculations having been made of what the expense of such a change of principle might involve?—No, I am not aware of any official estimate having been made out.

4393. Can you give us a sketch of a sub-division, to enable us to judge of what number of officers a sub-division now consists?—No, I could not. I could work out roughly what the cost of a sub-division would be, by dividing the whole cost of sub-divisional officers and establishments by the number of sub-divisions. That is the only way I could do it. I have not any separate accounts showing the actual cost of a sub-division.

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4394. (*Sir William Wedderburn.*) Does not Mr. R. C. Dutt give some details with regard to some particular district which would assist in giving the information?—He speaks only of Bengal, where the system is entirely different from that prevailing in other parts of India. They have no sub-divisions in Bengal in the sense in which there are sub-divisions in Northern India and Bombay.

4395. (*Chairman.*) And would it be less expensive in Bengal in consequence?—It might be slightly less expensive there, but I do not think his plan would work as regards the sub-divisions. His proposal is that the superior officer (who in Bengal is always a deputy collector, a higher officer than the Tahsildar or Mamlatdar), should be made over to the magisterial side, and that another officer of inferior rank, a sub-deputy-collector, should do the revenue work; but I think the revenue work would suffer, if that were the case.

4396. But there have been no detailed estimates of which you know, that would give an idea of what the effect would be? To take an extreme case, which would probably not be realised, supposing the complete separation was carried out, the extra expense could hardly exceed the double of that sum of 550,000, namely, the two first items in your analysis of the criminal courts, Magistrates, and Deputy collectors. If I remember right, Magistrates and Collectors in 1893–94 cost Rx. 342,955, and deputy collectors Rx. 213,037?—Yes.

4397. Well, that would be, I suppose, something very like the outside cost, supposing that the measure led to a doubling of establishments?—A portion of their pay is charged to land revenue, generally one half, in some cases more than one half, so that the maximum extra charge would be considerably more than double this, if all the establishments were doubled.

4398. It would be more than that figure?—It would be nearer four times than double that.

4399. But if one half of their salaries is charged in respect to the executive duties they perform, and one half to civil establishments, if they were discharged of those executive duties, what would be the result?—The extra charge would be the double of the charges shown here.

4400. They would not be put on reduced salaries; you would have to pay them their salaries and replace them with fresh officers on the civil establishment side?—Yes, that is on the assumption that the whole District Staff is to be doubled.

4401. In that case, you would bring over to the Judicial grant men costing Rx. 500,000 from the Land Revenue grant, and also yet have to replace that Rx. 500,000 on the Land Revenue Grant?—Yes, that is what I mean; of course, I do not mean that that would be the real measure of the extra cost involved in this scheme.

4402. No, of course not; but, at all events, what it might come to is this, that if it were carried out in full, you could not hope to escape without a very large charge, of which the outside limit, which, of course, would not be attained, would be that which you have described?—Yes.

4403. Therefore, on looking at the future of the Law and Justice budget, and the future charge upon the Indian taxpayer, we must not leave out of consideration the possibility at all events of a considerable charge being added in consequence of the general approval that has been given to the idea of the separation of those functions?—Yes. I do not know that the proposal is approved in India at all by the Government of India.

4405. Of course, it receives its significance from the fact of two Secretaries of State having spoken in favour of the principle, and that is the only reason why I am putting the question to you?—Yes.

4405A. Now then taking these cases, the Magistrates and Collectors, their charge is practically the same for 1875–76 and for 1893–94; there is only a difference of Rx. 12,000, while the deputy-collectors have very nearly doubled, the rise being Rx. 109,000 to Rx. 213,000; can you give us the reasons for the increase?

4406. (*Mr. Buchanan.*) May I ask one question before you go away from what the Chairman has been speaking about. Do all the individuals, both the magistrates and the deputy-magistrates, who are included in these two items of Rx. 342,000 and Rx. 213,000, discharge both executive and judicial functions?—Yes, with very slight exceptions. The Cantonment Magistrates do not do any revenue work.

4407. (*Chairman.*) The Cantonment Magistrates are distinct?—Yes.

4408. (*Mr. Buchanan.*) You have kept them separate?—Yes.

4409. And all the criminal work of the criminal courts is done by civil servants who do both judicial and executive work, or practically all?—All the magisterial work is done by them. The work of the Sessions Courts is done by officers who are charged under "Civil and Sessions Courts" and they are purely judicial officers as a rule.

4410. They are the people we had just before?—Yes, under the former head. It is only the magistrates and the executive officers that are combined as a rule throughout India.

(*Chairman.*) But still it applies to the whole of these magistrates and collectors and deputy-collectors.

4411. (*Mr. Buchanan.*) They do the bulk of the work of the criminal courts?—Yes.

4412. (*Sir Ralph Knox.*) I should like to ask one question, are these officers migratory in the performance of their functions; do they have to move about or are they stationary?—The district magistrate moves about a great deal and the sub-divisional officers, especially in Bombay, I think. Sir James Peile will correct me if I am wrong there.

4413. That is for the proper discharge of both their magisterial and their revenue duties?—Yes; that is chiefly for their revenue duties, I should think.

4414. (*Sir James Peile.*) You are aware, I suppose, that the District Magistrate does not as a rule try cases?—Yes, I know that it is only exceptionally that he exercises his jurisdiction as a magistrate.

4415. He is a general supervisor and director; he does not often actually try cases himself?—Very rarely.

4416. (*Sir Ralph Knox.*) What does that supervision, so far as concerns the judicial part of his duties, consist of?—He distributes the work among the courts, either by general orders or by referring particular cases to particular courts, and he is also the appellate court as regards magistrates of the second and third class, *i.e.*, the lower grade magistrates.

4417. He would have little or no revenue work to do?—He would have a great deal of revenue work to do.

4418–9. But would the District Magistrate and Collector move about much in the discharge of his duties?—Oh, yes, in most provinces he is moving about constantly in the cold weather, and part of the hot weather.

4420. (*Mr. Mowbray.*) Do I understand that he would have judicial work connected with the revenue?—Yes, he tries a certain number of revenue suits in some parts of India. The practice as to that differs in different parts of India. In some parts the revenue suits are tried in the civil courts.

4421. (*Sir James Peile.*) The police are under his orders?—Yes.

4422. The superintendents of police are under his orders?—Yes.

4423. (*Mr. Mowbray.*) Then in some cases he has civil judicial power as well as criminal judicial power?—Not in civil suits.

4424. Only in revenue suits?—In some cases he has in revenue suits.

4425. It that the exception rather than the rule?—I think the practice varies very much in different provinces.

4426. But, except for that, his judicial powers, such as they are, are criminal only?—Yes, almost entirely. It will be understood that I am speaking of the Regulation Provinces.

4427. (*Sir Ralph Knox.*) Is a very large amount of time consumed in the moving about of these officers?—In the actual moving?

4428. Yes?—No; they generally take short marches from camp to camp. Very often they remain three or four days in the same place or even longer than that in some parts of India.

4429. But, supposing their duties were divided, could they extend their divided functions over a larger

area with convenience?—I should doubt that being possible.

4430. (*Sir William Wedderburn.*) I think, Mr. Jacob, you said that when that separation was made of judicial and executive functions in the Punjab and other provinces, it mainly, or in great part, was on account of the officers being overworked?—Yes.

4431. And that rather was the occasion taken for the separation?—Yes.

4432. But the increase arose more from the fact of the officers being overworked, of there being insufficient officers, than from the separation of the two classes of work?—I suppose that that is the course that occurs in every case; when first we annex a province, the judicial work is considerably less than it afterwards becomes; one set of officers can do both the revenue and the judicial work in a young province, where the people are more unsophisticated, and where a more paternal system of administration can be followed. As time goes on, more elaborate methods are introduced, and the system of administration becomes more complicated, and the people possibly become more litigious, so that in various ways the work gradually increases; and then the process is that when the work has increased sufficiently to necessitate an increase of the staff, the opportunity is taken of making the increase in such a manner as to provide for the separation, as far as possible of the judicial and executive functions.

4433. My point was rather this: if there had been a sufficiency of officers the mere redistribution of duties would not have led to so very large an expense. It was not the redistribution; it was the insufficiency rather that led to this large expense to which you refer?—If the increase of staff had been made upon the same lines as before, the increase in the expense would not have been anything approaching to what it is now.

4434. That is to say, if additional Commissioners had been appointed?—If additional Commissioners had been appointed to dispose of the additional work.

4435. But a certain amount of the additional expense was met by a certain amount of additional improvement in the administration arising from the redistribution of work?—Yes.

4436. (*Chairman.*) Then I think, now, Mr. Jacob, we will go back to the question of how the actual increase which has occurred between 1875 and 1893, on these two heads of Magistrates and Collectors and Deputy collectors, is to be accounted for?—There has been a very large increase in the staff of Deputy collectors and there has also been an increase in their salaries. In 1884–85 it was mentioned in the financial statement that the Government of India considered it necessary to improve the pay and position of the Deputy collector class generally, and throughout India there was at that time an increase in the pay of that class.

4437. Are the Deputy collectors, as a rule, Europeans or natives?—Natives.

4438. I think in looking through the items that make up the Law and Justice budget, this is almost the first occasion on which we have come to a general increase of salaries, unless indeed you put under that term the increase to the Law Officers?—Yes; I think that the reason was this; the number of Deputy collectors in the lowest grades, had, up to that time, been increased to a very large extent. Whenever an increase was required in the district establishment it had been made in the Deputy collector class, and as a rule in the lowest class, and the consequence was that there were no reasonable prospects of promotion for the men entering the service; the lowest classes were overcrowded, and it was necessary, therefore, to improve the prospects of the service generally, and to provide for a proper graduation of the service.

4439. But that does not apply to the Magistrates and Collectors—the highest officers?—No.

4440. That charge has been stationary?—Yes, that has gone down if anything.

4441. Well then, what are the Cantonment and Railway Magistrates who have also diminished in charge?—They are chiefly the magistrates who are employed in certain large cantonments. In such places it is desirable owing to the large number of British soldiers to have European Magistrates, and generally military officers are appointed. Besides their magisterial duties they have certain duties to perform in connection with the cantonment fund, but their pay is as a rule charged entirely to this head of the budget.

4442. What do you mean by Railway Magistrates?—On one or two of the railways there is a resident Railway Magistrate who takes up principally the railway cases. He also in some cases does other work. In 1875–76 there was one Railway Magistrate. He was also the Superintendent of the Railway Police as well, but his pay was charged entirely to this head.

4443. Then we come to the officer establishment which in this case is almost stationary, or may be called stationary, Rx. 221,000 to Rx. 225,000?—Yes.

4444. One is struck by the fact of that item being stationary compared with the large increase under this head in the civil courts which you remember rose from Rx. 250,000 to Rx. 336,000; but I think you explained to us that that in the civil courts arose from increase of courts and not from increase of pay?—Yes.

4445. Then, again, therefore we may say there has been no increase of pay throughout these clerical and menial establishments?—No, there has been no general increase so far as I can judge.

4446. Allowances Rx. 36,000 to Rx. 48,000—are those travelling allowances?—Chiefly travelling allowances.

4447. Next comes a heavy increase—"Witnesses" from Rx. 9,000 to Rx. 35,000?—Yes, that is the amount that is allowed to witnesses summoned by the criminal courts.

4448–50. Then have the allowances increased?—It is not so much that the allowances have been increased as that the practice of giving the allowances has become more prevalent. In some provinces they used not to give any allowances at all; the allowances are very petty indeed.

4451. The process servers in these cases are very much fewer than they are in the civil cases?—Yes.

4452. The charges, for them, however, have also increased for the same reason as in the Civil Courts?—Yes. The processes in criminal courts are, however, largely served by the police, but in some cases a special establishment is required.

4453. Well, in "Contingencies" there is nothing to call for remark; the charge is rather down than up?—Yes; I may say, however, that though, I have endeavoured to classify these charges in 1875–76 so as to admit of a fair comparison with those of 1893–94, there may be in some cases small charges included under one head which ought really to be compared with another. I should not have expected that there would have been an actual decrease in the contingent charges.

4454. At all events the difference is so small that it hardly calls for attention?—Yes, it is very slight anyway.

4455. Now I am going to run through these heads again, to see if we can summarize the result. We come first of all to the High Court Judges, showing an increase of Rx. 47,000, which I think you explained by saying that there have been some additional judges made?—Yes.

4456. You did not attribute it to increase of salaries though it did include the allowance made in compensation for loss by exchange?—There has been a decrease in salaries, as far as any change has been made.

4457. A decrease in salaries?—Yes, the salaries of the judges of the High Court in Calcutta have been reduced from 4,166 to 3,650 rupees a month.

4458. Oh! indeed; then I do not quite follow how the Rx. 47,000 increase comes?—Rx. 24,000, out of that Rx. 47,000 is due to an increase in the number of the judges.

4459. (*Sir James Peile.*) By the establishment of a new Chief Court or High Court?—No; there have been additions to the staff of the existing High Courts in one or two cases, and an additional Judicial Commissioner has been appointed in Oude and the staff of judges in the Chief Court in the Punjab has been increased.

4460. (*Mr. Mowbray.*) In which year was the pay of the High Court Judges in Calcutta reduced?—I have got a note that it was by an Order dated 25th January 1883.

4461. (*Chairman.*) That leaves us Rx. 23,000 in the High Court to be explained?—Rx. 3,000 of that is in the charge for the superior ministerial officers, such as registrars and those who receive higher salaries; Rx. 8,000 in the establishment and about Rx. 12,000 in other charges, contingent charges chiefly.

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4462. Then coming on to the Civil and Sessions Courts we first of all get the superior judges with an increase of Rx. 64,000, which I think you attributed to the extent of Rx. 58,000, to the separation of functions?—Yes.

4463. And you attributed to the same reason in a very large part the increase of Rx. 103,000 on the inferior judges, did you not?—Yes, very much.

4464. Is that the case in all the Provinces?—In Bengal it is not due to that; it is due to an increase in the number of courts in Bengal.

4465. But in the other cases it is due to the separation?—In the Punjab, Oude, and the Central Provinces it is due to that chiefly.

4466. Rx. 43,000 out of Rx. 103,000 is due to increase of courts?—Yes.

4467. Then I think you say there has been an increase of Rx. 86,000 on the establishments?—Yes.

4468. Which you have put down entirely to an increase of courts?—That is the main cause.

4469. On process service there is an increase of Rx. 75,000, which you showed us, arose from the fact that the payment of a number of the process servers had not entered into the accounts really?—Yes; the administration of the service has also been improved.

4470. But, if the accounts had been kept exactly in the same way throughout the difference would have been very much smaller?—Yes, very much smaller.

4471. And after that we come to office charges which show a very large increase from Rx. 44,000 to Rx. 103,000. You gave us an explanation of that?—A considerable portion of that is due to copying charges.

4472. The financial effect remaining very much the same as before?—Yes.

4473. So far, with the exception of the Law Officers, we have got hardly any increase to speak of, which we can put down to increase of pay?—No.

4474. The judges of the courts and their officers do not seem to have received increases of pay. In several cases there are increases from new courts being established, and from the separation of judicial and executive functions, but, apart from the Law Officers, whose position you distinctly described as improved, the increases of pay have been insignificant?—Yes; the remuneration of the lower classes of Law Officers has been raised generally.

4475. Then we come to the criminal courts and there we find for the first time an increase of pay to Deputy collectors?—Yes.

4476. And after that I think the allowance was extended to fresh classes of witnesses, which was not a very great matter?—No, that was not my meaning; I think that in some provinces where allowances were formerly not given, they are given now.

4477. And therefore we find that of the whole amount of this increase by far the larger part is due to the separation of judicial and executive functions, in certain provinces, in the civil courts, to the opening up of new courts and, in about two instances, namely, that of the lower classes of law officers and the inferior criminal courts, to an increase of pay?—Yes.

4748. Could you give us a sketch of the manner in which justice is administered in India beginning, we will say with the magistrate on the criminal side, and the lowest civil courts on the civil side?—The magisterial work is done by the District Magistrate who is assisted by Assistant collectors and magistrates and Deputy collectors and magistrates and sub-divisional officers.

4479. To what extent are those Europeans or natives?—The assistant collectors are chiefly Europeans, members of the Indian Civil Service, the rest are natives.

4480. That is to say, the District Magistrates and the assistants are chiefly Europeans?—Yes.

4481. And these officers between them discharge judicial functions of a criminal character?—Yes.

4482. All the ordinary offences of the country, such as in the main are adjudicated by our benches of magistrates, are adjudicated upon by them?—Yes, and they also make the preliminary inquiry into all sessions cases.

4483–4. That is to say, they decide whether a case ought to go to a Sessions court or be dismissed?—Yes.

4485. To what extent have they power of punishing without appeal?—The magistrates are divided into three classes. Magistrates of the third class have power to sentence to one month's imprisonment and 50 rupees fine; those of the second class to six months' imprisonment and 200 rupees fine and to whipping, if specially empowered. All their sentences are appealable.

4486. All of them?—Yes, to the District Magistrate.

4487. The District Magistrate is of the first class?—He is of the first class, yes. Magistrates of the first class can sentence to two years' imprisonment, 1,000 rupees fine, and to whipping. The District Magistrate, I think I ought to say, exercises only the powers of a first class magistrate, so far as the trying of cases in the first instance is concerned; but he exercises appellate jurisdiction in respect of the magistrates of the second and third class.

4488. Then do I understand that all the sentences of the second class magistrates are appealable to the District Magistrate?—Yes, all sentences of second and third class magistrates are appealable.

4489. But are the sentences of second and third class magistrates exercising their summary jurisdiction appealable?—Yes, all sentences of second and third class magistrates are appealable.

4490. Did I understand you to mention a class below the third class magistrates, who have power of dealing summarily with cases?—No.

4491. Nobody else except those three classes of magistrates have power of dealing summarily with cases?—No, those are the only three classes of magistrates. The sentences of the magistrates of the first class are not appealable unless they exceed one month's imprisonment or 50 rupees fine, or, in certain cases which they are empowered to try summarily, three months' imprisonment and 200 rupees fine.

4492. And if they exceed those then there is an appeal?—There is an appeal then to the Sessions Judge.

4493. The Sessions Judge comes under the division of the High Court, does he not?—No, under Civil and Sessions Courts.

4494. In the Civil Sessions Courts judges sit who have a criminal power?—The Sessions Court is a criminal court.

4495–6. Therefore, when you speak of the Civil and Criminal courts, the division between the two is not complete; the Sessions Court includes a certain amount of criminal jurisdiction?—As a rule the Sessions Judge is also a Civil Judge.

4497. Where does the Sessions Judge sit?—There is a Sessions Judge in each district. Sometimes there is only one for two districts. He sits for sessions at the head-quarters of the district, and if he is in charge of two districts he goes to the second district and conducts the sessions there.

4498. Is not the District Magistrate at the head-quarters of the district?—Yes.

4499. How many districts are there in any one of the Provinces?—In Bengal there are 50.

4500. And therefore there are 50 sessional judges?—No; in Bengal there are in several cases two districts to one judge.

4501. Then what power has the Session Judge?—The Sessions Judge can try all cases.

4502. Can he try capital cases?—Yes; but sentence of death by a Sessions Court is subject to confirmation by the High Court.

4503. At Calcutta?—At Calcutta, Bombay, or wherever the High Court of the province is.

4504. And to what extent has he independent power of punishment without appeal?—Only the same power as a magistrate as far as appeal is concerned.

4505. All cases above a month's imprisonment?—His sentences of above a month's imprisonment are appealable.

4506. They may go to the High Court?—Yes, if they are sentences by a Sessions Court. As a rule, of course the Sessions Court does not sentence to small punishments. Such cases would be disposed of by the magistrates as a rule.

4507. But still where they come before the Sessions Court they are appealable?—Yes.

4508. But does not that mean that the High Court gets an immensity of business thrown upon it by the number of appeals?—There are a good many. I think I could give you the number; no, I find the Statistical Abstract does not give the number of appeals to the High Court separately, but the total number of appeals in criminal cases in India in 1893 was 155,000.

4509. From the three courts?—Of all appeals.

4510–1. From all magistrates, I mean?—Yes, appeals of all kinds. The High Court, of course, is the chief criminal court.

4512. Is there any appeal from Bombay to Madras, or from Madras to Calcutta?—No.

4513–4. They are quite independent?—They are quite independent, and even in the case of Judicial Commissioners there is no appeal from them to a High Court.

4515. Well, now would you give us the civil side?—The High Court also has certain powers of revision, and it may revise the order of any subordinate court.

4516. Has Madras High Court this power?—Yes, the High Court of Madras has the power of revision.

4517. And the High Court of Calcutta?—Any High Court may revise without appeal.

4518. Of its own initiative?—Of its own motion. And the District Magistrate and the Sessions Judge may call for records and examine them and may submit them to the High Court for revision, if they think necessary, but they cannot revise themselves.

4519. Would you now tell us about the civil courts, what the process there is?—There, the practice varies very much in the different Provinces, but, speaking generally, the lowest grade of Court in the Regulation Provinces is that of the Munsif.

4520. He is a native judge?—He is a Native Judge on a pay generally of from 200 to 400 rupees a month, and he tries suits in some Provinces up to 5,000 rupees in value. Then subordinate judges can try all original suits of any value whatever, and they can be invested with appellate powers in certain cases. In some cases they have appellate powers without special investiture, but they exercise them only on a reference from the district judge. The district judges also have jurisdiction in all original cases (though generally they try very few original suits) and they exercise appellate jurisdiction from Munsifs and subordinate judges, except as regards cases in which the value exceeds 5,000, when the appeal lies to the High Court.

4521. Then above the Munsifs are the Subordinate Judges and the Superior Judges in the civil courts. What is the distinction between those two? I have got down here that the Subordinate Judges in 1893–94 cost Rx. 332.000 and the Superior Judges Rx. 326,000?—Yes; the district judges control the administration of civil justice. They distribute the suits between the various courts where they have no local jurisdiction The subordinate judge is a kind of assistant of the district judge, but he exercises original jurisdiction up to any value.

4522. And then over these comes the High Court again?—Yes, all appeals above 5,000 as a rule go to the High Court; and all special appeals, that is, appeals from appellate decrees on matters of law, goto the High Court.

4523. Therefore there is room for a very great amount of business going to the High Court?—The business going to the High Court is considerable.

4524. There is some distinction, is there not, with regard to the supreme judicial authority in the different provinces? There is a High Court in Calcutta, a High Court in Madras, and a High Court in Bombay, is there not?—And a High Court in Allahabad in the North West Provinces.

4525. Then in the other provinces?—In the Punjab there is a Chief Court.

4526. Presided over by a Commissioner?—No, it is presided over by Judges. They are called Judges of the Chief Court.

4527. What is the difference between the Chief Court and the High Court?—The difference is that the High High Court is established by Royal Warrant and the Chief Court is not.

4528. By the Act of the Government of India?—Yes.

4529. Is the pay different?—It is slightly less. The pay of the High Court judges is generally Rx. 3,750, and that of the Chief Court judges is Rx. 3,500.

4530. Then in some provinces there are only Commissioners?—There are only Judicial Commissioners.

4531. Where is that?—In Oude, Central Provinces, and Burmah; I think that is all.

4532. But I thought you said that they had a high court at Allahabad?—Yes, at Allahabad they have, but that exercises jurisdiction over the North West Provinces only, and not over Oude.

4533. But you said just now, if I understood you, that there was a Judicial Commissioner in the North West Provinces?—No in the Central Provinces.

4534. Then did you say Burmah?—Yes, Burmah.

4435. And that really comprises all the judicial officers?—Yes. Their pay varies from Rx. 3,000 to Rx. 3,500.

4536. (*Sir James Peile.*) In Assam, I think there is one too, is there not?—No; there is no judicial commissioner in Assam.

4537. (*Chairman.*) Is there any probability of an increase, so far as you have been able to ascertain in either the numbers or the constitution of the High Courts?—There is constantly a tendency to increase. In Madras they have had to create a new court in order to relieve the High Court of the lower valued suits that used to come before it; it is called the City Court.

4538. Is there any feeling in India that the system of appeal is carried too far in allowing so many small suits, if the suitors choose, to come forward to the High Court?—Yes, objections are raised to that, but it is just as strongly argued, I think, that a number of appeals should be allowed.

4539. (*Mr. Buchanan.*) Is there not a demand in Burmah, that there should be a Chief Court there?—Yes, there has been a demand for a Chief Court there.

4540. That would mean an increase of expenditure, I suppose: a Chief Court is dearer than a Judicial Commissioner?—Not very much. In Burmah there is a Judicial Commissioner for Lower Burmah, and a Judicial Commissioner for Upper Burmah and a Recorder in Rangoon, and the proposals chiefly tend to bring these three judges together and constitute them a single court.

4541. It would not necessarily mean much extra expense?—A very slight increase of expenditure, I think.

4542. (*Chairman.*) You have described to us the different orders of magistrates and judges who administer justice; would you tell us, are they all paid judges or are there any unpaid judges in India?—There are some honorary magistrates who perform magisterial duties without receiving any pay.

4543. Who are they?—They are chiefly well-to-do people, landowners and merchants.

4544. I do not suppose there is any large number of unpaid people?—No, not a very large number.

4545. Can you tell us shortly what the scales of salaries of judicial officers are?—Munsifs get from Rs. 200 to Rs. 400, in a few cases their pay is as low as Rs. 150.

4546. Are those the new lowest class that you spoke of in Bengal?—No, that class was on Rs. 200. Subordinate judges get from 500 to 800 or in a few cases 1,000 rupees a month.

4547. Are they natives or Europeans?—Natives. The Civil and Sessions judges get from Rs. 1,800 to Rs. 2,500, and in one or two cases Rs. 3,000; and the high court judges get Rs. 3,750, the chief court, Rs. 3,500, and judicial commissioners from Rs. 3,000 to Rs. 3,500.

4548. Then, on the other side, the magistrates who administer criminal justice?—The Tahsildar and Mamlatdar get from Rs. 150 to Rs. 250 a month.

4549. And those are the officers who administer petty justice, I suppose?—Not always; some of them have first class magisterial powers.

4550. Those are chiefly natives, I suppose?—Entirely natives. The Deputy collectors get Rs. 250 to Rs. 800. Then the assistant collectors and magistrates get from Rs. 400 to Rs. 1,000, or in some provinces only Rs. 900. The District Officers get from Rs. 1,500 to Rs. 2,333⅓ rupees a month.

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4551. That makes the whole of the judges on the criminal side?—Yes. The Session Judges have already been mentioned on the civil side.

4552. Are you able to give us the numbers of the different classes? For instance, are you able to tell us what number of Munsifs there are?—I could make out a statement, I think, showing them; I have them for each province separately.

4553. Perhaps you will put in the number of the different classes of judges that you have menioned?—Yes, I will endeavour to do so.*

4554. And perhaps you would also state to what extent they are Europeans?—Yes.

4555. Or the classes rather that are usually European?—I could state that.

4556. Of course, we know that there are native judges up to the highest classes?—Yes, there are natives in the highest class.

4557. As far as you are aware, is the Government generally satisfied with the scale of salaries paid to judicial officers, or has it within your knowledge been discussed whether these salaries are sufficient? of course I am asking the question with a view to the probability of there being a demand for increased expenditure?—In some cases I know that there have been proposals made to raise the salaries, which have been either entirely refused or been very much cut down.

4558. But is there any general feeling, as far as you know, amongst those persons who are responsible for the consideration of such questions that salaries of any class of judges ought to be raised?—I think that in the smaller provinces there is such a feeling; the pay of the lowest grades of civil judges in those provinces is much lower than in the Regulation Provinces, the scale for which I have given above, and I think the tendency is to gradually raise the lowest rates of salary.

4559. I asked you a question with regard to the allowance made as compensation for loss by exchange: what year was that first introduced into the Budget?—It was paid first in 1893–94; it was not provided for in the Budget of that year, but it was actually paid in that year.

4560. Is a separate provision made for it in each division of the Budget?—Yes, it is provided for under each head of the Budget.

4561. As a separate allowance?—The total under each major head is not shown in the Budget; it is provided for under each sub-head.

4562. Would the sub-head show how much is provided for judicial officers?—I have a statement showing the total in 1893–94 for courts of law; the total was Rx. 69,397.

4563. And that would include the whole of the courts of law, would it?—Yes, as far as they are charged to Law and Justice; it includes the whole of the amount charged under Law and Justice.

4564. But who would there be outside Law and Justice?—Well, I said that in the non-Regulation Provinces the Commissioners exercised certain criminal jurisdiction in addition to their administrative functions, and they are charged wholly to general administration.

4565. They are not separated and charged to Law and Justice?—No.

4566. Is any provision made with regard to that allowance that it should cease or diminish, if exchange rises to a certain figure?—The conditions, under which it is granted, would make it cease entirely if the rupee reached 1*s.* 6*d.*, and it diminishes as the rupee approaches 1*s.* 6*d.*

4567. You have given us the total expenditure for the years 1875–76, and 1893–94 of the Law and Justice Budget, it being Rx. 2,275,000 in the first year, and as near as possible Rx. 3,000,000 in the second; but I think it does not entirely cover the whole cost of justice; it does not cover the non-effective cost?—No, it does not include the non-effective cost, and, as I said just now, there are some officers who exercise judicial functions whose pay is not charged to Law and Justice, though generally the pay of officers who exercise judicial functions is so charged.

4568. Take that latter case first; is that an item of any significance?—The pay of Commissioners is from 2,500 to 3,000 rupees a month.

4569. And how many of them would there be?—There must be about 50 of them in the whole of India; but in the non-Regulation Provinces the number is smaller, though all Commissioners, I believe, exercise some control over the administration of criminal justice.

4570. It would make a considerable sum?—Yes. Of course, only a proportion would be chargeable to the Law and Justice Budget in any case.

4571. Fifty of them at 2,500 rupees a month, that might be 150,000 rupees a year?—Yes, the whole cost of Commissioner's pay would be from 100,000 to 150,000 Rx., I should think.

4572. But you say that would not all be charged to Law and Justice?—Oh, no; quite a small proportion, would in any case, be chargeable to Law and Justice.

4573. It is not a very important matter then?—No.

4574. It might be Rx. 20,000 or 30,000 a year more?—Then the pay of Deputy collectors in the North-West Provinces has also not been divided, as it is in all other provinces, between Law and Justice and Land Revenue; it has been charged wholly to Land Revenue, but from 1895–96 it is being divided in the same way as it is in other provinces.

4575. Then in the sum of the Rx. 3,125,000, in that year the separation is made, is it?—Yes, and that accounts for part of the increase in 1895–96.

4576. Going back again to the question of pensions; have you any idea what the amount of pensions of judicial officers is?—No, I could not give the amount; the charge for pensions in the Judicial Department paid in India was estimated in 1894–95 at Rx. 101,292. But the pensions in the Land Revenue Department were also estimated at Rx. 199,274 and probably from one-third to one-half of these should be taken against Law and Justice.

4577. On the ground that you have just stated as to the Commissioners?—No, on the ground that their pay is actually divided between Law and Justice and Land Revenue. They are always considered as belonging to the Land Revenue Department, but their pay is distributed between the two, and their pensions would be distributed in the same proportion, I presume.

4578. And that, you say, would be about one-third?—From one-third to one-half of Rx. 200,000.

4579. That would be Rx. 70,000 to Rx. 100,000; would it not?—Yes. These, however, are chiefly the pensions of the Native Officers. The pensions in England payable to Judicial Officers are not shown separately in the Home Accounts. The pensions paid to judges of the High Courts in 1893–94 amounted to 31,431*l.* Judicial pensions would also be included in the 115,336*l.* paid to the "Uncovenanted Service of India," and in the amounts shown as paid out of the Civil Service Annuity Fund, namely—

	1893–94.	1894–95.
	£	£
Bengal - - -	304,233	308,636
Madras - - -	101,377	100,024
Bombay - - -	77,313	78,477
Total - -	482,923	487,137

4580. But there is no analysis of those charges made?—No.

4581–2. Do you know at all what the ratio is that pensions for non-effective service are supposed to bear to effective services in India?—It is roughly about 20 per cent.

4583. Twenty per cent. of the cost of salaries, not of the total estimate?—No; but an average of 20 per cent. would roughly cover not only pensions but also leave allowances.

4584. As much as that?—Yes, as a general average; the actual rate, of course, differs for the various Government services.

4585. Would you be disposed to say that, supposing the salaries in 1893–94 were, say, Rx. 2,700,000, or Rx. 2,800,000, probably 20 per cent. of that would represent the non-effective?—Yes, I should think that that would be about the percentage to take.

* *See* Appendix 16.

4586. That would be something a little over 500,000*l.*?—I do not know what the cost of salaries is.

4587. It is not taken out here, but I think some of your papers show it. I suppose, for instance, you would not include in the basis of that calculation process servers' charges, would you?—Yes, there would be some pensionable service under that.

4588. Nothing like the whole Rx. 2,800,000?—Not the whole of it. The total in 1893–94 of salaries and establishment charges was about Rx. 2,266,000.

4589–90. That would make the non-effective charge between Rx. 400,000 and Rx. 500,000?—Yes, the latter figure would more than cover it, I should think.

4591. The pensions in India of Europeans follow one scale, do they not? Whether the officer is judicial or whether he is executive, he works up to a thousand a year, does he not, in the Civil Service?—In the Indian Civil Service, yes.

4592. And what is the scale of pension allowed to natives?—They are allowed a maximum pension of half-pay up to an absolute limit of 5,000 rupees.

4593. They have a maximum?—Yes.

4594. And cannot rise above half?—No.

4595. Then that would mean rather a low average of pension, because that is considerably less than the scale in the Home Civil Service. We can rise up to two-thirds?—Yes, it practically means about half-pay for low-paid officers, because the pension money limit does not apply to them.

4596. (*Sir James Peile.*) The service contribute to that 1,000*l.* for the Indian Civil Service, do they not?—They contribute a portion of that.

4597. 4 per cent.?—4 per cent. of their pay all through their service.

4598. (*Chairman.*) An officer may retire on 1,000*l.* a year after 20 years' service?—After 25 years' service.

4599. (*Mr. Caine.*) What proportion of that does an officer pay himself? what does the 4 per cent. work out at?—On an average it works out to about 400*l.*, I think.

4600. (*Chairman.*) Therefore you have got to put against the pension of 1,000*l.* a year, that the man has contributed, what would produce 400*l.* of that 1,000*l.*?—Certainly 400*l.*; many men have of course paid much more.

4601. (*Sir William Wedderburn.*) And there are the lapses of those who die?—Yes.

4602. (*Chairman.*) At all events, in all probability, the net charge on the taxpayer of judicial pensions after allowances are made would be nearer Rx. 400,000 than Rx. 500,000?—Yes I think so.

4603. Then, besides this non-effective charge, you have other charges, have you not, such as works and buildings?—Yes.

4604. Can you tell us what, in an ordinary year, that charge would come to?—The amount shown as spent in 1893–94, is Rx. 115,769; that is both on original works and on repairs. The Government of India made a very elaborate inquiry a few years ago as to the net cost of the administration of civil justice, and they published the result of it in the *Gazette of India*, and for the year which they took—it was the year 1885—they worked out, after allowing for all charges, to a net receipt of Rs. 1,251,000 = 125,000 Rx.

4605–7. As what?—As the net receipt after allowing all charges for civil justice.

4608. Would you read us the item, and show how that is made up?—Yes. The court fee stamps in that year were Rx. 1,974,500; cash receipts, Rx. 43,100; that is the total receipts, Rx. 2,017,600. Then they took the charges; salaries of judicial officers employed exclusively in the administration of civil justice, Rx. 625,500.

4609. Civil justice?—Yes; this is a rather different distribution from that in the accounts. The proportionate share of the salaries of judicial officers engaged partly in the administration of civil justice is given at Rx. 1,094,000: a share of the cost of the stamp establishment, Rx. 22,700; a share of the discount on sale of court fee stamps, Rx. 20,300; refunds of court fee stamps, Rx. 23,200; pension and leave allowances, Rx. 252,800.

4610. Would those include the High Court salaries?—Yes.

4611. But I thought you said the return was for civil justice; they do not include criminal judges, I suppose, in it?—Yes, this is civil justice; they took into account only so much of the court fees as was attributable to the Civil Courts.

4612. Is that the total?—No. Rent for buildings used by civil courts, Rx. 84,600; and stationery and printing, Rx. 19,600. That works up to a total of Rx. 2,142,700.

4613. They do not allow anything there for buildings, they only put rent?—Yes, they charge only for the rent, but that is only another way of charging for the buildings. It works out to a net charge, I see—I said it was a net receipt—of Rx. 125,000. That is for civil justice only.

4614. Are there any receipts in criminal justice?—A small proportion of the court fee revenue would be creditable to criminal justice. Some applications to criminal courts have to be made on an 8-anna stamp.

4615. (*Sir William Wedderburn.*) The fines, I suppose?—Yes, the fines would come in.

4616. (*Chairman.*) Well now, take the charge in 1893–94. We get Rx. 2,996,000 as the audited charge in the accounts of 1893–94 of the active cost of the courts. If you were to put on something like Rx. 600,000 for buildings and pensions, I take it you would be estimating liberally, would you not?—Yes, for pensions and buildings, and leave allowances.

4617. I am taking as a rough calculation for pension, 20 per cent. of the amount that you have stated?—Yes, that includes leave allowance.

4618. Leave allowances?—Yes.

4619. That would give you what you may call 3,600,000?—Yes.

4620. This sum is exclusive of charges for stamps. Against this charge must be set the receipts of Courts of Justice from fees, fines, and other sources. Can you state the amount of such receipts properly belonging to Courts of Justice for 1893–94?—Only for 1893–94 or for 1875–76 also?

4621. I should like to have it for both years?—In 1875–76 the receipts under Law and Justice were Rx. 295,669, and the court fees were Rx. 1,975,465.

4622. Therefore the cash receipts were——?—Rx. 295,699.

4623. And the stamps?—Rx. 1,975,465.

4624. Making?—Rx. 2,271,164.

4625. Now 1893–94?—Cash receipts, Rx. 372,405; court fees, Rx. 3,063,463; total Rx. 3,435,868.

4626. And those receipts are fairly and properly applicable to courts of Justice and Law?—Yes, I should say so.

4627. Therefore in 1875–76 the receipts of Courts of Justice did not cover the effective charges of the courts?—No.

4628. There was a deficit upon them?—Yes.

4629. In 1893–94, although there had been a considerable increase of charge in the interval, the receipts had increased in a greater degree, with the result that the receipts covered the whole effective charge of the courts, leaving a surplus of Rx. 430,000?—The net charge would be about Rx. 170,000 according to the figures adopted above.

4630–3. No; look at the accounts for 1893–94, Rx. 2,996,090. That is the active cost?—Yes.

4634. The receipts you have just given me—Rx. 3,435,000, leaving a surplus of Rx. 439,000?—Yes.

4635. In 1893–94, although there had been a considerable increase in the interval, the receipts had increased in a greater degree, with the result that these receipts cover the whole extra charge of the court, leaving a surplus of Rx. 439,000, which may be set against non-effective and building charges?—Yes.

4636. Therefore it may be said that the administration of justice in India, apart from police and prison charges, is very nearly self-supporting after charging against that department the whole of the non-effective cost, and also Rx. 100,000 to Rx. 110,000 for buildings; that would only leave a slight deficit of some Rx. 100,000 to be provided by the general taxpayer?—About Rx. 200,000 I suppose it would be; there are certain other charges that would have to be added, and the method of calculation is somewhat rough.

4636A. Further the increase of receipts, which have been added since 1875–76, has more than covered the

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increase of expenditure incurred during that time?—Yes, much more.

4637. Do you happen to know whether the receipts continue to increase, and whether the estimate of them for 1895–96 covers or more than covers the expected increase of expenditure?—The estimate of revenue for 1895–96 is, Law and Justice, Rx. 371,200; Court fees, Rx. 3,152,850, total, 3,524,050.

4638. You may say practically that it more than covers that increase?—Yes.

4639. Can you tell us whether in the interval between 1875–76 and the present time there has been an increase or reduction in the scale of fees?—There has been practically no change in the fees to my knowledge.

4640. Do you happen to know whether the scale of fees in courts of justice is held to be high, and whether it is a source of revenue which requires re-consideration when the state of finances permits?—I think arguments in this sense have been put forward, but I know of no intention on the part of the Government of India to reconsider the fees with a view to a revision.

4641. (*Sir William Wedderburn.*) Was there not a Court Fee Act passed in 1878 or so?—No, it was in 1870.

4642. Was there not one about 1878?—No.

4643. For an increase?—No. The general Stamp Act was passed in 1879, but not the Court Fees. Act I. of 1879 is the General Stamp Act, and Act VII. of 1870 the Court Fees Act.

4644. (*Chairman.*) The increase in the charge for judicial establishments since 1875–76 is considerable. Do you know whether it has fairly corresponded to the increasing demands of the public, or is it pleaded that the demands have not been fully met, that increases in the Courts which good government requires, have been set aside or postponed because the finances of the country did not permit of a large appropriation to meet them?—There have been many applications for increases of the judicial establishments, which have been refused. The High Court of Bengal, I know, thought at one time that the establishment of munsifs and subordinate judges ought to have been increased to a greater extent than was sanctioned by the Government.

4645. Then you would anticipate as a general result that on various heads Government must look for increased expenditure? We have mentioned the separation of judicial and executive functions as a case the principle of which has been acknowledged; and then, again, I gather from you that the present scale of salaries in many respects has been thought to require revision, if finance permitted it. Therefore, to a certain extent we must look for an increase of expenditure as more likely to happen than a decrease?—Yes. I think certainly there will be an increase, but I do not suppose there will be any necessity for a greater increase than will be covered by the provincial share of the court fee revenue.

4646. Quite so. And further than that we are met by the rather surprising fact that the courts of justice in India are practically self-supporting—that they involve an insignificant charge on the general taxpayer?—Yes, subject to what I said as to certain of the charges not being taken against Law and Justice—certain of the charges for judicial officers.

4647. For which?—The Commissioners.

4648. Those whom we left outside?—Yes.

4649. But at all events, even when we transfer them to the account of the courts of justice, the deficit remains a very small one?—It would not be large.

4650. And, as far as we can judge from recent years, the tendency of the receipts is to increase in a quicker ratio than the expenditure?—Yes, I should certainly say that that was the case.

4651. (*Sir William Wedderburn.*) As regards the general question of the increase of expenditure in this department, in the higher grades the principal increase is from compensation for exchange, I understand?—There is a considerable increase for that.

4652. Do you know what it is as regards superior grades?—The total under Law and Justice in 1893–94 was Rx. 69,107.

4653. So that if natives of India had been employed instead of Europeans that would have been a saving to that extent, or so far as they had been employed?—So far as they had been employed, yes.

4654. As regards the increase in the lower grades, I think that that is all distinctly in the direction of good administration, getting a more trustworthy class of officer?—Yes, I think so.

4655. I should think that, especially in the process serving department, that additional pay is an extremely valuable improvement?—Yes, I think so.

4656. (*Mr. Naoroji.*) I was only going to put the same question, that the more the native service increased, the greater would be the saving both in the original salary as well as in any such incidental charge for additional compensation for exchange, and so on?—Exchange compensation is not given to natives.

4657. No, and that would be a saving, as well as in their original salary also; there would be a saving the larger the number of natives employed?—Yes, as far as it is possible to substitute natives for Europeans.

4658. And then, as two Secretaries of State have thought it desirable that the separation of magisterial and executive functions should be effected notwithstanding any additional expenditure that might be incurred, it would be very important for the efficiency of justice that it should be done?—I am not prepared to give any opinion upon that point.

4659. The increase in the judicial revenue or Law and Justice revenue has been going on increasingly every year, so that the excess or the extra charge that would be necessary before making the separation may be very well met to a good extent, so far as the surplus of justice revenue is increasing?—The revenue is certainly increasing steadily.

4660. And, therefore, that would enable the separation of the judicial and executive functions to be carried out without much difficulty?—The court fee revenue is increasing, but it is not assigned necessarily to Law and Justice charges.

4661. Then this inefficiency is necessitated by want of funds or want of the elasticity of Indian revenue?—I do not know that the separation of the magisterial and executive functions would be carried out but for the want of funds. I am not prepared to say that.

4662. As I understood all along, it was on account of the extra charge that it would entail, that the difficulty chiefly rests, though two Secretaries of State had considered it desirable?—All I am prepared to say is that the separation would involve some addition to the expenditure, but I am not prepared to say that that is the only reason why it is not carried out.

4663. (*Mr. Caine.*) Have you at all tried to arrive at the cost that would be involved in the carrying out of the separation of the two functions?—No, I have not made any estimate of it.

4664. (*Sir Andrew Scoble.*) I do not know whether you have given any information on the subject, Mr. Jacob, but I should like to ask you if you can tell me what proportion of natives to Europeans is employed in this judicial branch of the service in India that you have been speaking about?—The subordinate judges and munsifs are entirely natives.

4665. All the ministerial establishments of the courts are entirely native?—Yes, entirely, I think.

4666. And Europeans are only employed in the higher, and I may say, supervising, capacities?—Yes, that is the case except the assistant magistrates who are in training for the higher appointments and are employed as magistrates.

4667. And their pay is only in this calculation charged partly to the Law and Justice account?—Yes.

4668. Can you say at all in regard to this expenditure which you have given us, what proportion of it is spent upon native employés as compared with the proportion which is spent upon British officers?—I could not give you the proportion out of the higher officers that are natives.

4669. What can you give me?—The subordinate judges, the munsifs, the deputy collectors, in fact, the natives who are judges or magistrates cost 611,000 Rx., establishments cost 642,000 Rx., and for the higher officers, some of whom are natives, the charge to Judicial is 1,013,000 Rx.

4670. I believe I am right in suggesting that in all the higher appointments from the High Court downwards, natives are employed?—They are employed in all the grades, and they will be still more employed in the future under the arrangements which have been

made for the assignment of certain appointments to what is sometimes called the Provincial service.

4671. In fact, the policy of recent years has been to employ natives, qualified natives, in these higher employments more constantly than was formerly the case?—Yes, certainly.

4672. (*Sir James Peile.*) Is it not the fact that the original civil jurisdiction in India is exercised wholly by native judges?—Practically that is the case.

4673. (*Chairman.*) I think, Mr. Jacob, that completes what I have to ask you with regard to Law and Justice proper; but with regard to a question which I put to you at the beginning of the examination, as to whether you could form any idea of years previous to 1875, would you look at the Statistical Abstract beginning 1867; there is a heading of Law and Justice, the figures of which, I think, are in excess considerably of those which you mentioned in 1875–76, are they not?—Yes, they are; that is owing to the reason I gave, namely, that they included police charges as well.

4674. But when we come to later years in the Statistical Abstract, could you not get the same basis of calculation? Would not the comparison be fair if you added the police charges to the Courts of Justice?—I cannot say that you would be comparing like with like. The proportion of salaries charged to Law and Justice was not the same, I think, in the earlier years as now.

4675. You see in the next one they are separated?—Yes; but that separation begins from 1876.

4676. Supposing you were to put the two together they come to over Rx. 5,000,000, do they not?—From 1876 they do.

4677. And before that they came to about Rx. 3,000,000?—Yes; considerably under Rx. 3,000,000.

4678. Therefore on both charges before 1875–76, there must have been a very considerable increase, or does that increase come from more careful combination of the charges that make up Law and Justice and Police?—I think it is partly due to a transfer of charges from other heads.

4679. You think it is?—I think so.

4680. At all events you would recommend us not to rely upon a comparison of those figures?—No; I do not think that you could compare the two.

4681. Then how much of the Rx. 69,000 allowance for loss on exchange and remittances do you think would be attributable to the High Courts? If you put together the salaries of the High Court Judges, the Law Officers, and other judicial functionaries, the total in 1893–94 is over 1,000,000 Rx., showing an increase only of Rx. 85,000?—Yes.

4682. And, I presume, that the greater number of those are European officers, are they not?—Yes.

4683. And then you say that out of this Rx. 85,000, Rx. 50,000 is due to the increased cost in the Punjaub and Oude, and the Central Provinces, where some steps have been taken in the direction of separating these functions, from those of the revenue officers. That would only leave 34,000 to be accounted for, and yet, I suppose, the greater part of that 69,000, which is paid as an allowance for loss on exchange, would really be attributable to that heading, would it not?—Yes, there would have been a decrease of expenditure but for the grant of the compensation.

4684. Quite so; and therefore we may take it that, after allowing for the increase of charge in the Punjab, the remaining increase is accounted for, and more than accounted for, by the compensation for loss on exchange?—Yes, it is.

4685. I do not think it will be necessary to keep you a very long time over the other charges which come within this heading. Police and Jails are considered to be a branch of the Law and Justice charge?—Jails are considered to be a branch of the Law and Justice charge.

4686. In the statement showing the moral and material progress and condition of India they are classed together?—Yes; "Jails" is a branch of Law and Justice in the accounts, but Police is a separate head of the accounts.

4687. I think there would be certain convenience if we were to run through those heads. Would it be in your power to compare the expenditure in 1875–76 with that of 1893–94, first of all on Prisons and then on Police?—I have taken them out for jails; I could give you the figures for jails at once.

4688. If you please?—The total expenditure on jails in 1875–76 was 826,304 Rx., in 1893–94, 924,097 Rx.; that is an increase of 97,793 Rx.

4689. Jails, of course, include prisons and all prison work?—Yes; and it includes also charges for the administration of Port Blair and the Andamans.

4690. What we may call transportation?—Yes.

4691. Can you give us in the same way the figures for the police?—I have not taken them out, but I can give you them from the Accounts. The charge for police in 1875–76 was 2,473,340 Rx., and in 1893–94, 3,919,785 Rx.

4692. Increase?—1,446,000 Rx. about.

4693. Are there any receipts to be set against those two heads?—Yes; the jail receipts in 1875–76 were 270,805 Rx., and in 1893–94, 306,191 Rx.

4694. Police?—Police receipts in 1875–6 were Rx. 234,736, and in 1893–4 Rx. 417,531.

4695. Taking the prisons, I observe in the "Report "on the moral and material progress of India" that the number of persons on an average in jail over a series of years is given, and that it is rather less than it was some years ago. I do not know why the expense of prisons has risen. Are you aware of any reason for the increased charge?—I think the increased charge is largely in the cost of rations and provisions.

4696. The table I have before me ranges over the period from 1881 to 1891, and, therefore, it is rather different from those years that you have chosen; but in 1881 the average daily number of prisoners of all classes was 92,000—I am giving round figures—and in 1891 93,000; but the average cost per head was Rs. 52, or nearer Rs. 53, in 1881, and nearly Rs. 59 in 1891. It is a considerable increase, and I do not see here any reasons given for it?—The increase has occurred in the cost of central jails chiefly. The central jails cost in 1875–76, Rx. 149,000, and in 1893–94 Rx. 222,000, showing an increase of Rx. 73,000.

4697. Then what it comes to is, that central prisons are more expensively organised than they were?—Yes, but the number of central jails has been increased also.

4698. You have got no increase in the number of prisoners in detention?—No.

4699. And yet you have got a considerable increase in the cost?—Yes, but some of the increase, of course, goes against the receipts.

4700. Yes, but you see the increase in the receipts is only Rx. 36,000?—On looking at the figures again I find the increase is even less than that. I omitted from the figure already given for 1895–96 the Port Blair receipts and some local receipts which must be included if comparison with the 1893–94 figure is to be made. Including these amounts, the total figure for 1895–96 of jail receipts in India would be Rx. 297,596. I may add, however, in explanation of the increased charge that the establishment of central jails is, of course, an improvement of administration; they are much better organised than the district jails.

4701. And do you know that there was any prevalent idea that the prisons were not so well organised as they should be, and that there ought to be greater outlay in putting them on a good footing?—There has been in the past, I think, a good deal of argument raised about that, and I should say that a great deal has been done of late to improve the jail administration.

4702. Then, again, with regard to the police, there is a very big increase there, you see, more than 50 per cent.?—A large portion of that is due to Upper Burmah. The charge for police in Upper Burmah in 1893–4 was Rx. 648,190.

4703. And there was no such charge, of course, in 1875–76?—No, and then generally I may say that it has been necessary to re-organise the police force and to improve the position of the police.

4704. Has their pay been raised?—Yes, in almost every province.

4705. What led to that? were they discontented with their existing pay?—It was not so much that they were discontented, as that we did not get sufficiently reliable men for the pay.

4706. It was not so much the necessity of raising wages as of getting a better class of men?—Yes, more trustworthy men.

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4707. (*Sir Andrew Scoble.*) Is it not the fact that the rate of wages generally has risen, and, therefore, you have been obliged to raise the rate of wages of the police?—I believe it is in part due to that.

4708–9. (*Chairman.*) On that point I put rather a similar question to you with regard to the clerical and menial establishments; and, I think, without expressing an opinion about whether the rates had generally risen, your evidence was, that the Government had not thought it necessary to raise the pay for 20 years, in any sensible degree, of clerks and other attendants of the courts?—No. I do not think that the pay of clerical establishments has generally risen; but I think that the pay of menials has risen in India. I may add that even now the pay of constables is extraordinarily low; in some parts of India it is almost less than an ordinary day labourer can earn.

4710. (*Sir Andrew Scoble.*) That is because of the expectation of pension, is it not?—Pension, of course, is a consideration.

(*Mr. Caine.*) Surely, Mr. Jacob is right in his original statment, that the pay of the police has been very greatly raised of recent years with the object of getting more efficient men into the force. I think that is very largely the reason of the increase. But I think there has been an increase in the wages of menials; certainly there has been an increase in the wages of domestic servants in India.

(*Chairman.*) You think there has?

(*Mr. Caine.*) Oh, yes.

4711. (*Chairman.*) My doubt is based on this: I was reading the other day a paper on the fall of the rupee and on its effect in India; and at considerable length the writer gave what, he said, were the rates of wages throughout India, taken from a Government publication. It gave the rate of day labourers, of grooms, of blacksmiths, and so forth, with the result, that they had not risen since 1870. It struck me very much, because I thought, with Sir Andrew Scoble, that wages had slightly risen; but, of course, if the writer of this article has correctly quoted the statistics which the Government put forth, we are not likely to get better statistics than they collect.

4712. (*Mr. Naoroji.*) It may be that there is an increase of wages in towns where there is congestion?

(*Chairman.*) It purported to go outside towns.

(*Mr. Naoroji.*) But if we took wages all round in India, it would not be proved that they have risen.

4713. (*Sir Donald Stewart.*) There is an enormous difference?—The pay of constables in Bengal in 1895–96 is only six rupees a month.

4714. (*Mr. Buchanan.*) How would that compare with 1875–76?—They do not give the pay by grades in the accounts of that year.

4715. What do the village police get?—They get about four rupees in Bengal. The rate of pay is not given in the old estimates; they merely give the total number of constables and the total pay without separation of the grades.

4716. (*Chairman.*) When you have deducted Upper Burma, it brings down the charge to 3,271,000 Rx. against 2,473,000 Rx. in 1875–6. That still represents a very large increase and that you think is caused by this increase of pay?—There are other causes. Some charges have been brought on the accounts which did not come on the accounts in 1875–76. For instance, police clothing charges; they used to be taken net on to the accounts before; the police subscribed a certain amount for their clothing and only the net charge to Government was brought to account. Now the clothing receipts are credited and the whole charge is debited.

4717. That would not account for a very great deal, of the increase, because I see the receipts have only risen from 234,000 Rx. to 417,000 Rx.?—Yes; but still to that extent it would.

4718. Yes?—Then police includes other charges besides what are called police generally in Europe. For instance, the cattle pounds, they are entirely a police charge.

4719. (*Sir Andrew Scoble.*) And the charge for police would include railway police, to the cost of which the railway companies contribute?—Yes, they pay a share of that.

4720. (*Chairman.*) That would come within the receipts?—No; the railway companies' contribution is taken by deduction from the charge; but the railway police are additional police as a rule. They would account for some part of the increase too.

4721. You do not know at all what the extra pay that has been given would amount to?—No; I could not say without taking it out from the actual orders; I do not think the accounts would show.

4722. I do not know that there is anything else that occurs to me to ask you upon those points; my attention has only been directed to the figures between 1875–76 and the present time: but you may have something to say that would elucidate the point of increase?—I could get out the exact figures of the force in 1875–76 and in 1893–94 if that were wished.

4723. Is it a work of difficulty?—No, I do not think so. Of course they would only show the total strength of the force without distribution into grades.

4724. Perhaps you would put that in?—Yes, I could put that in.*

4725. (*Mr. Buchanan.*) You have also got thirty more millions of people to look after?—Yes.

4726. (*Chairman.*) Is there anything else you would like to remark upon this?—No, I have no further remark to make, I think.

4727. (*Sir William Wedderburn.*) As regards getting a more trustworthy class of men for the police it would also tend in that direction if every grade had better chances of rising into the higher grades?—Yes, it would.

4728. But the higher grades are mostly recruited from Europeans, are they not?—Only the grade of district superintendent.

4729. Probationers; I think there is a class of young men brought out from England?—Yes; some of the assistant superintendentships are reserved for Europeans.

4730. It would no doubt be a great encouragement to good men of the good class to join the lower grades of the police if they had a reasonable chance of promotion into those higher grades?—I do not think it would affect the men in the constable grade; I do not suppose that they could generally have any hope of rising to the post of district superintendent of police, even if that were open, to, say, the inspectors and chief constables.

4731. (*Mr. Naoriji.*) I think the question was put to you to give the figures of the amounts paid to Europeans and natives in the different departments. Now, as you go on with the evidence on these different departments, will you be pleased also to give us these figures at the time, as to what amount is given to Europeans, and what amount is paid to natives?—I cannot give the amounts absolutely as they are not shown in the accounts; I could only take an arbitrary proportion for certain of the heads.

4732. We are not able to compare properly then what proportion of the disbursements goes to Europeans and what to natives?—There was a statement presented to Parliament.

4733. But it does not go into the departments?—No, it does not go into the departments.

4734. It is only generally?—Yes.

4735. I thought at this special inquiry you would give us these figures; when you come next time in giving evidence on the different departments; there we would be able to judge more accurately how large is the proportion of the Europeans, how much Europeans get in proportion to what the natives get. It would be very desirable if you could manage to give as those figures?—I will see; if anything can be done, I will do it.*

4736. In regard to the higher positions or posts in the police, is it not the case that an examination is transferred to this country in order to recruit the police department, by means of which the natives are therefore put to a very great disadvantage, just as in the other services also where the examinations take place here?—The grade of district superintendent of police is open to natives, and there are native district superintendents, but there is an examination held in London for a certain proportion of the appointments.

4737. Then with regard to that portion the natives are at a disadvantage that they must come here, even

* *See* Appendices 14 and 17.

for these lower appointments?—I do not think they are at any disadvantage in that respect, because a certain proportion of the posts was reserved for Europeans, even when the appointments were made in India.

4738. But I do not know that the natives are raised to the higher position of inspectors. In Bombay I know of only one or two who are in the higher posts?—The inspectors in Bengal and in the North-West Provinces are almostly natives.

4739. I am thinking of the posts which are occupied entirely by Europeans in the Bombay cities?—In the Presidency towns of course there are more Europeans, but that is for special reasons.

4740. For special reasons natives are excluded?—In the Presidency towns a certain proportion of Europeans is required because they have to deal, to a great extent, with an European population.

4741. (*Mr. Caine.*) I should just like to ask you whether it is not the case that a good deal of the increase of expenditure on jails is due to improved sanitation, cells, and better rations for the men?—Yes, there has been some extra expenditure on that account. I am afraid that the accounts do not enable me to say exactly how much is due to that.

4742. You do not happen to have by you the jail death-rate in the two years compared; do not trouble if you have not got it, I can easily look it up for myself. If you can find it, perhaps you will put it in. I think it is quite pertinent to the inquiry to see whether the expenditure has had the desired result?—I have got it for 1877.

(*Chairman.*) In the report on the moral and material progress and condition of India the following passage occurs:—"The examination of the age statistics collected at the Census, collated with the returns of death in a few localities where the registration is notoriously more correct than amongst the villages of the interior of the country, shows that the above presumption is, so far as the data are at hand, correct. The jail mortality, which was 42 per mille amongst the convicts in 1881, is now 30, whereas, according to the Census calculation as above, the general rate is about what the jail rate was 10 years ago. The table under consideration shows indeed a higher rate in Assam, but the returns of the last few years from that province indicate a peculiarly unhealthy series of seasons, with the accompaniment of a specially fatal disease of a local character, and sundry outbreaks of cholera."

Mr. S. Jacob, C.S.I.
5 March 1896.
Law and Justice.

4743. (*Sir Andrew Scoble.*) In speaking about the increased charge for jails, have you taken into account the expenditure that has been made upon building an improved class of jails during the period to which you have been referring, or is it only the annual expense?—No, this is only the annual expense.

4744. Can you say at all what amount of money has been spent in the interval between 1875–76 and 1893–94 in the establishment of central jails and building new jails of a superior character?—I could get out the figures.

4745. I believe the classification of prisoners is now carried out more thoroughly and the more recent European system introduced?—I could get out the figures from the accounts; I have not taken it out.

4746. But the expenditure has been very considerable, has it not?—I believe it has, yes.

4747. In regard to the employment of natives in the police, you were asked by Mr. Naoroji about the Bombay establishment. I believe you were for some time stationed in Bombay?—Only in the city of Bombay.

4748. Do you happen to know whether or not the most important of the police departments in Bombay has been for many years entrusted to natives?—I believe that is the case.

4749. There are several Parsees; I am not sure whether there are any Mohammedan or Hindoo superintendents there?—I really cannot say that from my own knowledge.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

At the India Office.

TENTH DAY.

Wednesday, March 11th, 1896.

PRESENT:

THE LORD WELBY, G.C.B., (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Major-General Sir EDWIN H. H. COLLEN, K.C.I.E., Military Secretary to the Government of India, and Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor-General to the Government of India, re-called and further examined.

Major-Gen. Sir E. H. H. Collen, K.C.I.E., and Mr S. Jacob, C.S.I.
11 March 1896.
Military.

4750. (*Chairman.*) Sir Edwin Collen, you have been so good as to give me some notes on the subject of the increase under the different grants, the substance of which I shall ask you to put into evidence presently; but in the first instance, I want to ask some general questions on the subject of Sir Henry Waterfield's return of 10th August 1895, comparing it with some other returns, and also I want to get together some averages of figures on which we may agree. I think perhaps it would be more convenient if I were to address those questions, which turn on Sir Henry Waterfield's paper, to Mr. Jacob. On some of those questions, I think, you would desire to express an opinion, and upon those you will perhaps give a reply.

Mr. Jacob, we have before us a paper put in by Sir Henry Waterfield, accounting for increase of expenditure. The title of this paper purports to deal with the years 1884–85 to 1894–5, but Sir Henry afterwards amplified the tables, and carried them back to 1875–6. You have that paper before you?

Major-Gen. Sir E. H. H. Collen, K.C.I.E., and Mr. S. Jacob, C.S.I.

11 March 1896.

Military.

(*Mr. Jacob.*) Yes.

4751-2. As I understand it, the principle on which that paper is drawn is this, that the expenditure is shown net; that is to say, the extra receipts which the Military Department has collected in the course of the year, are deducted from the gross expenditure, so that the result is the net charge to the taxpayer?—Yes, that is so.

4753. There are two papers on military expenditure which are generally in the hands of people who are studying this question, namely, the Statistical Abstract for British India, and Sir Donald Macfarlane's Return, which gives the military expenditure of the Government of India for each year from 1875 to 1892-93. As a matter of convenience, and for the better understanding of Sir Henry Waterfield's paper, I would ask how Sir Henry Waterfield's paper differs from those two papers? I think that the totals of military expenditure as given in the Statistical Abstract are gross, and also the figures in Sir Donald Macfarlane's return, are they not?—Yes, I believe that is the case.

4754. And, therefore, in order to arrive at Sir Henry Waterfield's figures, we should have to deduct the receipts from the figures as given in the Statistical Abstract and in Sir Donald Macfarlane's Return, which are practically, with one or two slight modifications, the same?—Yes.

4755-6. But then, Sir Henry Waterfield goes rather further, and when he deals with the military expenditure, he includes in his total, as I think quite correctly, extraordinary expenditure—special operations?—Yes. I have not examined in detail Sir Donald Macfarlane's return.

4757. I am coming to that directly; but I am now calling your attention to the fact that Sir Henry Waterfield includes in his paper and in his totals the item of special operations?—I think that is always included in the Army; in the Parliamentary return it is included, and in Sir Henry Waterfield's tables as it is also in our accounts.

4758. In the Statistical Abstract it appears not to be included at page 190?—It does not appear to be included.

4759-61. I think I can make that clear to you. If you will look at Sir Donald Macfarlane's return of military expenditure, you will see that the totals in the first part of that return agree with those in the Statistical Abstract, except that Sir Donald Macfarlane's return gives, I think, a small item called "Unadjusted Expenditure." And if you deduct that from the totals as given in the Statistical Abstract, you will find that they agree?—The unadjusted expenditure is given in the Statistical Abstract, too.

4762. At all events they practically agree. If you will look at Sir Donald Macfarlane's return, you will see that the special operations come below?—Yes, they do.

4763-4 And as the totals in the first part of the account agree, it is pretty clear that the Statistical Abstract does not include those special operations?—But in Sir Donald Macfarlane's return the "exceptional payments" which are given below, are stated to be "exceptional payments included in the above."

4765. Perhaps you will say where they do differ, so that we may know, if we refer to these different returns, how to reconcile them?—My figures here, the gross Army figures, which work out to Sir Henry Waterfield's net figures agree exactly with the gross figures in the Statistical Abstract.

4767. And do they include the special operations?—Yes.

4768-9. Then, in reality, Sir Henry Waterfield's figures ought only to differ from the Statistical Abstract and from Sir Donald Macfarlane's return, by the deduction of the extra receipts?—Yes, I should suppose so. If the Commission would like it, I can easily compare them, and give in a statement showing where there is any difference, if there should be any.

4770. Thank you. Therefore, practically, in dealing with Sir Henry Waterfield's figures, we know that we are dealing, subject to that correction, with the same figures as are in these other returns?—Yes; but it will be understood that Sir Henry Waterfield's totals exclude exchange entirely.

4771. That is a point I was going to ask you about afterwards. By exchange, you mean that allowance which is given in India as compensation for the cost of remitting home, is it not?—Sir Henry Waterfield's tables include under "exchange" the exchange on the sterling payments in England, the extra exchange payments to the British soldier, and the exchange compensation allowance.

4772. But I think Sir Henry Waterfield includes exchange when he comes to the payments in England, does he not?—He has a separate table showing the payments due to exchange.

4773. The only point to which your remarks would apply is the allowance on account of exchange paid in India; you would count the charge on exchange for payments in England with the English payments, would you not?—No; it is always shown in a separate column in the accounts.

4774. But you would bring it in at the same time as the English payments? Yes.

4775. Because it is on the payments made in England?—Yes.

4776. Whereas any compensation allowance paid actually in India to the forces there, I suppose you would reckon as Indian expenditure?—Yes, it is included in our accounts of Indian expenditure.

4777. Quite so. Sir Henry Waterfield omits the latter, and therefore, when we come to it, we should have to take that fact into consideration?—Yes.

4778. I wish, in the first place, to ascertain the charge of the Indian Army to the taxpayer, therefore, following the line in the table attached to Sir Henry Waterfield's paper which runs from 1875-76 to 1895-96. I take the net Indian Revenue, that is the revenue derived from taxes, and the net army expenditure, that is, the expenditure deducting receipts which the Military Department realises and which are not in the nature of taxes. Do you agree that that method of calculation shows the charge of the Army to the taxpayer?—As regards Sir Henry Waterfield's Table IV., it must be noted that those figures relate only to Indian expenditure and that they do not include either the sterling expenditure on the Army in England or the exchange on that sterling expenditure and further they do not include the other charges due to exchange which are paid in India, namely, the exchange on British soldiers' pay and the charge for exchange compensation allowance; all these charges would, however, have to be included to show the net charge of the army to the taxpayer of India.

4779. I ought to explain my intention first; I am endeavouring to separate for the moment the expenditure in India from the expenditure in England and to analyse each branch as we go, with a view to bringing the two together at the end?—Yes.

4780. By that means we should be able to test whether expenditure in India—actually in India—has increased and what the causes of the increase are, without mixing it up with a different set of questions, which arise when we deal with the expenditure in England?—Yes. Then the only charges excluded are those exchange charges, as far as the charges in India are concerned.

4781. I take Sir Henry Waterfield's figures as they stand and I begin with the year 1881-82, the year after the termination of the Afghan War, because the cost of a great war of course disturbs and vitiates a comparison intended only to apply to the normal charge of this great branch of the public expenditure, I find that the total net revenue of India from 1881-82 to 1895-96 (including therefore the Budget estimate for 1895-96) amounted for 15 years to Rx. 711,055,528, or an average of Rx. 47,403,702, and that the net military expenditure in India amounted to Rx. 218,113,631, or an average of Rx. 14,540,909, showing that the net military expenditure in India amounted on the average of the 15 years to a charge of almost 30·6 on the net revenue. You have seen these figures I think; do you agree with them?—The figures in the question are practically correct, but the per-centage is nearer 30·7 than 30·6. They show the per-centage for the whole net charge of the army on the taxpayer in India as far as the charges in India are concerned and excluding exchange, but they include estimates for the last two years, not actuals.

4782. Yes, but at the same time the revised estimates are so close on the result, are they not, that you may take them as probably fairly representing the result?

—No, I should not say so; there is very often a considerable difference between the revised estimates and the actuals.

4783. Even when you have got 10 months actuals?—Yes.

4784. Does expenditure generally fall below the estimate or does it exceed it?—It generally falls considerably below.

4785. Therefore if we include the estimates of these two years we are stating the case rather against the Army than for it?—Yes.

4786. If, to test the question further, I take particular years—for instance, 1881–82, 1884–85, before the increase of the Army, that is to say, and 1893–94, the last year of the completed accounts, and the Budget estimate of 1895–96, I get the following results. In 1881–82, the revenue was Rx. 45,426,606; the Army charge Rx. 14,374,006; giving the per-centage of 31·6. In 1884–5, which I think was the lowest year of Army expenditure that there has been for a very long time, the revenue was Rx. 41,521,367; the Army charge Rx. 12,011,202 showing a per-centage of 29 on the revenue. In 1893–94 the revenue was Rx. 50,328,023; the Army charge Rx. 15,338,951, giving a per-centage of 30·5. In 1895–96, which is only Budget estimate, the revenue was Rx. 53,948,500; the Army charge 15,656,700; showing a per-centage on revenue of 29. Have you been able to confirm these figures?—Yes, those figures are correct; they exclude all charges for exchange.

4787. We understand throughout that that is the case, and that exchange will have to be added afterwards?—Yes.

4788. The four years 1881–82 to 1884–85 were apparently quiet years. There were no special military works and only small expeditions I think, and Burmah had not then been acquired; am I right in thinking that during those four years there were special expeditions worthy of note?—In 1881–82 there was a charge of 1,277,156 Rx. for the balance of the expenditure in connexion with the Afghan operations.

4789. Must we then still make deductions for paying off the balance of the Afghan expenditure in years subsequent to 1880–81?—Yes, and in 1882-83 there was an expenditure on special operations of 1,109,308 Rx., which was chiefly for Egypt.

4790. But that was repaid, was it not? A portion of it was repaid?—(*Sir Edwin Collen.*) 500,000*l.* of it I think.

4791. The payment you received back again on account of the Egyptian expedition was more than 500,000*l.*, was it not?—Well, I do not know that my memory is correct, but I thought it was that amount.

4792. Were there any more in those four years?—(*Mr. Jacob.*) There were some petty operations, I think Sir Edwin Collen could probably indicate what they were. They cost 44,166 Rx. in 1883-84, and 159,000 Rx. in 1884–85.

4793. When you say that the Egyptian expenditure in 1882–83 was 1,109,000 Rx., if 500,000*l.* was received back from England, would that amount not be deducted by Sir Henry Waterfield from the gross charge?—No, he has not deducted the repayments by England.

4794. Therefore, to state it completely, the net charge to the taxpayer in India would only be that sum of 1,109,000 Rx., minus 500,000*l.*, would it not?—Yes, that would be so.

4795–6. Subject to amendment in consequence of what you have just said, the average revenue of those four years was 43,239,000 Rx., the average military expenditure 12,922,000 Rx., giving a per-centage of 29·9, a figure slightly lower than the per-centage of the Budget of 1895–96. If we deduct these further sums which refer to the Afghan War, and all sums received back from England on account of Egypt, the per-centage would be lower because, the average expenditure against the taxpayer would be less?—Yes. I may state also that there were several changes in the revenue in the course of those years.

4797–800. I am coming to that; of course, that is a most important point?—Yes.

4801. The general figures which I have taken from Sir Henry Waterfield's tables include expenditure on the increase of the army, special defence works, and the cost of Upper Burmah. They are, therefore, comprehensive?—Yes.

4802. If, therefore, the Government had said in 1881–82 to the Military Department we wil give you for all military charges 30 per cent. of the Indian Revenue, or rather less than the figure of 1881–82, that per-centage would have sufficed to meet all the heavy extra charges since incurred?—Yes, that is so.

4803. Can you put in a table such as is given in the English Statistical Abstract of the amounts of taxation imposed and reduced in each year from 1881–82 to 1895–96?—I could not put in such a table to-day, though I could have one prepared in a few days, if the Commission would like to have such a table before it. I can, however, give approximately the amounts by which the taxation has been increased or reduced between 1881–82 and 1895–96, though in dealing with 1895–96 it must always be remembered that we are dealing only with an estimate, which may or may not be realised. I may say also that the amounts cannot be taken out from the accounts, and they are only the best estimate which I can make at short notice of the changes due to alteration in taxation. The main changes between 1881–82 and 1895–96 have been the following. Salt; the following changes have been made. In Bengal the duty has been reduced from Rs. 2.14 to Rs. 2.8 a maund. In Burmah the duty has been raised from annas 3 to Re. 1, and these two changes together give a net decrease of Rx. 200,000.

4804. As between 1881–82 and now?—As between 1881–82 and now. Of course there have been other changes in the interval, but I am only taking those two fixed points.

4805. Would it apply to 1893–94, as well as to 1895–96?—Yes, it would apply to 1893–94.

4806–7. Is your estimate based on the actual facts or only the Budget estimate? When you say Rx. 200,000, does it allow for increase of consumption?—The way I framed the estimate is this. The duty in Bengal was reduced from Rs. 2·14 to Rs. 2 in 1882, and that reduction caused a diminution of the revenue from Rx. 2,572,000 in 1881–82 to Rx. 1,900,000 in 1882–83, and Rx. 1,905,000 in 1883–84. That reduction we may say caused an actual reduction of revenue of Rx. 670,000. In 1888 the duty was again raised to Rs. 2·8 a maund, and this raised the revenue as follows:—In 1884–85 Rx. 2,086,000; in 1885–86, Rx. 1,988,000; in 1886–87, Rx. 2,086,000; in 1887–88, Rx. 1,982–000; making a total for four years of Rx. 8,142,000; so that it was rather fluctuating then, but the average was Rx. 2,035,000. The increase in the rate of duty raised it in 1888–89 to Rx. 2,404,000 and in 1889–90 to Rx. 2,387,000, which gives an average for those two years of Rx. 2,395,000, so that we may say that that caused an increase of Rx. 360,000. And the difference between this figure and the reduction of Rx. 670,000 previously mentioned gives a net reduction of Rx. 310,000.

4808. Could you give us what the actual figures were in 1893–94 for salt?—Yes, I was giving you only the figures for Bengal, because that was the only place, apart from Burma, in which there had been a change, but the total salt revenue in 1893–94 was Rx. 8,229,000 in India.

4809–10. In Bengal?—Rx. 2,374,000 in 1893-94.

4811. And what was it in India in the beginning, in 1881–82?—Rx. 7,375,620 for the whole of India.

4812. And for the whole of India for 1893–94?—Rx. 8,229,000.

4813. Then you would attribute a large part of that increase to increase of consumption?—Yes.

4814. Not to the effect of taxation?—A very large part of it is due to increase of consumption.

4815. You put the decrease at Rx. 200,000?—Yes.

4816. Therefore you attribute something like Rx. 1,200,000 to increase of consumption?—Yes.

4817. But at all events we take your figure that you estimate the decrease of taxation over those 14 years at Rx. 200,000?—Yes, I have taken the decrease of Rx. 310,000, that I have just explained on account of the reduction in Bengal, and I have taken about Rx. 100,000 on account of the increase in the rate of duty in Burmah from 3 annas to Re. 1.

4818. I forget whether you mentioned just now what the rate in Bengal was before the reduction?—Rs. 2·14.

4819. And afterwards?—It was first reduced to Rs. 2 and then raised to Rs. 2·8, so that between 1881-82 and 1895–96, it is a reduction from 2·14 to 2·8.

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4820. That is net?—Yes.

4821. Then will you pass on to the Income tax?—The Income tax was substituted for a Licence tax and increased the revenue by about Rx. 850,000. The last year of the licence tax was 1885–86, when the revenue was Rx. 503,034; the first year of the income tax was 1886–87, when the revenue was Rx. 1,354,735, which gives Rx. 851,000 as the increase.

4822. That is for the whole of India?—Yes.

4823. And the method you take for estimating the effect of increase or diminution of taxation, is to test it by the result of that one year; in subsequent years you consider that variations are due to the operation of natural causes?—I have tested it by the result of one or two years; if there has been a very great rise in the second year, I have assumed that part of that is due to the increased taxation. But I find there was no such rise here. The income tax was extended to Burmah in 1888–89, and that brought in about Rx. 50,000 more, so that the whole increase due to the income tax may be taken at about Rx. 900,000, apart, of course, from further increases since. Then Customs duties. The various changes made may be taken as increasing the revenue net by Rx. 2,160,000, including the excise duty on cotton which has been taken under this head.

4824. Are those all the increases of which you are aware?—There have been other slight variations, but these are the main changes, and they give a net increased revenue of Rx. 2,860,000. I should take Rx. 3,000,000 as the outside increase. Of this, in 1893–94, the increase would be only Rx. 794,000, or say in round numbers, Rx. 800,000. This does not include increase in land revenue due to resettlements, nor any increase for the changes in excise duty, as to which the Commission has been already supplied with such information as could be obtained from India.

4825. That is to say, summing up your evidence, if if you take 1893–94 you would estimate from the best means at your disposal the effect of changes of taxation at Rx. 800,000, and for 1895–96 at Rx. 3,000,000?—Yes. Then I suppose that Upper Burma net revenue should also be excluded.

4826. Do you know what that is?—Yes. The net revenue from Upper Burma in 1893–94 was Rx. 803,000, and in 1895–96 Rx. 838,000.

4827–8. As I have said, these figures include a very large amount of new expenditure now incurred which was not incurred in the year 1881–82 or in the four years to 1885, of which I have given an average; and I wish to ascertain the progress of military expenditure, apart from those items of new expenditure. By that means we should be able to judge whether the charges which existed in those early years of our period of comparison have a tendency to increase. Can you tell us, therefore, the charge in each year since 1881–82 of expeditions which are represented, I take it, by Sir Henry Waterfield's column, page 10, headed "Special Operations"?—This table gives the actual figures from which Sir Henry Waterfield's table is worked out; in the column of "special operations" the actual charges in each year are given.*

4829. The new effective charges are as follows in the year 1893–94—the last ascertained—viz., special operations, Rx. 219,000; Upper Burma, Rx. 458,000; and additions to the army, Rx. 1,617,000, making a total of Rx. 2,294,000, I think, to which I suppose you would add the "special defence works" charge, which, I see, Sir Henry Waterfield puts outside, of Rx. 161,000, making Rx. 2,455,000?—Yes.

4830. On the other hand, did those works of special defence have any effect in reducing the charge for military works?—None whatever, I believe. (*Sir Edwin Collen.*) No, I think not.

4831. You have given us the revenue of Upper Burma at Rx. 838,000, I think—over 800,000—and the army charge for Upper Burma for this particular year, 1893–94, is Rx. 458,000?—(*Mr. Jacob.*) Yes.

4832. Of course, that would exclude civil expenditure?—Yes.

4833. Would the result of that be that the revenue of Upper Burma covers the expenditure, or is there a deficit?—I do not think the revenue of Upper Burma covers all the expenditure, including the whole of the military charges; but the revenue of the whole of Burma taken together would cover the whole of the expenditure in the province. I may say that it is rather difficult to separate, in some cases, the revenue of Upper Burma from that of Lower Burma. For instance, all Customs revenue is credited to Lower Burma, because it is collected there.

4834. In that figure of Rx. 838,000 that you have given us, is any allowance made for the customs duty levied in Lower Burma which really belongs to Upper Burma?—No. The actual increase in the customs revenue owing to the annexation of Upper Burma is very slight, because we used to levy duty upon articles going to Upper Burma before; but still if you attempt to make any distribution of the revenue between the two provinces, it would be necessary, I suppose, to credit a certain portion to Upper Burma.

4835. Quite so. But in reality you are not levying very much more than you were before?—No.

4836. As I said, the total of these modifications in the years 1893–4 and 1895–6 amounts to Rx. 2,455,000 which, deducted from the net military expenditure of that year of Rx. 15,338,000, leaves a balance of Rx. 12,883,000, representing what I may call the old charges, the charges that were in existence before those additions were made to the expenditure?—It represents the same kind of charges; of course there have been various improvements in matters of detail affecting the health and the comfort of the soldiers.

4837–8. Oh, of course; that we shall come to when we ask Sir Edwin Collen to go through the votes with us?—Yes.

(*Sir Edwin Collen.*) These are, of course, if I may say so, similar charges, but then under the various heads there are a great many additions in consequence of the improved position of the soldier, improvement of equipment and so on.

(*Mr. Jacob.*) There is one more general modification that ought to be made, I think, under military works; an addition was made to the military works grant of about 15 lacs a year on account of the annexation of Upper Burma—that is Rx. 150,000.

4839. Then that ought to be deducted also?—That ought also to be deducted, yes. That, upon the principle adopted, brings the net military expenditure for 1893–94 down to Rx. 12,733,000.

4840. And that balance of Rx. 12,733,000 would fairly compare with the charge in any year you like to take previous to 1885–86, say 1876–77?—Yes, subject to those general remarks as to increased charges.

4841. And of course subject also to the fact that there were special operations in some of those years. But if we take, for instance, 1875–76, in which the charge for special operations is small, we have got Rx. 12,108,000 as the military expenditure?—Yes.

4842. Therefore, the old existing charge would be represented in that year by Rx. 12,108,000, and in 1893–4, being the last year of completed accounts, by Rx. 12,733,000?—Yes.

4843. And therefore for the whole period the increase to be accounted for would not exceed about Rx. 600,000?—Yes, that is so.

4844. That is the point to which I wanted particularly to direct your attention—first of all, if possible, to put the army expenditure in the last year of completed accounts on the same basis as it was at the commencement of the period which Sir Henry Waterfield has given us, so that we may be able to see the extent of the increase and how it has arisen, leaving on one side those items of expenditure which have been added as matters of policy?—Yes.

4845. I see a great distinction between those two classes of expenditure for this reason: additions which are made as a consequence of a change or a development of policy are really outside the powers of the administrator to check; he is obliged to obey, but his powers of being economical are confined to the services which are constant; and, if we find that there has been a large increase upon those services, it is possible there might be extravagance; if, on the contrary, we find the increase on the old services very small, I think in justice to the administrator you ought to say that the army has been economically administered?—Yes; apart from the special charges and from exchange, the increase in India has been a little over Rx. 600,000 in 20 years.

* *See* Q. 12,181.

4846. Can you tell what the military force was in 1875–76 and what it is now, making an allowance for the increase of the army in 1886–87; the increase in the army was 10,000 Europeans and 20,000 Natives, was it not?—(*Sir Edwin Collen.*) Yes, in round numbers. The strength of the army now is 70,562 British troops, warrant officers, non-commissioned officers, rank and file, and 141,257 natives, non-commissioned officers and rank and file, according to the estimates of 1895–96.*

4847. And do you know at all what it was in 1875–76?—I am afraid I could not answer accurately off-hand, because of course the difference is not merely the addition to the strength of the army in 1885–86, but there have been fluctuations. In round numbers it was 60,000 British troops and about 120,000 Natives—that is to say, those were the numbers borne on the estimates.

4848. I see that British troops in 1875–76 were 61,562, and in 1892–93, 72,648?—Yes.

4849. I gather from the papers which you gave me, there was a reduction made about 1881–82?—There was a slight reduction made about 1881–82 after the report of the Army Commission of 1879; but this was in cadres, the establishment in sabres and bayonets remained practically unchanged; it is a question whether the officers are included in the figures just given; I did not include the officers.

4850. My figures include officers and men?—Apparently.

4851. I think you spoke of these troops as borne on the estimates?—There are certain troops like the Hyderabad contingent which are not borne on the military stimates.

4852–3. Are they paid from Indian revenue?—They are paid from the revenues of the Berars, not from the military estimates. I merely wished to show that the total in the army is larger than is shown in the Indian estimates.

4854. They are not paid from Indian revenues?—No.

4855. So that they do not affect the comparison we are speaking of?—No.

(*Mr. Jacob.*) The increased charge on account of that addition of strength is given in that table as Rx. 1,617,338.

4856. Now following the figures that you have given us with regard to taxation, and applying them to the year 1893–94, Sir Henry Waterfield gives the revenue at Rx. 50,338,000, and you have told us that you estimate the effect in that year of increased taxation at Rx. 800,000?—Yes, and of the addition of the Upper Burma revenue at about Rx. 800,000; that would be an increase of about Rx. 1,600,000 in all.

4857. That would give a revenue on the same basis as in the earlier years of Sir Henry Waterfield's table of Rx. 48,700,000?—Rx. 48,738,000.

4858. Against which, if we carry the estimate back and put it on the same footing as it was in those earlier years, we get a charge of Rx. 12,733,000, do we not?—Yes.

4859. And comparing the same figures of revenue and army expenditure for 1875–76 we have a revenue of Rx. 40,005,000, and an army expenditure of Rx. 12,108,000. I think it is pretty clear to us, is it not, that the Rx. 12,108,000 is a considerably higher per-centage on Rx. 40,000,000, than Rx. 12,738,000 on Rx. 48,700,000?—Yes, it certainly is higher.

4860. Perhaps you would not mind putting in the per-centage?—Yes. The per-centage for 1875–76 was 30·3, against a per-centage of 26·1 for 1893–94.

4861. In fact, the per-centage of the old-established charges has fallen?—Yes.

4862. Sir Henry Waterfield has in his table stated the revenue and expenditure net, that is to say he deducts receipts which are not taxation. Could you give us a table for those years of the gross army expenditure and the receipts which Sir Henry Waterfield deducts from the gross expenditure, leaving the net expenditure as given in Sir Henry's tables?—Yes, this is the table.

4863. Do you happen to know how he divides those receipts among the grants? I suppose he does not attempt that; he deducts them *en bloc*, does he not?—No, they are divided against the grants in the accounts.

4864. Therefore, in these divisions which he makes, such as "special operations" and "special defence works," and so forth, the receipts attributable to those headings would be put against them?—Yes.

4865. Passing on now to the other heads of expenditure, besides what Sir Henry Waterfield calls the "other charges," you have non-effective charges and military works. Can you give us a table of the amount of those in each year?—Yes, my table gives the non-effective charges too, the second part of the table.

4866–8. It does not give the military works, does it?—No; I have given you the net amount, but I have not given you the gross amounts yet, I can add them to the table.

4869. Are there any heavy receipts on account of military works?—No, they are not very heavy. For 1893–94 the receipts from military works amounted to Rx. 46,000. They do not vary very much from that except in one or two years when there were exceptional receipts.

4870. I think, Mr. Jacob, that completes, for the moment, the general questions which I wished to ask on the result of Sir Henry Waterfield's tables, always reserving the question of the modifications to be made on account of exchange allowances in India?—Yes.

4871. I will now ask Sir Edwin Collen if he will take the totals of the estimates on the lines of the memorandum which he has given me?—(*Sir Edwin Collen.*) Beginning at what year?

4872. I propose to follow the lines that you have laid down here. You begin with a short comparison with the army charges in India in 1875–76 and 1883–84, following that up by comparing the army charges in India in 1884–85, and 1893–94; that is to say, you divide the 20 years into two periods of 10 years each, enabling the Commission thereby to note what have been the remarkable changes in the different heads of expenditure during that time?—Yes.

4873. The Indian Army Estimates I think are divided into 20 votes?—Into 20 grants.

4874. Of which the two biggest grants are Commissariat establishments, supplies and services, and Regimental Pay and Allowances?—Yes.

4875. Those between them made up in 1875–76 between Rx. 8,000,000 and 9,000,000 out of a total of Rx. 12,000,000?—Yes, out of a total of Rx. 11,725,000.

4876. Therefore those two grants really comprehend the largest part of the expenditure?—Yes.

4877. I will now, if you please, take you through the grants and ask you for any remarks that occur to you upon them. Grant I. is Army and Garrison Staff?—Yes.

4878. In 1875–76 that amounted in round figures to Rx. 505,000?—Yes.

4879. In 1883–84 it amounted to Rx. 517,000, showing an increase of Rx. 12,600. Are there any points in that grant which you would notice. The increase is not a very large one?—It is not very large. It is chiefly due to the higher tour and contingent expenses during that period.

4880. What do you call the higher tour?—The higher tour charges, I should have said, of the Commander-in-Chief; he made longer inspections, and therefore the charge was increased. And there was also the creation of an Intelligence Department and an increased number of musketry inspectors, and other minor items.

4881–2. Well, I suppose the creation of the Intelligence Department would go a long way to account for that sum?—Yes, it would. Of course there are many items. These are only the chief ones, but the total in the year includes other additional military expenditure.

4883. Then I suppose the increased number of musketry inspectors you look upon as a necessary consequence of having to teach troops the use of new arms?—Yes, for the increased efficiency of the army. Then, of course, there were sundry items of decrease; those I could give if the Commission wanted.

4884. I do not think that it will be necessary to go into that detail; you place before us two items which go far to account for such an increase as Rx. 13,000?—Yes. Might I say that under each of those grants we have decreased charges in many cases by economies, and we have made increases on account of the improved efficiency of the army, the better equipment of the army,

* *See* Appendix 15.

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the improvement of the position of the soldier, and so forth, so that we may say that we have provided a good deal of the increase by abolition of appointments and decreases of expenditure in other ways.

4885. Grant 2. Administrative staff. In 1875–76 Rx. 182,000; in 1883–84 Rx. 185,000; increase Rx. 3,000?—This was really due chiefly to a very small increase of the Military Accounts Department in 1876.

4886. I am going to reserve to the last the two great grants, because they are those upon which, no doubt, you will have most to say; and I will now run through the others. Grant 5. Remount and Veterinary Establishments. 1875–76, Rx. 162,000; 1883–84, Rx. 129,000; decrease, Rx. 33,000?—I must explain in regard to that decrease that during the period under reference horse-breeding charges were transferred to the Civil account.

4887–8. Can you tell us what sort of a charge that would have been?—In 1888–84 it was about Rx. 20,000.

4889. Therefore that does not account for the whole of the decrease?—No. Then another transfer was the cost of the Hissar cattle farm; that was transferred to Grant 4, Commissariat; but even taking those facts into account, there was a reduction chiefly owing to the gradual abolition of the old Stud Department, and the reduction in the number of appointments.

4890. On the whole that vote shows a real decrease after allowing for those changes due to transfers?—Yes, I think so.

4891. Then we come to Clothing establishment, supplies and services. 1875–76, Rx. 115,000; in 1883–84, Rx. 123,000; increase Rx. 8,000 odd?—That was chiefly due to increased purchase of local supplies in India.

4892–3. Does that represent the whole of the clothing charge in India in those two years?—Yes.

4894–5. But is there any large item of clothing supplied from England, that would come under another head?—Yes; a large amount comes out from home for the British troops. The materials are worked up in India.

4896. But would the grant cover the whole charge for the uniforms of the native troops?—Yes, it did in those days.

4897. When you say "increased purchase of local supplies," do you mean that previously you got more from England, and that you took in the latter years to buying more on the spot?—Yes, I think that is the explanation.

4898. Then we come to Grant 7, Barrack Establishment—supplies and services. 1875–76, Rx. 216,000; 1883–84, Rx. 185,060; decrease, Rx. 31,000 odd?—Here, again, it is not an actual decrease, because the charges for establishments and barrack furniture were transferred to the Public Works Department, in the Bombay Presidency, in 1881. But apart from this, there were reductions in the period under examination in punkha-pulling establishments, tattie-watering establishments, and other barrack charges.

4899. Do you know at all what the amount of the charge of barrack furniture transferred to the Public Works Department would amount to; that was only in Bombay, I think?—That was only in Bombay, yes. I am afraid I have not got it at this moment, but I have no doubt I could obtain it from India.

4900. Would it represent the total of that decrease?—I should think it would contribute very considerably to the decrease, but I cannot give an absolutely accurate answer.

4901. Grant 8. Administration of martial law. Rx. 32,000 in 1875-76; Rx. 28,000 in 1883–84; decrease Rx. 3,600. To what is that decrease due?—It is due to the abolition of appointments; the staff of the Judge Advocate General's Department was reduced by several appointments in that time.

4902. We now come to a grant in which the increase was very large, namely, Medical establishment—supplies and services. In 1875–76 it was Rx. 466,000; in 1883–84, Rx. 519,000; increase, Rx. 93,000?—There, again, it is exceedingly difficulty to say exactly how the increase is accounted for, because there have been so many important changes in the mode of accounting for the expenditure; it is very difficult to make any comparison. There have been several transfers from this grant to other grants; there was, for example, a transfer to this grant of the pay of British Medical Officers from grants 1 and 3. On the other hand, there was a reduction of medical officers in 1881–82 from 360 to 300. Then there was a transfer of the pay of the Army Hospital Native Corps from Grants 1 and 3, and there was a transfer of the charges on account of the Subordinate Medical Department. But a *bonâ fide* increase is that in 1876 all the officers of the Army Medical Department were promoted to surgeons-major after 12 years' service; that caused an increase of Rx. 22,000; and previously, in 1873, the proportion of higher to lower ranks of the British Army Medical Department in India was re-adjusted; this gave an increase of Rx. 48,000.

4903. That is a *bonâ fide* increase?—Yes. In 1880 the dual administrative staff was abolished, there was a reduction of 14 officers; and there has been a more extended use of local supplies in the Medical Department, which accounts for some of the increase. I may say that the details are given in the reviews of military expenditure which I have.

4904–5. Which are given from year to year?—They are compiled generally for certain periods by the Accountant-General.

4906. Do you mean a decennial review?—I do not think there is any period fixed.

4907. But taking this amount of Rx. 93,000 have you any idea what the amount transferred to this grant from other grants would represent?—I could give you this, but it would take some time.

4908. It is rather important if we are examining the increases to know how much of an increase is due to transfer from elsewhere, because the balance only is a *bonâ fide* increase?—Yes. The net expenditure—this is the period 1872–73 to 1883–84—after deducting the receipts, in Grant 9 was Rx. 363,000; the expenditure of 1883–84 after deducting the transfer of Rx. 230,000 was Rx. 360,000.

4909. And what was the former grant?—The former year was Rx. 363,000; that was for 1872–73. Rx. 363,000 against the expenditure of 1883–84 which, after deducting the transfer of Rx. 230,000 was Rx. 360,000.

4910. Then you may say they are practically the same?—Yes, they are. Then the receipts in 1883–84 must be deducted; that, of course, is a question of the receipts, and we are dealing with gross figures in Sir Donald Macfarlane's return.

4911. But putting it in round figures, the transfers would have accounted almost for the increase?—I think so, because there have been considerable reductions in the number of appointments and the number of medical officers.

4912. Coming now to Grant 10, which is a very large grant—ordnance establishments, stores, and camp equipage. In 1875–76 that amounted to Rx. 570,000, and in 1883–84 to Rx. 519,000, showing a decrease over that period of Rx. 51,000. Have you any remarks to make upon that?—It happened that there was a decrease—I suppose less stores were purchased and manufactured in that year 1883–84. But, taking for instance 1882–83, the amount was Rx. 610,000 and, I think, it may be said if one looks at the succeeding years, that the tendency in the Ordnance Department is towards increase, for two main reasons. Because we buy more local supplies in India and we manufacture more, and secondly the equipments of the troops of all kinds cost more than they did in the earlier years. So that I would not say that there had been a real decrease, because it happened in that year there were fewer stores bought, but I should say it was not very much—taking an average of years—over the earlier years. Really the increased expenditure is due to increase in pay of establishments and equipments. And then we made great reductions in 1875 and subsequent years consequent on the recommendations of a special Ordnance Commission, and there have been in the last 20 or 30 years a large number of ordnance establishments abolished and reduced. Then again, in 1879 we went over the whole of the question of reserves; we found that certain reserves were redundant, they were not required, and after the Commander-in-Chief had been consulted these were reduced. So that there have been large reductions in the Ordnance Department, although there has been a progressive increase in expenditure due, as I think, to those causes which I have specified.

4913. In confirmation of what you say about that year not being a very good sample year, if you add the

expenditure of 1882–83 and 1883–84 together, and divide it by two, you get Rx. 565,000 against Rx. 570,000 in 1875–76, and that looks very much as if the expenditure in 1882–83 had been abnormally large, and the expenditure of 1883–84 abnormally small, does it not?—Yes. Taking 1875–76 or 1878–79, that year it was Rx. 913,000, then it fell again in 1879–80 to Rx. 773,000.

4914. (*Sir Ralph Knox.*) This includes both Home and Indian expenditure?—Indian expenditure only.

4915. (*Chairman.*) We are dealing solely and entirely with Indian expenditure now. All you told us before, Sir Edwin, was that of late there has been a considerable addition I think, had there not, to the local supplies in India. For instance, ammunition and so forth?—Yes, a large development.

4916. But had that come into operation before 1884?—Partly; it had been going on for many years.

4917. Then, on the whole, with regard to this vote should we take it as your view that vigorous reductions on one side over the period now under review practically neutralised increases on the other side, and that you may say that at that time the expenditure was pretty stationary?—I think I may say that the reductions have gone a long way to counterbalance the increase.

4918. Of course we are confining ourselves now only to the years up to 1883–84?—Yes.

4919. At all events there was no increase at that time on the ordinary expenditure, that need call for any particular remark?—No. I should like to emphasise the remark that there might have been a real extra expenditure in some directions, as there was a real reduction by the reduction of the large number of depôts about India.

4920. That is what I gathered from what you said before?—It followed on the policy which the Government accepted in 1875–76 consequent on the report of the Ordnance Commission of 1874–75. It followed on the acceptance of that policy to concentrate rather than disperse ordnance establishments, and that has been carried out to a very great extent.

4921–3. (*Sir Ralph Knox.*) But during these years, 1875–6 to 1883–4, was there not a very large reduction in home expenditure for ordnance stores?—I am not quite sure; very probably, I think.

4924–5. I find here in Table XVII. expenditure on military stores, ordnance and miscellaneous in England; for 1875–76 it starts with an expenditure of 470,000*l.*, which was increased the next year by 28,000*l.*, and the next by 45,000*l.*; then there was a decrease of 291,000*l.*, next, a decrease of 4,600*l.*, next, 47,000*l.*, next, 24,000*l.*, and so on?—Yes, there was a considerable decrease—that is to say, after 1877–78. Of course, it may be replied that there may have been an excessive stock obtained previously.

4926. Was there anything in 1875–76 in the nature of re-armament or anything of that kind—in small arms?—There is no doubt during that period there were large additions caused by the equipment of British troops with the Martini-Henry rifle; the native troops were also armed with Sniders and the issue of R.M.L. guns to the artillery took place. These re-armaments took place from 1874–5 to 1877–8.

4927. (*Chairman.*) The next is Grant 11. Ecclesiastical. In 1875–76 that amounted to Rx. 22,000; in 1883–84, Rx. 28,000; increase Rx. 6,000?—That is chiefly due, I think, to an increase in the scale of pay to Roman Catholic priests.

4928. Grant 12. Education. In 1875–76 it was Rx. 43,000; in 1883–84, Rx. 40,000, showing a decrease of Rx. 3,000?—As far as I can make out that was mainly due to the increased economy in the military asylums which are placed under this head; the affairs of the military asylums were investigated by a committee, and I think the general result was economy, which I think accounts for the very small decrease.

4929. Then Grant 13. Sea Transport Charges. 1875–76, Rx. 68,000; 1883–84, Rx. 62,000; decrease, Rx. 6,000. May I ask what charges does this cover? merely coast transport?—Generally Indian port-to-port transport; but also certain charges connected—in those days certainly—with the overland troop service, that were paid for in Bombay, passages of officers in private vessels, passages home.

4930. By charges connected with the overland troop service do you mean coming home or going out?—Coming home. They consisted of charges for bedding, washing, and so on I think.

4931. The general burden of transport is borne in England, is it not?—Yes, it is.

4932. Grant 14. Miscellaneous services. In 1875–76, Rx. 280,000; in 1883–84, Rx. 286,000; showing an increase of Rx. 6,000. What do those miscellaneous charges cover?—All charges which cannot appropriately be classified under the other heads. It is not a grant that really admits of much comparison, because it varies very much from year to year. For instance, the accounts of a small expedition brought to a total may be put under the Grant 14; but I can, of course, give the Commission the details of the charges. They are very numerous.

4933. Do you happen to have an account by you from which you can read us in any one year what are the services covered by the vote?—Yes. The services are the examinations of military officers in native languages, donations to Officers' Widows Fund of British troops; grant in aidof the United Service Institution, grant in aid of the Soldiers' Total Abstinence Association, grant in aid of the Rifle Association, house rent for military telegraph officers, munshi allowance to officers and men on acquisition of native languages, certain charitable allowances.

4934. Those you are mentioning now would be constant charges, would they not?—Yes, they would.

4935. What would the constant charges amount to in round figures, do you think?—It would be difficult to say as camps of exercise and instruction would be entered, and those varied a good deal till late years, when a fixed sum has been given. Then we come to the different expeditions, certain arrear charges, and military charges on account of the Gilgit agency.

4936. Then do all extra charges connected with expeditions fall on this vote?—Well, the small expeditions are generally accounted for separately, and then placed as a total under this particular grant.

4937. I see in one of the papers before us there is an account of the expenditure forward from 1884–85, and I am struck by the difference. For instance, in 1885–86 there is an expenditure of Rx. 3,302,000?—Under grant 14?

4938. (*Mr. Buchanan.*) In 1885–86?—That, no doubt, was Quetta; that was over two crores, I think.

4939. (*Chairman.*) Grant 15 is Volunteer Corps, which in 1875–76 was Rx. 15,000; in 1883–84, was Rx. 60,000; increase, Rx. 45,000?—That is really due to the development of the volunteer movement—the increase in numbers.

4940. Who are these volunteers?—They are Europeans and Eurasians. There are nearly 30,000 of them now, I think, 28,000 to 30,000.

4941. Then we come to rewards for military services, Grant 16. 1875–76, Rx. 10,000; 1883–84, nearly Rx. 9,000; decrease, Rx. 1,400. What are these?—The Indian expenditure includes good service pensions, Victoria cross annuities, annuities and gratuities for meritorious services, and, for the native army, the allowances for the Order of British India and the Order of Merit.

4942. It strikes one as remarkable that there should be so large a decrease for this service?—It happened, I think, in this way. There was an increase in the Order on the 1st January 1877, but there was a subsequent transfer to Grant 18, when the native officers were pensioned, because the allowance was included in native officers' pensions.

4943. At all events, that is a very small affair?—Very small.

4944. Grant 17. Military Pensions to Europeans. In 1875 we may call it in round figures Rx. 100,000; in 1884 Rx. 105,000; the increase being pretty nearly Rx. 6,000. What was that due to?—That was due to an increase in the number of retired officers living in India, and probably to the capitalisation of pensions, which was brought in in 1881; they were allowed to capitalise one-third of their pensions before leaving India, and that, of course, was paid in rupees.

4945. Then would that represent the pensions of European officers and soldiers who happened to remain in India?—Yes, that would represent the actual payments in India, including the commutation of certain portions of the pensions which are in sterling.

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4946. These figures, of course, are the gross figures; you have not deducted from them the receipts?—No.

4947. Then we come to Grant 18. Military Pensions to Natives. 1876-76, Rx. 512,000; 1883-84, Rx. 647,000; increase, Rx. 135,000. Are those pensions to the Native forces?—Yes, invalid and wound pensions of warrant and non-commissioned officers, and what are called family pensions of the Native army; that is to say, the pension that is given in the shape of a sort of compassionate allowance to the heir of a native soldier who dies on foreign service.

4948. Are the soldiers in the Native army entitled to pension as a rule?—Yes, under certain rules.

4949. I suppose after a certain amount of service?—Yes.

4950. Are the native soldiers in India engaged for long service?—Well, it may be really called a long service army. After 15 years a man gets his pension, if invalided, even enlisted before 30th November 1886, but the ordinary pension now is after 21 years, and can be claimed without invaliding. There is also a supsrior rate of pension for men of unblemished character after 32 years' service.

4951. Then, in fact, you encourage a service of 21 years?—Yes, but I might explain that non-commissioned officers and soldiers are entitled to discharge in time of peace, after three years' service under certain restrictions, and we allow them to pass to the reserve, as far as the limit of the reserve permits, after five years' service and not more than 12 years' service with the colours.

4952. In which case they receive a retaining fee, I suppose?—Yes, a retaining fee of three rupees.

4953. Not a pension?—No, but men in the reserve get pensioned after 25 years' colour and reserve service

4954. Would you expect to see a continuous increase in this grant, because, if the Native army has, as a condition of service, a pension attached to it, apart from increasing the force, you would expect eventually to arrive at a more or less normal figure?—Yes, provided that the figures are not disturbed by wars and expeditions, because those would naturally tend to an increase in the pension list.

4955. Quite so, and India is always at war?—This grant, of course, does tend to increase up to certain limits.

4956. This is a very large increase; there has been no great increase in the army during this period, and here you have an increase from 500,000 to 647,000, or 135,000, which is a very large per-centage on the 500,000?—Well, that was due to the retirement of men who had enlisted, during 1857, at a greater age than is allowed in normal times, to improvement in pensions in 1878, and it was due also to the Afghan war.

4957. (*Sir Ralph Knox.*) Is there any reserve pay?—Yes; I have explained it, I think.

4958-60. Is there any charge for the reserve in this year, 1883-4?—No, because the reserve was not established till 1885-86, and it has made slow progress. I may mention also that the pensions are derived from a much larger army than now exists.

4961. (*Chairman.*) You might class Grant 19—Widows' Pensions and Compassionate Allowances—with the former one, might you not; it is not a very big grant, Rx. 18,000 in 1875-76, and Rx. 20,000 in 1883-84, increase Rx. 2,000. I suppose that would be due to the Afghan War, would it not?—Well, the increase is very small.

4962. Then we come to Grant 20—Departmental Pensions—which was Rx. 23,000, and rose to Rx. 40,000, showing an increase of Rx. 17,000. What is that grant for?—The grant includes pensions and gratuities given under civil rules to uncovenanted servants in military employment, departmental officers; and in this period, no doubt, there was a good deal of re-organisation of offices and enlargement, as they had all been cut down very low in the year succeeding the Mutiny. I think that accounts for the increase of the pension charge.

4963. A large portion of these pensions would be to natives, would they not?—Yes.

4964. That takes us through all the Grants except the two largest, and I will now go back to Grant 3, Regimental Pay and Allowances. In 1875-76 that amounted to Rx. 6,500,000, and in 1883-84 it was Rx. 6,141,000?—The decrease was Rx. 358,650.

4965. Therefore we have got a decrease on regimental pay and allowances of the large amount of Rx. 358,000 upon an expenditure in 1875-76 of Rx. 6,500,000. Have you any remarks to offer upon that Grant?—There was a very large decrease in the charge consequent on the recommendations of the special Army Organisation Commission of 1879. The Commission proposed to reduce 30 native infantry regiments and 10 cavalry regiments, while the Government of India recommended the reduction of 18 infantry and 4 cavalry regiments. Both in the recommendations of the Commissions and in the proposals of the Government of India, it was not intended to reduce the whole strength of the army, but to keep the number of men at about the same figure. The Commission of 1879 was instituted with a view to seeing how expenditure could be reduced as well as to see how improvement could be effected in the organisation of the army, and I think that the large savings are chiefly due to these reductions.

4966. That is to say, the Government did adopt a number of recommendations made by that Commission with a view to economy?—Yes.

4967-8. Have you got the report of that Commission at hand here?—I have not got it at the present moment; I have an abstract of the different recommendations that were proposed.

4969-70. It has been laid before Parliament, has it not?—Yes.

4971. (*Sir Ralph Knox.*) I understand there was no reduction in the total force, in the total numbers?—No.

4972. It was a re-organisation?—A re-organisation, yes.

4973. (*Chairman.*) Still one is struck by the fact that the comparison of the tenth year should show so considerable a reduction as Rx. 358,000?—Of course, here again one is met by the fact that there were transfers, there was a transfer to Grant 9 of the pay of medical officers; I think it was in 1882-83; and then there was a very large reduction of artillery in 1881-82 from 86 batteries to 77 batteries.

4974. That meant an absolute reduction of men, did it not?—Yes, and there was a large reduction of the number of officers in India, who were left unemployed after the Mutiny.

4975. That is a reduction of non-effective charge in fact?—No, they were not non-effective; they were kept on the active list, but they were redundant officers for whom places could not be found.

4976. And they have gradually disappeared?—Yes, they have gradually disappeared from the effective list.

4977. But there was no great change during that time in your scales of pay and allowances evidently?—There were various changes affecting the Native army in the way of increase, that is to say, improvement in position.

4978. Still they could not have been heavy financially in view of this result?—I might say that in 1877-78 the cost of certain concessions to the native army was about Rx. 120,000.

4979-80. The transfers, I think we gathered, compared with the total cost of this service, were not very much; I think the figure you gave in regard to the transfer in the medical grant was a considerable one upon the amount of that grant, but it would not be very large as affecting the total of this grant, would it?—The total amount transferred from the grant, for medical officers was say Rx. 190,000. Then there were about Rx. 57,000 for hospital servants and subordinate medical establishment, who were also transferred. Then, again, only a portion of this charge I may say, appeared in Grant 9 owing to the reduction of medical officers which I mentioned.

4982. Yes, quite so. But you see that gives you Rx. 247,000 transferred, leaving out of a decrease of Rx. 358,000 about Rx. 100,000 still to the good. If the increase in 1878, which was only one instance, was Rx. 120,000, there must have been very considerable counter-balancing reductions if you were improving the condition of the soldier in the meantime?—Yes, there were. The reduction of the Native army in 1882, re-organisation of Artillery district staff, and other items of decrease accounted for a good deal of savings.

4982. (*Sir Donald Stewart.*) Was there not a large reduction due to the fact that the number of batteries of artillery was reduced?—I think I mentioned that.

4983. And you got rid of the number of officers belonging to the regiments reduced?—I mentioned that there was a reduction in 1882 of artillery from 86 batteries to 77; and then there was some reduction in officers, but I think not any very great reduction. Of course when the army was reduced, each regiment that remained got another officer; however, there was a considerable reduction too.

4984. There was a reduction of all charges due to regimental organisation?—Yes, quite so.

4985. You got rid of all the bands and messes, and a certain number of officers and other charges, medical, and so forth?—Yes, that is so.

4986. These were all reduced largely?—They were reduced largely, but at the same time one officer was added to each of the remaining regiments. I may mention that there were many measures of expenditure increasing the cost of the British Army.

4987. (*Chairman.*) When the army was increased in 1886 was the artillery increased back to its old force?—I think it was increased by 11 batteries; giving a larger number of batteries than we had before 1882 by 2, or 88 against 86.

4988. Now we pass to Grant 4. Commissariat establishments, supplies and services. That on the contrary shows a considerable increase. In 1875–76 it was Rx. 1,941,000; in 1883–84 it was Rx. 2,221,000, showing an increase of Rx. 280,000?—The increase is really due to increased consumption of locally brewed malt liquor, to provisions for Native soldiers at Quetta, to compensation for dearness of food to Bengal cavalry which was granted in 1877; to increase in the pay of the lower ranks of the Commissariat, and to the reorganisation of the transport after the Afghan war. Those are the main heads; of course there are many details.

4989. What do you mean by increasing the consumption of locally brewed malt liquor; was that formerly all imported?—It was formerly imported.

4990. Would that account for a considerable part of this increase?—Yes, I think so—a very large part.

4991. I see you say that the increase was also due to compensation for dearness of food to Bengal cavalry in 1877; was that a serious increase?—Yes; I do not know the exact amount, but it was considerable. The method of calculating the compensation for the dearness of forage was also changed in 1875 to the advantage of the soldier.

4992. I notice in a paper among those you were kind enough to give me, correspondence in India which pointed to the fact that there had been a very considerable increase in food prices which had to be taken into consideration?—Yes.

4993. That question comes probably more conveniently later?—I will venture to enter upon that when we come to the later period.

4994. Quite so. Then may I take it that we may attribute a very large amount of this considerable increase to increased cost of food?—And to the fact that the privilege was extended to the Bengal cavalry, who had not enjoyed it before; I think that the compensation charges did not rise to a very extraordinary extent. It varies very much with certain years; if you have a bad year as to prices, the cost rises. Now I notice in 1875–76, compensation under the head of "compensation to natives for dearness of "provisions" was about Rx. 19,420. In 1883–84, it was Rx. 42,000, so that it had risen; still, there was no very extraordinary rise considering the changes I have specified.

4995–7. With regard to these two most important grants (3 and 4), and I would add the Ordnance grant, which appears to me to be a very important grant, you could give us the causes of increase or decrease a little more in detail, and hand it in to us as a table for this period, 1875–6 to 1883–4. Probably we should see whether continuation is necessary when we deal with the second period of 10 years?—I can do so, certainly.*

4998. That I think finishes nearly all that is to be said about the detail of increase for the period from 1875–76 to 1883–84. I do not know whether you wish to add anything before we pass on the next decennial period?—No, I do not think so.

4999. We now come to the next decennial period from 1884–85 to 1893–94, and I think we had better follow your memorandum and take the grants throughout in the same way. Therefore I will begin with Grant 1—Army and Garrison staff. 1884–85, Rx. 485,000; 1893–94, Rx. 527,000; increase Rx. 42,000. That is an increase during this 10 years considerably larger than in the previous 10 years?—There was a reduction under the head of Commander-in-Chief due to a less charge for the tours, and there was a reduction in the Adjutant-General's Department, but that was chiefly due to the abolition of the appointment of Deputy Adjutant-General of Royal Artillery: and there was an increase by the appointment of an Inspector-General of Cavalry in 1887, and, of course, under the head of musketry there has been a considerable increase due to the necessity of providing higher musketry instruction in the army. Then, again, under the head of Quartermaster-General's Department, there was a reduction consequent on the re-organisation of the staff in 1889–90, the two separate departments of the Adjutant-General's and the Quartermaster General's being amalgamated. I may mention that there was a committee on commands and staff of which the Quartermaster-General was president, and the Deputy Adjutant-General and I were members. We recommended considerable reductions in the staff, and although in consequence of the extension of army commands to Upper Burma and on the frontier, and so on, there was not an absolute decrease of expenditure, yet we were able to meet those extensions from a sum which was not very much greater, I think, than the previous expenditure on the smaller area.

5000. Then I observe that one of the largest increases was in district commands and staff, very nearly Rx. 20,000?—That, of course, is largely due to the additional requirements of Upper Burma: but as I point out the increase has been much less than it otherwise would have been if we had not made considerable reductions.

5001. Now would that increase caused by Upper Burma appear under that head of Sir Henry Waterfield's paper which gives the charges of Upper Burma; I suppose not?—I should be rather diffident in answering that question. A part of it might so appear.

5002. Then there is another large increase in what is called "station conservancy," which rose from Rx. 5,000 to Rx. 20,000?—That is due to increased sanitary requirements. I think it has been transferred, since this period began, to the medical grant, but I may say that a great deal of expenditure in India is due to the increased attention paid to sanitary matters, and to the conviction that these matters are essential, and also to the fact that the Army Sanitary Commission at home presses the Secretary of State and the Secretary of State presses the Government of India, to make improvements in the sanitary condition of contonments especially; in years gone by the Government were content with a very modest style of buildings for native troops; but the State has had of late years to spend a great deal of money on improving the huts, or barracks, and also in improving generally the sanitary arrangements of stations, in water supply and drainage, &c. Those improvements are, I venture to think, most legitimate objects of expenditure, but a great deal of money is required.

5003. Then we may sum up this grant by saying that the largest increases have been first of all in the district commands and staff due to Upper Burma, that is Rx. 18,000; then Rx. 15,000 on sanitary requirements of station conservancy. On the other hand, you have had a very considerable decrease by the re-organisation of the Quartermaster-General's Department?—And the staff, yes. Of course, the increase provided for the establishment of an Intelligence Department in India—the re-organisation of it rather in 1892–3 because the Intelligence Department was created in 1876.

5004. It was then made more expensive?—It was made more expensive, and a branch started for Burma, and a mobilization branch at army headquarters.

5005. Then shall we find under other grants that there is an increase of expense due to the occupation of Burma, but not included in the special account for Burma?—Not to any great extent. I think it may occur in some cases, but I am not certain. I should like to be sure before I gave a decided answer whether, in compiling the extra expenditure on account of Upper Burma they take into account the extra staff; as far as I know they do.

* *See* Appendix 18.

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5006. Taking staff and commands, I see that there is a very large increase in the item "garrison and station staff"; what is the meaning of that?—We had a certain number of district stations at which there were brigade majors, that would come under brigades; and a certain number of these officers were made station-staff officers of the first class. They are local staff officers. And there were certain brigade commands abolished, and colonels on the staff were appointed. So I think it means merely that one class of expenditure was diminished and the other class was increased, but not in the same proportion.

5007. Are those like depôt appointments?—The station staff officer is a local and not a district staff officer.

5008. Then we next come to Grant 2—Administrative staff. In 1884-85 it was Rx. 186,000; in 1893-94 it was Rx. 200,000; increase Rx. 14,000. That is against an increase in the previous 10 years of Rx. 3,000?—This is accounted for by the creation of an additional circle of accounts. There used to be only three—Bengal, Madras, and Bombay, but Bengal was split up into Punjab and Bengal, so that we have four instead of three.

5009. We come here again to a separate establishment in Burma?—Yes, but of course the Burma charges are spread all over the Budget.

5010. You probably would not know how far Sir Henry Waterfield has been able to extract them from the grants, and whether therefore the items under the head of Burma have been so extracted?—Yes, I should think most probably that they have been eliminated. He has got them under his column "Burma" because of course, although the charges are spread over the grants, they are collected as an account; they are made into a separate account for statistical purposes, or to give information as to the decrease of military expenditure caused by Upper Burma which goes on year by year.

5011. Then I think we will do as we did in the first case, Sir Edwin, and reserve the two big votes of Pay and Commissariat to the end, and go on to Grant 5, Remount and Veterinary Establishments. A large increase is here, because it has risen from Rx. 158,000 to Rx. 297,000; increase, Rx. 138,000. That is against in the previous 10 years a decrease of Rx. 33,000?—Here again there was a transfer from one grant to the other. In 1887-88 the pay of veterinary surgeons in charge of station hospitals was transferred to this grant from Grant 3; that comes to Rx. 21,787.

5012. Then we come to a large increase in your stud?—After the old Stud Department was abolished, the system was gradually inaugurated which now prevails and depôts have been successively created, and the Army Remount Department started and developed.

5013. In the previous 10 years you account for the decrease by the gradual abolition of the Stud Department; may I take it that in the subsequent years the military authorities came to the conclusion that they had over-reduced and took a larger training establishment for horses?—I think it was due to the abolition of the Stud Department. The new arrangement was founded on certain principles and governed by a certain policy, whose object was the substitution of a different system, which really depends upon the horse breeding operations carried out throughout the country as an industry. We do not breed horses now as we did in the days of the old Stud Department, but we depend on the breeding which we encourage in the country, and to encourage the breeding of suitable horses, rearing depôts have been established; young stock are purchased at good prices, and the increase here is caused by the gradual evolution of the Horse-breeding department—the Army Remount department—from what was the old Stud Department, and since 1890 the charges for horse-breeding has been transferred to civil .

5014. Bringing it down simply to a matter of pounds, shillings, and pence, the abolition of the old department made a saving of Rx. 33,000, and the machinery replacing it cost something like Rx. 138,000; I am taking the main figures which show that the new arrangement is about Rx. 100,000 more costly than the old?—But I think we must take into account the increase of the army in that case and many other items; I should not like to answer that question in the affirmative offhand. There has also been, it must be remembered, an increase in the price of Ordnance mules, and in later years in the price at which Australian remounts are purchased.

5015. I said simply looking at it as a matter of pounds, shillings, and pence, it has that look on the face of it, has it not?—Yes, but a comparision is most difficult, because the period of 1875-6 was the period of reduction, the gradual abolition of the Stud Department practically beginning from 1873-74, and the second period has been that of increase. The way in which horse-breeding charges have been transferred increases the difficulty of comparison.

5016. Now I observe in this case, that you give as a reason "the feed of cattle and remounts, larger "numbers being now kept at depôts, also reserve of "ordnance mules, and siege train bullocks," and you give as a reason for increase "rise in prices, namely, "barley and gram." Has that rise been so marked that you have found it a serious item in the accounts?—Yes, I think so, but I do not know that the rise has been very extraordinary; at the same time it undoubtedly accounts for some part of the expenditure.

5017. In these 10 years the Clothing establishment, Grant VI., shows an increase of Rx. 100,000 on Rx. 139,000?—Yes.

5018. That is a very large increase, attributed to the augmentation of the army, the change in the clothing system of British troops, and increase of establishments. What is that change in the arrangements of the British troops?—Up to the 31st March 1893, the most important features in the system of clothing the British troops in force in India were, first, that all clothing supplied by the State after it had lasted the period fixed for its duration became the property of the soldier; secondly, compensation in lieu of clothing was generally admissible; and thirdly, the regimental necessaries were sold to the soldier at rates fixed annually, which represented the averages of the invoice rates of the previous year, calculated at the rate of exchange of 2*s.* the rupee plus 5 per cent. for charges. From the 1st of April 1893, this system was changed, and the more important features of the system now introduced—which, I may say, it is now proposed to change again—are, first, that the State provides all clothing actually required by the soldier, time-expired clothing, except white and khaki, remaining the property of the State; secondly, compensation is not allowed except in special cases; and, thirdly, regimental necessaries are sold to the soldier at rates fixed annually, which represent the averages of the invoice rates of the previous year, calculated at the official rate of exchange of the year during which they are in force, so that from the 1st April 1893 a system was introduced which led to larger expenditure.

5019. Do I gather from a remark that you made that the system is likely to be changed again—that that change has not answered the expectation?—I think it is to be changed because the system at home has been changed; we have to follow that.

5020. It is a very large charge that is involved; in that case you see it comes to very nearly 80 per cent. on the expenditure?—I must not be understood to say that that increase is due to the change of system alone; of course that is only a portion of it.

5021. There is the augmentation of the army, of course?—There is that, and more. For instance, local supplies are obtained; boots, for instance, for the British army in India are now obtained entirely locally instead of being imported from England.

5022. And that is since 1883-84?—The great development has occurred since 1883-84.

5023. I ask this because that is one of the reasons you gave for an increase in the previous 10 years?—Yes, it began before, but it received a much greater development in the later years. Then there has been an increase in the establishment following on the augmentation of the army—an increase of the clothing factories.

5024. I see you mention that the Clothing factory at Bombay was abolished; was that one of several factories?—One of three that we had. As a measure of economy the one at Madras was maintained to supply both Madras and Bombay, and the one at Calcutta was retained.

5025. (*Sir Ralph Knox.*) How much would the transfer of the charge for boots from home to this charge account for?—It appears from the Financial Review of

the Army Clothing Department that the sum was, in round figures, Rx. 63,000.

5026. (*Chairman.*) It is a large increase. Would you give us, if you can conveniently do so, a table showing, as far as may be, how these different causes have operated to make that increase?—Yes. I will endeavour to do so.*

5027. Next we come to Grant 7, barrack establishment supplies and services. That shows an increase of Rx. 40,000 on an expenditure in 1884–85 of Rx. 190,000?—This increase is due to the augmentation of the army, the occupation of Upper Burma, and more barrack establishments, such as those for punkha-pulling and tattie watering, and to a better system of lighting of barracks at an increased cost. Then there has been an increase, for instance, at Quetta and other places in expenditure on firewood, and conservancy establishments have been increased very considerably.

5028. Do you include sanitary establishments under the head "conservancy"?—Yes, I think in this period they were under two separate headings, but they have been brought together now.

5029. I see you speak of the fixed grant, 3½ lakhs, being allotted for punkha-pulling establishments as a step taken to reduce expenditure; how is that?—I think it probably will prove an economy.

5030. But is not the grant allowed to be exceeded under any circumstances?—No, the grant is given to the Commander-in-Chief, and under his orders it is distributed in the best possible way.

5031. Grant 8, Administration of martial law; that shows a very considerable increase. It has risen from Rx. 28,000 to Rx. 40,000., increase Rx. 12,000?—On that head I may say that reductions were made in 1888–89 with a view to economy, and salaries were reduced; and as we could not get any officers to join, we had to raise them again.

5032. The decrease in the previous 10 years, which I think you attribute to the abolition of appointments, was Rx. 3,642, followed in the next 10 years by an increase of Rx. 12,400. Does not that look as if the abolition of the appointments in the first period was hardly an economy?—No, I think that the abolition of the appointments in the previous 10 years was not connected with this increase. Certain appointments were abolished, and for some time the department stood at a particular figure. Then we thought that, as a knowledge of military law increased among officers, we might safely reduce a certain number of the Judge Advocate-General's Department. These were reduced, and the salaries were reduced, and we found we could not get recruits for the Department, and we had to augment them.

5033. Of course the increase is very large on the expenditure as it stood at the beginning of the period?—Yes.

5034. (*Sir Ralph Knox.*) Would this charge be affected by the increase in the army at all?—Yes, especially by the increase in the British Army.

5035. (*Chairman.*) We must bear in mind that the increase in the army accounts for a great deal?—Yes.

5036. Putting it roughly, if the increase in those grants was exactly parallel to the increase in the Army, it would not represent more than 10 per cent., would it?—I am afraid I can hardly answer that question.

5037. The increase of force was 10 per cent. in the European Army—in the Native Army was it a great deal more?—It was 16 per cent., roughly.

5038–9. I mean, allowing that the increase in the Army causes an increase of charge, one must keep in mind what relation the two increases bear to one another. If the increase of the Army was 10 or 15 per cent., it would not cover an increase in expenditure of 20 to 30?—No. Then, if I may venture to say so, there are a great many other causes which led to an increase of expenditure.

5040. Medical establishments in 1884–85 Rx. 550,000 show an increase in 1893–94 of Rx. 172,000. There again there is a large increase, and, as compared with the previous 10 years, the increase in this branch is very heavy indeed. In 1875–76 the total sum granted was Rx. 406,000, which had risen in 20 years to Rx. 722,000?—Yes.

5041. That increase is getting on, you see, for 100 per cent.?—The increase is greatly due to the various reorganisations. The reorganisation of subordinate and medical department in 1884–85, pay and allowances, corresponding ranks in the Army Medical Department being given to the officers of the Indian Medical Service who happened to hold no specific appointments. Then there was an increase of the Medical Staff in 1886–87 and in 1887–88, consequent on the increase of the Army, and the apothecary branch of the subordinate medical department was increased in 1888–89; revision of hospital assistant branch in 1892–93, longer training for native medical pupils at colleges. Then I think in this branch, as in every other, there is a natural tendency to increase, although a great deal has been done by obtaining more local supplies in India in the way of drugs, and also by Surgeons-General cutting down the lists of medicines and implements, and so on, required. Then on the other hand there is longer training given to our native medical pupils at the colleges; and then there is better nursing, the institution of the Indian nursing service, the formation of a native army hospital corps, and so forth.

5042. And is that a service you expect to see continue to rise?—No; I should hope myself that it would remain fairly stationary, because I think that the medical service is well provided for; the hospitals are well provided.

5043. (*Sir Ralph Knox.*) Were there any increases of pay during this period?—There was an increase, which I pointed out, in giving Indian medical officers the pay that Army medical officers would get; that is, where the Indian medical officers had not a specific appointment, when they were called unemployed, increase arose from giving them medical pay instead of unemployed pay: but I do not remember any other special increases of pay.

5044. (*Chairman.*) Were these officers in the Indian Medical Service?—Yes, it is a distinct service for India, recruited much in the way that the Army Medical Department is recruited, and divided into civil and military. A certain number are employed on civil duties, and a certain number on military duties.

5045. Is it a local branch apart from the Army Medical Department which belongs to the whole army?—It is entirely an Indian service.

5046. (*Sir Ralph Knox.*) Those performing civil duties are not borne on this estimate?—No; they are not.

5047. (*Chairman.*) Then the Ordnance Department, Grant 10, that was in 1884–85, Rx. 496,000 and it rose in 1893–94 to Rx. 830,000, showing an increase of Rx. 333,000. In the previous period of 10 years you remember, there had been a decrease of Rx. 50,000, but you explained that the decrease was probably only apparent, and that the expenditure had been stationary during that time. Therefore while the first period of ten years was stationary, the second period was marked by this very great increase?—I would rather say that the increase was not very great in the first period; I think it can hardly be said to be stationary.

5048–9. If you remember, you pointed out that in the first period while the expenditure for 1883–84 showed a decrease of Rx. 50,000 as compared with the previous year, it shows an increase upon 1875–76. I put the two last years together and arrived from that at an average very nearly the same as the expenditure in 1875–6. I thought that perhaps from that we might have taken the expenditure to be tolerably stationary; it did not show any very great increase?—Comparing the average of those two years with 1875–6 it was pretty nearly stationary, but between 1875–6 and those two years it was very much higher.

5050–1. From what you say as regards a comparison between 1875–76 and the period ending with 1883–84, the average of 1882–3 and 1883–4 did not afford the basis of a fair comparison?—Yes.

6052. Do you happen to know what the expenditure in the intervening years was?—Yes, I think I have the figures.

5053. I want to see whether the comparison of 1882–83 and 1883–84 happens to be an unfair one?—You will find the gross amount given, (I do not think the receipts vary very much) in that return of Sir Donald Macfarlane under Ordnance Establishments. 1875–76, Rx. 570,558; 1876–77, Rx. 519,230; 1877–78, Rx. 529,153; 1878–79, Rx. 646,268; 1879–80, Rx. 555,878; 1880–81, Rx. 578,558; 1881–82, Rx. 576,936.

5054. There you see it runs very fairly even starting with your 570, 558, 519, 529, 646, 555, 578, 576, 610, 519, 496?—Yes, it does.

* *See* Appendix 18.

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5055. Therefore, I think we may say that the expenditure during those ten years was fairly stationary, may we not?—Yes, I think that may be said.

5056. But now we come to this very large increase, and I think you were just going to give us the reasons of it?—I can only in brief say that the reasons were the development of manufactures, the great changes in war material that took place, the increase of the army, larger reserves of military stores being maintained, the increased cost of equipments, which is a very large item, a larger amount of camp equipage and repairs, due in a great measure to more frequent camps of exercise and additional establishments required for the Ordnance Department, and more practice ammunition.

5057. I think in your previous evidence you explained to us some very great changes that had taken place in the ordnance estimate owing to getting more stores locally and less from England?—I think that was Colonel Wace.

5058. Yes, I beg your pardon it was Colonel Wace, who explained that to us. He laid great stress upon that fact that the general tendency of Indian policy was to get more stores on the spot?—Yes, that is so.

5059. Quite apart from any question of re-armament, or more expensive material, we must look forward to that policy being established, and to there being an increase in the ordnance grant?—Yes.

5060. Of course, to a certain extent that ought to be followed by a decrease at home?—Also you must take into account, if you take the two tables, the much greater cost of the various items of military equipment.

5061. Colonel Wace gave us some rather striking instances of what the increase of cost was?—Yes.

5062. (*Mr. Buchanan.*) Is the cost of equipment likely to continue to increase? I see in the returns for the past 10 years more than any other, it has continuously and rapidly increased. Here are the figures for 1888-89 (after, I suppose, the increase due to the increase of the army had come into operation) Rx. 576,000, next year Rx. 631,000, next year Rx. 798,000, and next year Rx. 830,000?—I think the natural tendency of the expenditure under Grant 10 is to increase, even if the army remained absolutely at the same figure, because everything becomes more expensive, even although we manufacture as much as possible in India; proposals for improvement are constantly put forward and great changes are made. In my own view, we should try and rather lag behind in some respects than go forward; that is to say, we should not always immediately follow up changes which are made at home.

5063. (*Mr. Courtney.*) That natural tendency to increase, of which you speak, appears not to have manifested itself for about 12 years?—I think that the progress in improvement of war material has been more marked in this recent period; altogether things have become more expensive, and there has been a large re-armament.

5064. (*Sir Ralph Knox.*) The changes are more constant also, are they not?—They are.

5065. (*Mr. Caine.*) Does not war material become more rapidly obsolete?—Yes, a renewal depends very much on the particular arm, or weapon, or implement, I think, used. I should think it may be said that the more delicate and the more highly manufactured a thing is, the quicker it is likely to require renewal.

5066. (*Chairman.*) In the paper which you have given us, which compares 1884-85 with 1893-94 in detail, the items, I think, are rather instructive. For instance, you give information on that point of local supplies having increased; I see the local supplies in 1884-85 were Rx. 57,000, in 1893-94 Rx. 166,000. There, at once, you get one third of the increase?—Yes.

5067. Then the local supplies of stores for arsenals and depôts were Rx. 84,000 and rose to Rx. 142,000?—Yes.

5068. There again that is very nearly Rx. 60,000 you see?—Yes.

5069. Manufacturing establishments also rise by Rx. 60,000, arsenals and depôts by Rx. 40,000. The increase is very large all the way down the line?—Yes. I should like to add that in the previous years which were spoken of just now, we did make very large reductions in arsenals and depôts. That I pointed out at the time. Now we can hardly do much in this way. Of course there are reductions which could be made, small reductions, but I mean the great reductions took place in that period, and therefore we could not secure economy in this latter period because it was not possible to make any further reductions.

5070. But one naturally asks with regard to reductions in arsenals, depôts, and manufacturing establishments, is it possible that large reforms went too far in the former periods and you had to go back again?—No, I do not think so. The increase of the establishments in this period means an increase of manufactures in India compared with the previous 10 years. There were a certain number of arsenals, depôts, and magazines scattered over India, and we reduced a certain number of them altogether, concentrating the work in larger centres; but in the present 10 years there has been increased activity of manufacture, owing to various causes, and of course increased establishments had to be provided.

5071. Now I see here a curious point. In the year 1884-85 the gross charge of the Ordnance establishments was Rx. 594,000, in 1893-94 Rx. 861,000: but the stores supplied to other departments were in 1884-85 Rx. 98,000, and in the last year only Rx. 31,000, showing a very much larger amount required by the Military Department itself, because I suppose stores supplied to other departments are supplied to departments which are not military departments, are they?—Supplied to civil departments, yes; it might be to the Public Works Department, for instance.

5072. Do you ever find a difficulty in employing all your establishment, if the demands of other departments for ordnance stores fall off?—No.

5073. Of course variations in the demands upon you must have a sensible effect upon your economical administration?—Yes; we always try to get as much work as possible for the factories.

5074. Grant 12, Ecclesiastical, we need not say anything about; it is the same. Grant 13, Education; that has risen from Rx. 41,000 to Rx. 48,000; increase, Rx. 7,000?—That is really not a material increase; it is a transfer from grant 1 of the cost of the establishment of the Director of Military Education in India. As a general rule, I think we may say that charges have decreased, because we have decreased the garrison instruction staff which we had.

5075. The next grant is Sea Transport, which shows very nearly the same, or only a small increase, Rx. 56,000 to Rx. 60,000. Have you any remark to make upon that?—I think a very small increase which is due to the increase in some passage rates, and there have been more movements between Burma and India.

5076. Then Grant 14, Miscellaneous Services; you have already described to us how very miscellaneous they are. In this case they show a very considerable decrease, but I think you have warned us against trusting to the result of a comparison of two single years?—Yes, I think it is impossible to compare the grants.

5077. Certain services I see you say have been transferred from this grant to other grants?—For instance, submarine mining has been transferred to grant 3.

5078. Well, then, Grant 15, Volunteer Corps, that again shows a very great advance?—That is really what may be called an automatic increase, because up to a certain limit, the numbers increase annually and so does the expenditure.

5079. In fact that has risen from Rx. 14,000 in 1875-76 to Rx. 177,000 in 1893-94?—Yes.

5080. And is that a rising service too?—Up to a certain limit; the limit is the limit of the European and Eurasian population in India. I do not think it can go on increasing very much, but still it may increase to a certain extent.

6081. Now we come to Non-effective Services; the first is the small one of rewards for military services. There is a considerable increase there against the decrease in the former ten years. In 1875-76 the expenditure was Rx. 10,000; in 1893-94, Rx. 11,000, but that difference is so small that I need not take up your time with it. Then come military pensions to Europeans. That shows an increase at a considerably higher rate than the previous ten years. I see you attribute part of this to a fall in exchange?—Because some of those pensions are paid in sterling.

5082. And therefore they receive a higher rate. Military pensions to natives. (*Sir Ralph Knox.*) I should just like to ask with regard to this; who are the principal recipients of the pensions? It includes, I see, retired commissioned officers?—Yes, a certain number of officers who elect to reside in India.

5083. British officers?—Indian officers.

5084. (*Chairman.*) Those are European officers who retire and who have chosen to make their residence there?—Yes.

5085. It is a largish sum. I should have thought fewer men would have stayed out. Military pensions to natives; that has risen from Rx. 664,000 to Rx. 725,000, showing an increase of Rx. 61,000; the previous period showing an increase of Rx. 135,000; therefore you have got, you may say, in round figures an increase of about Rx. 200,000 in 20 years. Is not that rather a large increase?—It is due to increase in the army, and to the results of expeditions.

5086. But the increase in the army would hardly have come into effect. You would not have got many new pensioners from the men you had in the army in 1886?—Well, we might have had some who were invalided, but the reconstitution of regiments accounts for a part of the increase. Take, for instance, the Madras regiments; seven of them were reconstituted, and some of the Bengal and Bombay regiments also, and the old material was pensioned off. That adds to the pension charges.

5087. But still I think it is a point worth noticing, that you find in 1875–76 the charge was Rx. 512,000, and now it is Rx. 725,000. It is an increase of Rx. 213,000 on Rx. 512,000; it is very big?—Of course expeditions naturally must increase the pension list considerably and the changes in army organizations; the Afghan and other campaigns have contributed to the increase.

5088. It is there one sees the result of constant expeditions?—Yes.

5089. I do not think there is much to say about the widows' pensions, but departmental pensions have increased Rx. 17,000 in the 10 years to 1883-84; and they have increased another Rx. 16,000 in these 10 years; in fact the rise there is from Rx. 23,000 to Rx. 60,000 in 20 years. These are civil pensions?—They are pensions under civil rules to military employés—natives in all the offices.

5090. But is not that a very heavy rise, Rx. 23,000 to Rx. 60,000 in 20 years; it is getting on for 200 per cent.?—Yes, it is very large. I can only account for it by the larger numbers of clerks required in the offices of the army and its governments, and to the increase of enlisted departmental followers.

5091. One ought to expect a more or less constant non-effective charge upon civil departments, unless they have been largely increased?—Well, I think that they were reduced very greatly after the Mutiny, and that they have been increased very considerably in the period following that year.

5092. And so long ago that the pension charge has already came into force?—I think so.

5093. Then there are the two great grants which we reserved, namely, Regimental pay and allowances, and Commissariat. The Regimental pay and allowances of the European army in 1884–85 were Rx. 2,884,799, and that increased by Rx. 1,068,645 in the 10 years. Taking the Native and European armies together, the expenditure which was in 1875–76 Rx. 6,500,000, had fallen in 1883–84 to 6,141,000, but had risen in the next 10 years to Rx. 7,889,000?—Yes.

5094. Taking the last ten years, how would you account for the increase?—No doubt the main reasons for the increase are the augmentation of the army and the fall in exchange, the fall in exchange being from 1*s.* 8*d.* in 1884–85 to 1*s.* 2¾*d.* in 1893–94.

5095. That led to an increase in the number of the rupees paid to the European soldiers?—Yes, and there is the further amount of the exchange compensation allowance paid to officers. That also is a large charge appearing first in 1893-94, I think. The increase of the British and native armies was very considerable.

5096. And are those causes quite sufficient to account for this increase? For instance, you say with regard to the Native army that the increase is due to the augmentation of the Native army consequent on the decision of 1885, and one or two other reasons; but, as far as the Native army goes, that was an increase of 10,000 men on 140,000, was it not?—An increase of 20,000 on 120,000.

5097. Therefore upon that basis one would not expect such a large increase as Rx. 650,000 on the 10 years?—Yes, but there are many other items, such as the acceleration of promotion in the Staff Corps, and there was the increase of pay to the native cavalry; that accounted for between Rx. 80,000 and Rx. 90,000, nearer Rx. 90,000. A considerable increase is due to the various measures which have been undertaken in respect of the armaments of coast defences, more gunnery instructors and inspectors, artificers, armaments, pay, &c. I mean in respect to grant 3 generally. Then there was the establishment of reserves. That, of course, is an automatic increase up to a certain limit. The establishment of reserves of the native army increases every year up to a limit of 23,000 men.

5098. Does not that save anything in the non-effective charges?—No; I do not think so, because men pass to the reserves after a much shorter period of service than that for which they are pensioned. The reconstitution of regiments, that is, getting better material and forming regiments out of that material, all involves considerable charges. That is an expense which swells the increase under the head Native Army.

5099. I see the European cavalry has risen over Rx. 100,000?—Yes; there was an increase of a squadron for each of the nine regiments of British cavalry.

5100. Would it be possible, do you think, Mr. Jacob, taking Sir Henry Waterfield's calculation, and these papers put before us, to get the figures which constitute the cost of the increase of the army in 1885–86 made out? The total is stated at Rx. 1,617,000?—(*Mr. Jacob.*) Yes; I am not quite sure of the details.

5101. Would it be possible to get them, do you think?—I think so.

5102. I think it would be rather interesting to see how far the increase of the army accounts for this increase of military expenditure, leaving the remainder of the increase to be accounted for in other quarters?—I will endeavour to get the details, but I am not at all sure that it will be possible to distribute the amount over each grant head.*

5103. Do you know from what source Sir Henry Waterfield got his figures?—I think he must have got them from one of the Financial Statements. I have got a statement from the financial statement of 1888–89, which gives the extra cost as Rx. 603,000, on account of British troops, of Rx. 521,300 on account of native troops, but that does not include the whole charge evidently. That may have been possibly the charge only for certain heads.

5104. Rx. 1,617,000 altogether is a considerable increase upon the estimate of the pay and allowances; would there be any additional increase under other heads?—Oh, yes, there would be a number of other heads; Commissariat and other heads would be included.

5105. All throughout, in fact?—Yes.

5106-7. Is there any other point in regard to the pay and allowances to which you would like to call attention, Sir Edwin?—(*Sir Edwin Collen.*) I should like to lay emphasis on the fact of the great loss by exchange under this grant; I find, for instance, that in 1884-85 under this grant 3, the loss was Rx. 184,300, and in 1893–94 it was Rx. 831,800.

5108. That is the extra sum that has to be paid to the British soldier on service in India on account of the fall of the rupee? Yes.

5109. That is quite separate, Mr. Jacob, from the figures in Sir Henry Waterfield's table? I take it Sir Henry Waterfield has omitted from his statement the charge on account of the army in India of exchange, has he not?—(*Mr. Jacob.*) The charge for exchange is excluded from Sir Henry Waterfield's table IV.

5110. But the charge to which Sir Edwin Collen is calling attention is included here?—No, not in table IV.

5111. Does Sir Henry Waterfield reckon under the separate head of exchange the extra amount which has to be paid, on account of the fall of exchange, to the British soldier in India?—Yes, it is shown in column 5 of his table XIX.

5112. Now passing on to the Commissariat establishment, in that case there was an increase from Rx. 2,200,000 to Rx. 3,490,000, the increase being

* It was found that the calculation of the cost of the increase of the Army strength was a mere estimate; and that it was impossible to give a distribution of the increase by grants.

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1,200,000 during the last ten years. It rose from Rx. 1,941,000, in 1875–6, therefore the increase in the 20 years has been from Rx. 1,941,000 to Rx. 3,400,000 —a very large increase?—(*Sir Edwin Collen.*) A large portion of that increase is due to the increase of the Army, which affects the other grants, but there has been a large augmentation of transport. For a great many years there was practically very little transport kept up in India, and we were dependent on what we could hire as occasion arose, but after the experience of the Afghan war it was decided to maintain a considerable transport establishment, and that has been increased within recent years. Then there has been an increase under the head of provisions for Europeans. That is due to the increased strength of British troops, and an increase in the prices of food supplies. Under the head of provisions for natives the increase is due to the increase of numbers to whom free rations have been given. Take, for instance, Burma; free rations are given to the native troops in Burma, and the number of those troops in Burma has been largely increased. There too the increase in prices must account for a certain amount of increase of expenditure. The compensation to native troops for dearness of provisions has also increased very largely. That is a matter which we have investigated in the Military Department with the help of the Finance Department and the Revenue and Agriculture Department, but I cannot say that we have yet arrived at any definite conclusion as to how much increase is due to a rise in price, as compared with any increase due to an increase in strength. We know what the increase of strength has been; it has been about 16 per cent. of the native troops; but the increase in charges has been very large indeed, and it is a matter upon which it is rather difficult to arrive at any definite conclusion, because of the difficulties in finding out exactly the prices in a series of years when the stations have changed a good deal. Some of the increase is due to the increased cost of certain frontier stations. On the other hand, at many of those stations we give a money allowance in lieu of rations, so that really what we have to determine, which has not been determined at present, is, whether there has been a general rise in prices to account for the increase, which is not accounted for by the increase of strength and by the changes of conditions. And very much the same can be said for the compensation for dearness of forage for native cavalry.

5113-4. In your comparison of grant 4 in 1884–5 and 1893–4 at page 5, we find provisions for natives, compensation to natives for dearness of provisions, compensation to native cavalry for dearness of forage. Now that, I suppose, covers the ground of the increased cost of provisions as far as the Native Army is concerned? Yes.

5115, 6. Taking those three items together, I find in 1884–85 that they made about Rx. 147,000, while in 1893–94 those same items came to about Rx. 539,000. Now, I suppose, as far as rations go, that you may expect the cost of them to mount in proportion as the army is increased, that is to say, if you add 10,000 to 100,000 you would expect to find, as far as rations go, there would be 10,000 more rations consumed?—We do not give rations to the native army except in this way; we give them rations in certain stations as in Burma, and a money allowance at certain frontier stations, and generally we give them compensation for dearness of provisions. When the price of rations exceeds 3 rupees 8 annas a month they get the excess.

5117. You would consider that where there is an increase of the army, apart from any other circumstances, there would be an increase of the provisions consumed, or an increase in the allowance for provisions, which would represent a like percentage to that by which the army was increased?—Yes.

5118. And I think you said you reckoned it at about 16 per cent.?—Yes.

5119. Taking those figures of Rx. 147,000, an increase of 16 per cent. would not bring it up to very much over, say, Rx. 170,000; whereas the actual increase is Rx. 539,000?—Yes.

5120. Are there any other circumstances except the dearness of provisions that could account for such an enormous increase as that?—Well, there is the circumstance of additional stations, dearer stations, being occupied on the frontier, and the additional number of troops in Burma who get free rations. Of course when we first had troops in Burma the cost of the rations in that country was very much less that it is now. But it is not easy to explain the great rise in compensation, even taking those facts into consideration. I may mention that it is a matter which has engaged the attention of the Government of India for some time. They have been investigating it through the agency of committees, and so on. (*Mr. Jacob.*) Perhaps I may be allowed to say that the increase in the compensation is not measured by the proportionate increase in prices. The compensation is given for the cost of provisions above a certain amount; 3 rupees 8 annas I think it is. (*Sir Edwin Collen.*) Yes, 3 rupees 8 annas. (*Mr. Jacob.*) Suppose in any given year the provisions cost 3 rupees 9 annas, we give them each 1 anna. Suppose a few years afterwards it has risen to 4 rupees, we should give them each 8 annas. That is to say, that while the increase in the price would be only in the proportion of 8 annas to 3 rupees 8 annas, that is to say, an increase of one-seventh, the compensation would be eight times as much as it was.

5121. That is really an increase to their pay?—Yes, if the cost of the provisions rises above a certain amount we give them the difference between that amount and the cost calculated upon a normal ration.

5122. Would you explain a little bit more how that operates. I think you said just now the cost of the ration was?—3 rupees 8 annas is the standard figure which we take.

5123. (*Sir Andrew Scoble.*) 3 rupees 8 annas per month?—Yes. (*Sir Edwin Collen.*) 3 rupees 8 annas a month, which is the standard on certain staple articles of food.

5124. (*Chairman.*) Who settles when the price goes up sufficiently to justify an addition being made to the payment of the native?—(*Mr. Jacob.*) The civil authorities supply price lists and on these the calculation is made of what this normal ration costs and if it comes to anything exceeding 3 rupees 8 annas the difference is paid to the soldier.

5125-7. That is what I did not quite follow. As I understood you, you said if the price goes on rising it is not the precise difference that is paid to them between the current price and this assumed price of 3 rupees 8 annas, but something in addition to that?—No; what I meant to say was this, that the compensation is measured by the difference between 3 rupees 8 annas and the actual price. Supposing the price in any given year was 3 rupees 9 annas the soldier would receive only 1 anna compensation in the month. Supposing a few years afterwards it was 4 rupees he would receive 8 annas compensation in the month, that is to say he would receive eight times as much compensation.

5127. (*Mr. Courtney.*) How does the normal 3 rupees 8 annas appear in the accounts?—It does not appear in the accounts at all.

5128. It must be charged somewhere, that ration?—Not directly. The native soldier is supposed to be in a position to spend that much out of his monthly pay, which, of course, is charged as such in our accounts. Provided he does not have to spend on this account more than 3 rupees 8 annas, we do not consider him entitled to any compensation, but if the prices of these ordinary articles of food are such that the monthly cost of this normal ration exceeds 3 rupees 8 annas, we give him the difference.

5129. You ought to compare this addition with the ordinary pay, plus the addition?—No: if you take the head of compensation to native troops for dearness of provisions, an addition of one anna to the cost of the monthly ration, if it was previously 3 rupees 9 annas, would double the amount of the compensation.

5130. Yes, but you ought to compare the 3 rupees 9 annas with the 3 rupees 8 annas, or the 4 rupees with the 3 rupees 8 annas?—To arrive at the actual increase in price, that is correct; but the increase in compensation is much more than proportionate to the increase in price.

5131. (*Chairman.*) That is what I want to come to. Suppose the price went up to 4 rupees, the standard being 3 rupees 8 annas, the difference between them is 8 annas?—Yes.

5132. He would receive that; and that 8 annas, added on to the standard sum of 3 rupees 8 annas, would only just provide him with what he was intended to provide himself with?—Yes, but I am explaining the increase in the amount of compensation. If the amount of compensation is represented by X when

the compensation is 1 anna a month, it will be represented by 8X when the monthly rate of compensation is 8 annas.

5133. Is there any means of ascertaining in these cases what in any given year the additional sum paid to the native troops was?—These are the additional sums.

5134. But I mean in detail, whether it was a rupee, 8 annas, or 4 annas?—You could only strike an average because of course it varies at each station. (*Sir Edwin Collen.*) It varies at each station.

5135. To a certain extent at each station?—(*Mr. Jacob.*) Absolutely at each station.

5136. Could you strike an average?—(*Sir Edwin Collen.*) Of course there are returns of the compensation paid at each station, and I think I have got the rate of compensation at each station, but then the stations do not always remain the same for a series of years. That would rather throw out any average. I should like, if I might be permitted, to explain the question about the compensation in the following way. When we investigated the matter in the Military Department we found that the per-centage of increase of charges for compensation in 1893–94, compared with the increase of strength,—16 per cent.—was 89 per cent. But then, as Mr. Jacob remarked, before Government pays anything towards the food of the native soldier, the man himself has to pay the market price, 3 rupees 8 annas, for his ration, that is to say, he is supposed to supply himself with the necessaries of life, and therefore the true per-centage of a rise in price would only be arrived at by comparing the sums paid by the soldier plus the compensation, and according to the calculations made on this basis we found that the per-centages were: total increase in charges for compensation, 31·9, and that the increase due to the increase in strength was accurately 15·74; the increase, therefore, due to other causes was 15·87, the total making up 31·6, which was the increase in the charges. Therefore what we have to find out, and, as I said, we have not yet determined it, is whether this 15·87—or call it, in round numbers, 16 per cent.—whether that is accounted for by rise of price in addition to the change in the occupation of certain stations which, of course, would make it more.

5137. You might go from a cheap station to a dear station?—Yes, we might establish a station where the food was dear.

5138. But is it not possible to find out?—The investigation is going on now, but I have received no definite information to show the results. It is a subject which I may say has occupied my attention for many years, and it has always been rather a stumbling-block; but what we have to do now, and what we have not yet arrived at, is to find out whether that 16 per cent. is accounted for by a rise in prices and this change of stations.

5139. Would you feel satisfied that the officers, upon whose report the extra sum is paid to the native soldiers, are able to form a competent opinion upon the current prices; and that that which is intended merely to be a compensation for increase in prices does not become in certain cases a bounty?—That is a matter on which there is a great variety of opinion. The calculations on which the sepoy gets any compensation are based upon the prices current, which are prepared by the civil officers of districts. How that exactly is prepared, and whether it represents accurately the prices, I am hardly able to say.

5140. But the officer ought to fix his prices on the very best information he can get; and the compensation is intended solely and entirely to compensate the soldier for an increase in the prices of rations?—Yes, it is really intended to equalise his pay.

5141. (*Sir Andrew Scoble.*) Prices are fixed according to what are ascertained to be the current rates in the bazaar during the period?—Yes, they are; of course the officer commanding a regiment is hardly able to get behind that. Therein lies the difficulty. It has been proposed that there should be station committees to investigate prices, but it is a very difficult question.

5142. (*Mr. Courtney.*) How are the prices given in the Statistical Abstract for India of all the chief commodities at the different great markets ascertained?—I think those are wholesale prices, perhaps they would not be quite the same as the prices at which the sepoy could buy. Mr. Jacob might be able to tell. (*Mr. Jacob.*) They are supplied by the district officers—the civil officers, and they are wholesale prices.

5143. You never attempted to make out index numbers of prices of such commodities?—Oh yes, index numbers have been made out; Mr. O'Conor has written on that subject at great length.

5144. (*Mr. Buchanan.*) Since 1887–88, after the army was increased, has the amount paid in compensation varied much from year to year?—(*Sir Edwin Collen.*) It has varied on account of one year being a dear year, and the next year perhaps being a cheap year.

5145. Because I see here the totals for each year under this Grant 4 are given; there was a tremendous increase when the army was increased under this grant, but since that time, unlike many of the other grants, it has not continually increased: it has gone up one year and down another?—Yes.

5146. The question I wanted to ask was whether that has mainly been due to the fluctuation in this particular charge?—I think so, in places. You are speaking of this particular charge, are you not?

5147. Yes?—This particular charge compensation for dearness of provisions.

5148. Which is only one item, of course, in grant four?—Yes.

5149. Have the variations in this compensation charge been the main cause of the variations which we read of here in the total sums under grant 4?—No, I should not think so; of course it is one of the factors.

5150. Not a substantial one?—Well, it is a substantial one, but it is not the chief one; I should think the chief one is the augmentation of the army.

5151. (*Chairman.*) Then would it be your opinion, as far as your information enables you to form an opinion, that a considerable part of this increase is due to rise in prices. First of all, we have deducted 16 per cent. for the increase of the army, and we are left with 16 per cent. which you feel a difficulty in apportioning?—I should think that a considerable proportion of that 16 per cent. was due to rise in prices.

5152. In one of the papers which you gave me, reference is made to a circular which you addressed to the Commissaries General and the Controllers of Military Accounts in the different commands; were answers received to that communication?—No, they have not yet been received.

5153. What was the object of that circular?—My object was to be able to furnish more complete details to the Commission than I could otherwise do. I got the Government to let me issue that letter to see if I could get the Department to follow the figures throughout a series of years.

5154. Do you think you will get that information in time or not?—Not while I am in England, I am afraid.

5155. I do not think you had quite gone through all the heads to which you would call attention on that grant; for instance, I see you call attention to the increase in staff and establishments?—Yes. Well, that of course is due to the larger army, and also to the larger number of stations occupied, in more extended areas; but a considerable addition is due to the organization of the Transport Department, which really did not exist in the previous series of years, or at all events it had only been started in the previous 10 years. Then another increase was alluded to in the previous 10 years, the increase due to the purchase of malt liquor. That has developed; although of late years we have allowed regiments to make their own arrangements, and the charges are decreasing somewhat. Then under sea and inland water charges, which comes under Grant 4, Commissariat, there has been a considerable increase due to the larger number of troops in India and to their movements; and to native army reserves having received free passage by river. A good deal of the increase is due to the annexation of Upper Burma—more movements. In the same way railway charges have increased. That is due to the increased movement of troops, and a certain concession has been made to the Native Army in the way of passages to native soldiers proceeding on furlough. The establishment of the native army reserve, and the cost of their passages when they come to be trained, more troops in the hills this policy has been developed to a large extent (and has cost more in in the way of railway charges).

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5156. (*Sir Ralph Knox.*) What is the number of the army reserve now, do you know?—It is about 13,000 to 14,000.

5157. Do they come up regularly for training?—Yes.

5158. Every year?—Every year for a month.

5159. From some distance?—Occasionally long distances; it depends where they are recruited from. Then there have been considerable charges under this grant for grass cultivation. In old days the grass cutters for the mounted service could go out and cut grass anywhere by the side of the road, and they would trespass into the fields of cultivators. We found this sort of thing could not go on, and we placed an extra charge on the army estimates so as to avoid what was an injustice to the cultivators. We established grass farms, and in some cases we had to feed the troops of the mounted British service by contract. That is a very considerable item of expenditure, although ultimately I think it will tend to economy as compared with the price which we have to pay if we purchase the forage by contract. Then in the way of the feed of horses and mules, and so on, the numbers increased have been very considerable, and we have many more stations occupied; for example, mules were posted at 85 stations in 1892-93 against 36 in 1884-85, and some of the new stations are in rather expensive localities. Again, taking the feed of animals in the transport—that increase is due to the difference in numbers and to the distribution, to the cost of supplies, and, as I have said, to the larger number of stations at which they are now located. I think those are the main items of increase of expenditure, but of course there are a large number of details.

5160. This army reserve has to be fed, of course, for a month every year?—No, they are not fed in the way of getting rations; if they train at dear stations they get the compensation for dearness of food.

5161. (*Chairman.*) We were talking about provisions for natives, but there is also the item of provisions for Europeans, which in these ten years has risen from 484,000 Rx. to 731,000 Rx. I think you have told us what you would consider the per-centage of increase of the European army?—It was about one-sixth.

5162. Well, you add one-sixth to that 484,000 Rx. and you get to something like Rx. 560,000 or Rx. 570,000, while the extra charge is 731,000?—Yes.

5163. But you have a difficulty, you tell us, in determining how far the increase is due to rise in prices, because in some cases troops have been sent to expensive stations, and so forth. Would that apply to European troops as well as to natives?—I think it would. For instance, the occupation of Upper Burma has notoriously caused a considerable rise under this head, because meat and everything is so very much more expensive there.

5164. The cost of the increase there does not look so striking as it does in the case of native troops, because there the three charges,—provisions for natives, compensation to natives for dearness of provisions, and compensation to native cavalry for dearness of forage—which amounted in 1884-85 to Rx. 147,000, amounted in 1893-94 to 539,000 Rx. The increase is enormous, and of the whole series of charges which come before us, and which we have gone through to-day, that is the most striking?—Yes.

5165. And at the present moment you are not in a position to form an opinion as to how that enormous difference is to be divided between the different sources representing it?—No; excepting in a general way; I could not possibly give an exact detail showing how the difference has arisen.

5166. I think you said you had at hand and would be able to give us possibly, shortly, an abstract of the report of the 1879 Commission. Is there any table of recommendations or summary?—I think it would be hardly possible for me to read it; it is a long paper; I might hand it in, perhaps.*

5167. Perhaps you would?—Yes; then there is a statement,† of course, showing the savings proposed, which really amounted to about 1,000,000 Rx., but I must say at once that the Government of India did not accept all their proposals, so that only a portion of the saving was carried out; still it was very considerable.

5168. Was there any table drawn up afterwards showing how far the recommendations were carried out, and what the effect had been?—I have here a table showing the principal proposals of the Army Organisation Commission which have been carried out and——

5169. What is the result? Can you give it?—I could not give it in figures.

5170. Then perhaps you would hand it in, and we can look at it?—Yes: the number of regiments in India, infantry and cavalry, for the native Indian Army, was to be decreased; that was carried out by a General Order of 1882, but not carried out exactly as the Commission recommended it. But the whole tendency, of course, was to economy, considerable reductions were made and improvements in organisation.

5171. Would you put that in?—Yes (*document put in*).‡

5172. I think we have now gone through the two periods to which your paper referred. Is there any other point to which you would like to call our attention in concluding this part of the examination?—I should like to say that even if we were to take the same number of men in the army and not increase it in any way, yet the expenditure on the army must undoubtedly increase, because there are benefits to be given to the soldiers, as time goes on and improvement in equipments, in fact, every condition of modern military administration becomes more expensive. There are only two or three ways in which we could reduce to any great extent the expenditure of the army in India. It would be by reducing pay, reducing the numbers, and reducing the stores, and when one considers those three heads one enters at once upon questions of policy. I think that the margin of reduction, the margin of economy in the present expenditure of the army is not very large.§ I have handed in a paper showing the economies which have been effected by the Military Department over a series of years, which I trust may be attached to the Report of the Commission. I do not think I have any other particular point to submit to the Commission.

5173. You look then for a gradual increase under various heads; may I ask, within your experience, have you had to increase the pay of the native soldier in India in order to get the class of men you want?—Yes. That did not come into the second period, 1883-84 to 1893-94, under review; but we had to increase the pay of the native soldiers from 7 to 9 rupees *per mensem*.

5174. Was it because you were no longer getting the class of men that you had been previously getting?—We were no longer getting them; the wages had risen of the classes from which the men were drawn.

5175. What date was that?—That was last year.

5176. You only increased it last year?—Yes, so it does not come into this period.

5177. That, rather, is an argument opposed to one which I have seen advanced of late, namely, that wages have not materially increased in India?—I have read the reports of the recruiting officers, and, before the increase was sanctioned, they most distinctly said that the best classes would not come forward; they could get more from railway and other works, and that, generally speaking, it was absolutely necessary to raise the pay in order to get the class of men we used to get formerly.

5178. (*Sir James Peile.*) What was the pay before you raised it?—Seven rupees.

5179. And when was that fixed?—That was fixed, I think, in 1780.

5180. (*Chairman.*) Seven rupees a month?—Seven rupees.

5181. Had the pay never been altered?—No; but I may say that various benefits have been given which amounted to an increase. Take this very question which you have been dealing with, compensation for dearness of food, they have been given that, good conduct pay, increased hutting allowance, and so on.

5182. (*Sir Donald Stewart.*) Kit allowance given to recruits?—Yes, kit allowance.

5183. (*Chairman.*) But, still, so far as it went, you were satisfied, from the reports of your officers, that it was necessary to raise the pay in order to get the class of men you had been getting before?—Yes.

5184. (*Mr. Courtney.*) Is that in consequence, would you say, of the development of new occupations, or was it because things had got dearer generally?—I should

* *See* Appendix 20.

† *See* Appendix 21.

‡ *See* Appendix 20.

§ *See* Appendix 21.

think from both causes; from the development of new occupations—for instance, new railways, and the development of railways, and also because there had been a rise of wages.

5185. Has the pay of an ordinary coolie increased?—According to my experience it has.

5186. Generally?—Generally.

5187. Referring to several stations?—Yes, I think so.

5187*a*. (*Mr. Buchanan.*) In comparing, as we have done, an earlier year and a later year, I suppose one ought in fairness to look at the progress of expenditure in the interval?—Do I understand rightly, the progress of improvements and efficiency as measured by the expenditure?

5188-9. No. We have got here in the Statistical Abstract one of the papers circulated to the Commission the other day, and in the continuous figures for all the years between 1884-85 and 1892-93. I suppose one would more fairly judge of what increase there has been in expenditure by looking at the continuous figures and then contrasting 1884-85 and 1893-94?—Yes; I should think you would get a general view in that way; of course, you would have to eliminate any special causes of expenditure in certain years.

5190. Yes; on that point I have been following your evidence. What seems to me remarkable is, that in one of the big grants, namely, grant 4, for Commissariat establishments, supplies and services, it made an enormous jump when the army was increased, but it alone apparently has not continuously increased since then. Here are the figures:—It went up between 1885-86-87 from Rx. 2,180,000 at once to Rx. 3,130,000, and then the next year it has gone up to Rx. 3,800,000; then it went down as Rx. 3,000,000 in 1890-91, and is now Rx. 3,400,000?—Yes. I think that must be due to the fact that prices, although they may have risen, have not risen extraordinarily, or that other economies have been effected.

5191. What are the large items, besides the price of provisions, contained in that vote?—Well, it begins with establishments, and then you see all the subheads-supplies, under which you have provisions for Europeans, provisions for natives, compensation, purchase of reserve stock, malt liquor; the sub-head of services, including feed of cattle, hire of transport, sea and inland water charges, railway charges, and so on; freight charges of stores from England, khedda charges, that is to say, elephant catching charges, cattle farms, and then comes the transport sub-head, including depôt and regimental transport, purchase of animals, feed of animals, and so on.

5192. But since the increase of the army, the total has kept pretty fairly constant?—Yes.

5193. This is taken from the report of the 8th of March 1893, by the Accountant-General of the Military Department, reviewing the increase in military expenditure. Are these reviews of the progress of military expenditure called for by the Government of India and presented to them at fixed periods?—Not at fixed periods, but at certain periods the Accountant-General submits such a review, and it is laid before the Government of India and discussed by them.

5194. It is, generally speaking, a regular practice of the Government of India to call upon its officers for such reviews?—Yes, we have had them for many years past.

5195. And the general effect of that practice, I suppose, has been, on the whole, to keep down, at least to restrain, the increase of military expenditure?—Well, it brings the matter clearly before the Government and before the officials who have to deal with these questions, and it gives them a basis very often from which to analyse the expenditure further; for instance, in 1892 I took the review that the Accountant-General, Colonel Pritchard, prepared, and I worked through that for my own information, and for the information of Government, to see exactly what had increased or decreased under the several grants.

5196. It would be your duty as Military Secretary, when a report of this sort is presented, to see whether in the report, there were any suggestions made, or called attention to any items of increase over which the Government of India might exercise some control?—Yes, and to suggest in what way economies might be effected, or at least in what directions an investigation might be made with a view to economy.

5197. (*Sir William Wedderburn.*) In Sir Donald Macfarlane's return, No. 7 of the principal causes of increased expenditure are minor field operations, which have been a cause of over a quarter of a million. Do you consider that the expenditure upon those operations has usually been conducted with economy?—Yes, I do. It must vary, of course, in war or in any military operations with the general officer in command. Supposing that the supplies and transport and all the expensive items for military preparation are the same in each case, yet it must vary with the general officer and his staff, army and departmental, as to the way it which the expenditure is dealt with.

5198. But from your experience of these expeditions, would you say that they had been wasteful in the way they had been carried out, or upon the whole fairly economically done?—I should say upon the whole fairly economically.

5199. You have not any suggestions to make in order to reduce the expense of such operations?—No. I think that the tendency is, as we gain experience, which is of course very expensive experience, to reduce any possibility of waste in expeditions of this kind. For instance, I will take the war preparations which were made in 1885. I have no doubt there was some waste there, but since we have worked out everything connected with the mobilisation of the army more closely there is a natural desire to do as much as possible with a certain amount of money, and I think the details have all been much more carefully investigated than they were in previous years.

5200-2. The particulars of these smaller expeditions are given in the next page, page 4, and from these it appears that for the first nine years over which this statement extends there was a total expenditure only of 2,642*l*., or about 300*l*. a year only; and in the next nine years there seems to have been an average of a quarter of a million each year for minor operations?—I am afraid I do not quite follow the figures.

5203-4. About the middle of the page, under "smaller "expeditions and field operations" is given the amount for each year, and for the first nine years the only item is 2,643*l*.?—Yes.

5205. For the last nine years there are large sums, I think averaging over a quarter of a million each year. I suppose that very large increase is in no way under the control of the Military Department?—No. I might point out that these minor expeditions cannot go on when a great war is proceeding. You will find that in the first nine years at least four of those years are occupied by expenditure in Afghanistan, or on account of Afghanistan. I mean that it is natural that any minor expeditions should not go on concurrently with a big war. I think that is one explanation.

5206. My question rather pointed to the view that for this enormous increase from, say, 250*l*. a year to 250,000*l*. a year, your Department is clearly not responsible, because that depended upon the policy adopted by the Government; all you could do was to make it as effective and as little wasteful as possible?—Exactly.

5207-8. And you have really no special suggestions to make to make that less expensive if those wars are to take place?—No.

5209. The only real economy would be not to have those wars?—That is it.

5210. (*Sir Andrew Scoble.*) Sir Edwin, I believe the object of the Indian Government is to make the Indian army as efficient a weapon as possible?—Yes.

5211. And in your opinion all these successive additions of expenditure to which you have referred have been incurred with that object?—Yes.

5212. The increase of the pay both of the cavalry and of the infantry was put off as long as possible, was it not?—It was, certainly.

5213. And at last accepted as really unavoidable?—Yes.

5214. The expenditure on mobilisation has been incurred with a view to the efficiency of the army as a fighting weapon, has it not?—Yes, it has; it has been deemed to be absolutely necessary that a certain portion of the army should be ready to move.

5215. And in regard to the last campaign, the campaign in Chitral, for instance, do you consider that the mobilisation arrangements that were previously made, have tended to economy or to extravagance as far

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as that campaign was concerned?—I should say undoubtedly towards economy.

5216. Very much in the matter of transport, I believe?—In the matter of transport, but also under every head of charge.

5217. Now with regard to the question of the compensation for dearness of provisions, that is not a constant charge at particular stations, is it?—No; it must vary according to the cheapness or dearness of the articles of food at these stations.

5218. I presume that in one year compensation may be paid at a station, whereas for many years before and afterwards it would not have to be paid?—Quite so.

5219. And the variation in the expenditure which these demands for compensation produces is, I believe, a source of considerable trouble to the Military Department?—Yes.

5220. And the Government of India has made not one but many efforts to get rid of this system by including the compensation in the pay of the army, has it not?—No, I should hardly say that, Sir Andrew. These proposals have been made, but the Government of India have hardly made them.

5221. I will not say proposals, but endeavours have been made?—Well, it has been discussed.

5222. But found impossible; that is what I wanted to come to?—But found impossible.

5223. Now in regard to Ordnance I think you said that within the last 10 or 15 years the armament of the army has very much altered, as regards artillery, infantry, and cavalry?—Yes, there has been a considerable change and a change in the direction of extra expenditure.

5224. I was going to ask whether every one of these changes has led to increased expenditure?—Yes, I should say every one.

5225. And in your opinion has that expenditure been unavoidable, having regard to the conditions under which the Indian army would have to act in case of war?—It has generally been unavoidable.

5226. You have, I think, been for ten years the Secretary to the Military Department of the Government of India?—Yes, for over nine years, I think.

5227. From your experience have you found that during that period the desire not only of your own department, but of the Government of India, has been to introduce such economy into the administration of the Indian army, as was consistent with its efficiency as a fighting machine?—Yes, certainly.

5228. (*Sir Ralph Knox.*) You said that recently it has been found necessary to make some addition to the pay of the Native Army?—Yes.

5229–30. Has much variation taken place in recent years in the pay of the British officers of the Native Army?—No.

5231. How does the pay of the British officers of the Indian army compare with the pay of the British officers of the British army in India?—I should be sorry to make, or attempt to make, a very close comparison on the spur of the moment, but, generally speaking, the pay of the British officer of the Native Army is more than the pay of the corresponding rank of the British Army.

5232–3. I meant, in the first instance, to compare the pay of the British officer of the British regiment in India?—Well, in various ranks it is somewhat more; but then you must recollect that the British officer of the Native Army takes India as a career; he has to remain in India.

5234. And he receives somewhat higher pay?—Yes, he receives it in the shape of what may be called staff pay, because appointments in native regiments were looked upon as staff appointments. That idea has fallen into abeyance, but it is still called staff pay. A subaltern, for instance, gets 225 rupees per mensem plus 100 or 150 rupees, according as he is in infantry or cavalry.

5235. That is to say, the appointments of officers to native regiments would be much fewer than they are in a British regiment. Regarded as a staff appointment, he gets, comparatively, a higher rate of pay?—He gets a higher rate of pay.

5236. Do those rates of pay correspond at all with the staff rates of pay given to the British officer?—No.

5237. Well, now with regard to the question of the comparison of the pay of the British officer in India with what he has at home, or on a foreign station; have you ever made any comparison?—Yes; I have tables here.

5238. It includes the regimental ranks, and the staff positions as well?—Yes, I have brought them with me.

5239. If you have made a table showing the comparison, perhaps you would be good enough to hand it in?—Yes, I think this is what you require. (*Table put in*).*

5240. The rates of pay of the British officer in India remain unchanged; they have remained unchanged for a considerable time, have they not?—Yes, in the same way that the rates of pay of the British officer in the Native Army have remained unchanged. May I just mention that he now gets exchange compensation allowance.

5241. Is the increased rate of pay that is given to the British officer in India based upon any idea that it is to meet the increased cost of living in India?—No; I think originally it was given on other considerations; it was not a question of the cost of living in the country.

5242. It is the practice in the British army to give to British regiments, and British officers, when they serve in stations such as Hong Kong, the Straits Settlements, Ceylon, and so on, special extra allowances, and those allowances are more or less based upon what is regarded as the extra cost of living in those stations. I asked whether the Indian pay was based upon anything analogous?—I do not think it was so based. It was not, you see, made up in that way; it was made up under various heads by translating the British pay that he got into Indian money, and then adding batta and such items as tentage and gratuity; the aggregate is the present rate of pay.

5243. All these extra allowances being incidental to the nature of the service in India?—Yes, but that very item, batta, was intended to meet certain expenses—to meet expenses of living.

4244. That is very old?—Yes; very old.

5245. Do these conditions remain now in the present conditions of living in India?—I think the expenses have increased.

5246. Expenses of the same kind?—Well, the officer is not so much in camp as he used to be in old days, therefore the wear and tear of tents is not so great. When tentage was first given, and batta was first given, the army more or less were always on service, and were always under canvas. They are not so much now, but then the officer has other expenses, expenses in cantonments in lieu of those.

5247. (*Sir Donald Stewart.*) Were there not certain half batta stations and certain full batta stations?—Yes.

5248. The half batta stations were situated within 150 miles of the Presidency towns?—Within a certain distance of the Presidency towns.

5249–50. And it was supposed that every thing was cheaper in those districts near the Presidency towns than they were in the interior? That was the origin of the full and half batta. Does your experience bear that out?—I thought it was also because the troops were supposed to be more on field service; brigades, at stations like Monghyr, Bankipur, and Allahabad were looked upon as occupying settled country within the radius of the Presidency towns. In 1765 Clive issued orders that at the Presidency towns, or in its immediate neighbourhood, the troops in garrison should receive no batta; in cantonments half-batta; and in the field full batta. Dinapur, Barrackpore, and Berhampore were reduced from full to half-batta in 1828 by Lord William Bentinck.

5251. (*Sir Ralph Knox.*) You have answered several questions as regards the expenditure upon stores; do you find that expenditure to be increasing constantly?—Yes.

5252. Are the issues of ammunition to the troops the same as they were some years ago or different?—No, they have increased.

5253. That is to say the men have more practice with their rifle than they had formerly?—Yes.

5254. And the artillery with their guns, have they not?—Yes.

* *See* Appendices 22 and 23.

5255. And the ammunition itself has increased in cost?—Very much.

5256. Both the small arms ammunition and the gun ammunition?—Yes.

5257. Therefore there are two causes of increase there, the cost of the ammunition itself, and the increased issue of ammunition?—Yes. I think the increased cost of the ammunition is a bigger factor than the increased quantity of ammunition allowed.

5258–9. Has the rate of pension of the British officers been more or less maintained, or has there been a tendency to increase the rates of pension?—The rates of pension were revised in 1881 and increased, but they have not increased since then.

5260. The system generally is retirement at 55 years of age, is it not; that is practically the period of retirement?—Well, that is the period of superannuation in civil departments; a man is presumed to retire after 32 years' service. An officer who entered the Staff Corps after 1881 is liable to compulsory retirement after continuous non-employment for five years as a Lieut.-Colonel, and if Colonel, then at 55, or after five years' non-employment.

5261. But is there any compulsory retirement at that age?—No, not for those who entered before 1881; an officer at that age has to give up tenure of regimental command; he may not absolutely retire.

5262. That practically would mean about 50 years of age, or soon after?—Well, I think 52 generally, but the rules include many conditions.

5263. But there are positions which can be held by officers older than that?—Yes; the retirement rules are complicated, there are so many classes of officers.

5264. And do the Staff Corps officers attain such positions only after completing regimental service, or are they selected before?—No; they might obtain certain appointments before they had completed regimental service.

5265. But there is some compulsory age for retirement, I suppose, in the rank of Colonels, is there not?—Yes.

5226. What is that?—A Colonel who entered the Staff Corps after the 12th September 1866 is placed on the unemployed supernumerary list at the age of 57. If after 1881 he is liable to be retired at 55.

5267–8. The same as for the British army?—Yes.

5269. Is the annual charge for pensions for officers retiring a growing charge?—I think it has increased.

5270. Those pensions are almost all payable in England, are they not?—They are almost all payable in England.

5271. I see the charge is not more than Rx. 100,000 in India. Have you any idea what the additional cost has been for all services arising from the establishment of the reserve?—I could give it you; but I cannot remember it at the present moment.

5272–3. How long is it since there was an increase in the pay of the establishment of medical officers, do you remember?—I think it was 1876–77.

5274. The rates of pay of the medical service in India are not the same as of those serving at home; they are better in fact?—Yes.

5275. And, in consequence of their being better, you found yourself able to decline to grant some improvements that were given to the service at home a short time back?—Yes, that is so.

5276–7. And that is a great grievance on the part of the medical officers serving in India, is it not?. I want to illustrate the fact that you are under very considerable pressure upon these points, but that you resist it?—Under pressure, yes; I should not have said it was a very great grievance, but no doubt it is a grievance.

5278. That is from your point of view?—Yes.

5279. Do you obtain all the clothing for the British regiments from home, do you know?—All the cloth clothing. There are, however, certain articles which are made in India, such as hospital clothing.

5280. But you alluded to some intention to change the present system; would that be in the direction of providing clothing which could be obtained to a greater extent in India?—No, I do not think so.

5281. Is it the Khaki you obtain in India?—Khaki and white drill are obtained in India, but large quantities have been obtained from England.

5282. That is all obtained for the British troops in India?—Yes.

5283. That has reduced your demand, I suppose, for cloth clothing very considerably, has it not, from home?—They have always worn Khaki or white drill; but it will do so.

5284. But it is intended, is it not, to make some considerable modification in the issue of cloth clothing in India, is it not?—I think it follows on the arrangements which you have made at home.

5285. But if that is the case your demand for cloth clothing at home would be reduced, and there would be a larger demand upon the material made in India?—I think there may be some reduction; we shall have serge instead of cloth.

5286. Would that be obtainable in India?—Very good serge is obtainable in India but it does not follow that it always comes up to the standard.

5287. (*Sir Donald Stewart.*) No red serge?—No, no red serge, but cavalry and artillery blue serge might be obtained.

5288. (*Mr. Mowbray.*) Is the pay of the ordinary British soldier calculated on its sterling value?—Yes.

5289. I mean does it vary from year to year, or is it calculated on a basis once for all?—It varies from year to year, that is to say, the sterling value of the rupee varies.

5290. (*Sir James Peile.*) He gets the rupee equivalent of the sterling value?—Yes.

5291. (*Mr. Mowbray.*) In fact, during the last few years the ordinary British soldier in India has been constantly receiving an increasing number of rupees?—He has.

5292. And would you say that the price which he has had to pay for his provisions and the cost of living to him has been at all equivalent in its rise, if there has been a rise, to the increased number of rupees which he has been receiving in pay?—No, I should not.

5293. In fact the British soldier has been profiting by the fall in exchange, although it has been a loss to some others?—He has profited by the fall in exchange.

5294. It does not come into the period which we have been dealing with, but could you tell me whether the abolition of the Bombay and the Madras commands has actually led to a reduction of expenditure, to an economy?—When the proposals were first formulated by the Army Commission of 1879 there were many reductions which came into the scope of their recommendations. There was a considerable saving proposed, but many of those savings have been made use of since 1879 and prior to the abolition of what was called the Presidency army system, therefore they did not remain as a set off. These savings did not remain as a set off against what must be the increased cost in the way of administration and staff and consequently there has been an increase of expenditure under the head of re-organisation.

5295. Then so far as it is a financial question, the actual result has not been a reduction but an increase?—It has been a small increase: at the same time we hope that the greater ability to control military expenditure which will be possessed by the Government of India, will far more than cover that small increase.

5296. (*Mr. Courtney.*) You said just now, in answer to an inquiry, that a good deal of the recent expenditure in relation to the army was for the purpose of keeping it up to date?—Yes.

5297. With that object in view would it be important to consider what enemy the army was likely to fight?—Yes.

5298. The standard would depend upon the enemy it expected to encounter?—Yes.

5299. Now considering the military experience of India in the last 10 years, has the policy of keeping the army up to date paid? has it been necessary in Chitral and elsewhere?—I think it has been necessary.

5300. In relation to such wars the army has not been over equipped?—No; I would take the experience of the late Chitral campaign. I have no doubt that it conduced very much to the quick termination of that campaign that the British troops were armed with magazine rifles—the Lee-Metford rifles.

5301. Yes, but is the amount of reduction of time equivalent to the cost of preparation?—That I am unable to say.

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5302. If the wars of India were confined to frontier wars with native tribes, would it be desirable to keep up the Indian army to the standard of European efficiency?—If it is intended that the Indian army, British and native, should merely be a police for the country, I have no doubt that many of the improvements that have been effected might be dispensed with. You might, for instance, have continued to use Brown Bess instead of having successive improvements in muskets and rifles.

5303. And what you call policing the country involves the maintenance of the frontier?—Yes.

5304. The prosecution of frontier wars as they occur? Yes, but we could not in any case rest content with obsolete arms, if the frontier tribes got hold of arms of precision. Then one must remember, looking at the matter from another point of view, that with a very small army compared to the enormous population, and that small army spread over an enormous area, you require, apart from the prospect or possibility of meeting any European foes, that the army should be armed and equipped in the best possible way.

5305. You require a great deal of transport mobilisation, but do you require arms of precision?—I should say so.

5306. And frequent changes?—The less frequently that you can change the arm of course the better for the finances. It is rather difficult to say whether frequent changes are necessary.

5307. From the point of view of the Indian Government, ought the British troops which are kept in India to be regarded as anything more than what you call the police force?—Yes, I think they must be so regarded, if it is considered that we should ever have to move in any direction out of India, whether beyond the sea or across the frontier.

5308. But the Indian troops cannot be moved out of India without special steps being taken?—I am speaking of eastwards not westwards.

5309. Any expense on the British army in India, which is incurred for the purpose of making the British army efficient, or keeping it in the higher state of efficiency necessary against an European enemy, ought to be reduced, as far as the Indian Finance Department is concerned, to the standard of Indian efficiency?—That is a very moot question. Do you ask my opinion?

5310. Yes?—No, I could not go as far as that. I think that the argument to a certain extent is reasonable, because I do not think that India ought to pay for every change in organization; I do not think that India ought to pay for great changes of organization, for example, which may be adopted for the British army as a whole; but I do not see how India could resist paying for certain changes, we will say an increase of pay or improvement in arms; I should say that India must be prepared to pay a portion of those charges.

5311. A portion?—A portion, yes.

5312. You lay stress upon that?—Yes, I should not say that India ought to have to pay the whole for changes in organization.

5313. Supposing you had got an Emperor of India, who was friendly to the monarch of the United Kingdom, but not politically dependent, and was willing to receive and pass through a certain portion of the forces of the United Kingdom; and it was pressed upon that Emperor that certain things should be done for the equipment of his army, and he replied: "I am quite "willing to do whatever is necessary for my purpose "here; if you want to go beyond that you must pay "the difference." Would that be a reasonable attitude?—Well, I should not be inclined to answer in the affirmative absolutely.

5314. Nor in the negative?—No, nor in the negative.

5315. (*Sir Andrew Scoble.*) I should like to ask one question upon that. I suppose, General Collen, you look upon the British army in India, as part of the Imperial army of Great Britain—of the Empire?—Yes.

5316. And not as a mercenary force which India simply hires for the purpose of defending herself against attack?—No.

5317. Therefore you consider it part of the duty of India to bear her fair share in any changes that might be necessary to keep the British army in India up to the standard of the British army at home?—Yes, in a way. I think the matter is really a question of compromise.

5318. I say a fair share?—A fair share.

5319. I do not say an aliquot part—a fair share?—Yes.

5320. (*Mr. Courtney.*) I admit that.

(*Chairman.*) A question was asked you, Sir Edwin, about the pay of the British soldier in India. The ground of the arrangement is, is it not, that his bargain with the State is in sterling; therefore, wherever he goes throughout the world he is entitled equitably to have the equivalent in sterling. That is the ground on which his pay in rupees varies, is it not?—Yes.

5321. One other question; I am not sure whether I asked you before. In the Military Works budget I see that the charges have remained on the whole rather constant, with a tendency to decrease rather than to increase apparently. Some diminution took place when the special department of Military Works was instituted. I should like to know whether there are any points to which you think our attention should be directed in the scheme or management of the military works?—No. I may say that the amount given is a fixed one, so far as the main bulk of the grant goes, that is to say, we are supposed to get this crore, 1,000,000 Rx; then to that, is added usually a certain sum for military works in Upper Burma and we also get a small extra addition to help us towards water supply for cantonments throughout India; but we cannot make it do; at least there are hundreds and hundreds of demands which are made upon the crore which we cannot possibly fulfil, and I am afraid that a large expenditure is likely to occur within the next few years in the way of barracks. Barracks have been built now 30 years or more, and no doubt a good many of them require renewal.

5322. Then practically the idea that underlies the formation of that Works budget is a fixed sum which you have to apportion as you please, but with which you have to meet all your demands?—Yes.

5323. (*Sir Ralph Knox.*) When the Indian Government makes a demand for additional British troops, as in 1885, their demand was an effective demand for a certain portion of the British army up to the standard of British army efficiency, was it not?—Up to the standard of efficiency that was then obtaining, I suppose, in India.

5324. But what they wanted was a part of the British army?—Yes, but chiefly in the way of original drafts.

5325. The British army meaning an army trained thoroughly and as efficient as it is at home?—Yes.

5326. But, in fact, they wanted an army more efficient than it is at home, did they not?—Why?

5327. Was not their idea to have an army much more competent to take the field than an army such as we have at home, which was not competent to take the field at a moment's notice?—I am not prepared to say the army at home is not ready to take the field.

5328. But is it not admitted that the British army in India is kept at a condition of efficiency superior to that which is maintained in the home army?—My personal opinion is that we are able, with our particular organisation and arrangements, to equip and mobilise troops perhaps quicker than you can at home.

5329. But if it be the case that you want a force out in India which is not as efficient as the British army, your demands should be not for more British soldiers, but for something else?—I do not want a less efficient army.

5330. Well, I thought just now that you were admitting that you could do with an army which was much less efficient than the army is in England?—No; on a certain supposition only that the army had merely to act as police of the country; that might be true.

5331. But the demand of the Indian Government really is to have an efficient military European force?—Yes.

5332. That is what they wish and that is what they demand?—Yes.

5333. And that is what they call upon the Home Government to supply?—You supply the material; we supply the efficiency.

(*Sir James Peile.*) At the cost of India

5334. (*Chairman.*) Can you really draw such a distinction as has been mentioned of what an army is wanted for? India has got a powerful neighbour. Has not the Indian native more interest than anybody to be preserved from an invading army, and, therefore, does not whatever is necessary to save him from such a danger as that concern him, just as much as it concerns us here to prevent an invading army coming upon us?—Certainly, if you presuppose an invading army, it is to his great interest that he should be preserved from being invaded.

5335. And therefore if you have got a power such as Russia close by you, do you not want, in the interests of India itself, as perfect an army as you can have, to secure the Indian inhabitants from invasion?—Yes.

(*Mr. Naoroji.*) That necessitates my putting a question too, but I will reserve it till to-morrow.

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The witnesses withdrew.

Adjourned till to-morrow at 11 a.m.

At the India Office.

Eleventh Day.

Thursday, March 12th, 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Major-General Sir EDWIN H. H. COLLEN, K.C.I.E., Military Secretary to the Government of India, and Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor-General to the Government of India, re-called and further examined

Major-Gen. Sir E. H. H. Collen, K.C.I.E., and Mr. S. Jacob, C.S.I.

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5336–7. (*Chairman.*) Sir Edwin, before we leave the subject on which we were speaking some time yesterday afternoon, I should like to place before you a point that has occurred to me with regard to the question of the allowance for provisions to native troops. I am not putting the question with a view to elicit an answer from you at once; you have already told us that the subject is under your consideration, and that you are waiting for certain information upon it which will probably elucidate the matter clearly, and enable you to come to some conclusion as to the meaning of the figures. In this paper comparing the details of the estimates of 1884–85 with 1893–94, which you were so good as to give me, under the head of Commissariat establishments, you will remember, the item of supplies is divided into three headings, namely, provisions for Europeans, provisions for natives, and compensation to natives for dearness of provisions. Two of those items, provisions to natives and compensation to natives for dearness of provisions, in 1884–85 amounted to Rx. 137,000, in 1893–94 they amounted to Rx. 507,000. I think we learnt from Mr. Jacob that the increase of the native forces is taken at about 16 per cent.?—(*Sir Edwin Collen.*) 16 per cent.

5338. If we increase those allowances of provisions for natives, and compensation to natives for dearness of provisions by 16 per cent., which, I think, is a fair way of estimating what would have been the charge in 1884–5, the basis of the existing strength of the native army, I reckon that it would be instead of Rx. 137,000, Rx. 158,000, in round figures, and we have to compare that with the charge in 1893–94 of Rx. 507,000. Now the observer who has no intimate knowledge of the subject, would naturally turn and say, "Well, what "kind of evidence have we in prices that at all sup- "ports that large increase?"—(*Mr. Jacob.*) That is the kind of inquiry which the Government of India has been, and still is, engaged in making.

5339–44. I see the Statistical Abstract gives, in the case of rice, a rise in price in something like the proportion of 13 to 9½, or about 37 per cent.; whereas the rise in allowances is about 220 per cent.?—The rise in the allowances is not really so great as that. The amount of Rx. 137,000 shown in 1884–5 under the head of commissariat charges does not represent the total charge in that year on account of these allowances, because in Madras and Bombay the compensation was in 1884–5 classified under the head "miscellaneous." Including the amounts so classified, the total charge for compensation in 1884–5 is reported by the Accountant General, Military Department, to have been Rx. 144,992; and to this must be added the cost of provisions for native troops, amounting to Rx. 103,569, so that the total figure for that year becomes Rx. 248,561, or say in round numbers Rx. 249,000 instead of Rx. 137,000. Adding 16 per cent. to this figure for the reason mentioned by your Lordship, the figures for comparison would be 290 and 507, which give an increase in the allowances themselves of only 75 per cent. instead of 220 per cent. But further the increase in the allowances taken by themselves cannot be fairly compared with the increase in prices. As explained yesterday, the compensation is granted on the assumption that the men pay Rs. 3·8 per month a head for, or towards their rations, out of their own pay. This amount (Rx. 4·2 per annum) calculated on the total strength of the men drawing compensation, must be added to the figures of both years, before any conclusion can be formed as to the general increase in prices which is indicated. The men who are rationed by Government must be excluded from this calculation, as the whole cost of their provisions is charged to Government, and is shown under the head of "cost of "provisions for Native Troops." I have not at hand the exact number of men so provisioned, but, if we take them at 25,000 men in 1884–5, and 45,000 men in 1893–4, as outside figures, we shall have a balance of about 100,000 men left. The amount to be added to each of the figures, above would, therefore, as a minimum, be Rx. 420,000, and the figures for comparison would be 710 (290 + 420 and 927 (507 + 420) which would give an increase of only 30 per cent. I do not think that such a general comparison is of much value, for various reasons, chiefly because (1) compensation is given in all circles to followers, and in the Madras circle to pensioners as well as to fighting men; and (2) because the rise in prices at individual stations at which troops are stationed may be greater or less than the general increase in prices throughout India;

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but these figures will perhaps suffice to show that there is no such startling discrepancy between the increase in the compensation, and the increase in prices as might at first sight appear.

5345. (*Mr. Naoroji.*) I read an extract from a speech by Lord Kimberley made by him at the Mansion House, in 1893. He says, "There is one point upon "which I imagine, whatever may be our party politics "in this country, we are all united; that we are "resolutely determined to maintain our supremacy "over our Indian Empire. That I conceive is a matter "about which we have only one opinion, and let me "tell you that that supremacy rests upon three distinct "bases. One of those bases, and a very important "one, is the loyalty and good-will of the native princes "and population over whom we rule. Next, and not "less important, is the maintenance of our European "Civil Service, upon which rests the foundation of our "administration in India. . . . . Last, not because it "is the least, but because I wish to give it the greatest "prominence, we rest also upon the magnificent "European force which we maintain in that country, "and the splendid army of native auxiliaries by which "that force is supported. . . . . Let us firmly and "calmly maintain our position in that country; let us "be thoroughly armed as to our frontier defences, and "then I believe we may trust to the old vigour "of the people of this country, come what may, "to support our supremacy in that great empire." Lord Kimberley thus points out that the splendid European Army—I will not speak about the other services—is to maintain the supremacy of the British rule in India; it is mainly for that purpose that we have any British army. Then the Government of India in a letter of the 25th March 1890, given in one of the papers placed here, says: "Millions of money have been spent "on increasing the army in India, on armaments and "on fortifications to provide for the security of India, "not against domestic enemies, or to prevent the in-"vasions of the warlike peoples of adjoining countries, "but to maintain the supremacy of British power in "the East." And, similarly again, on another occasion in another part of that Memorandum, there is also put down: "India is incurring great expenditure in the "increase of the army and in armaments and defences "for the maintenance of British supremacy in the "East," and makes it still more emphatic here—"it "would be much nearer the truth to affirm that the Im-"perial Government keeps in India, and quarters upon "the revenues of that country as large a portion of its "army as it thinks can possibly be required to maintain "its own dominion there; that it habitually treats that "portion of the army as a reserve force available for "Imperial purposes; that it has uniformly detached "European regiments from the garrison of India to "take part in Imperial wars." Now I will not read any more extracts on this point, but that the British army is essential from the British point of view to maintain the supremacy of Britain over India. Is it right that the Indian revenues of the Indian people should be made to pay the whole of the expenditure of that army, or at least of the services themselves and the *personnel*, though the chief object and the chief necessity of the British Army in India is the maintenance of the British rule itself, and therefore it is to the purpose and interests of Britain that there is any British army in India?—(*Sir Edwin Collen.*) I should certainly reply in the sense of the quotations which you have made from the despatches of the Government of India.

5346. Then the next question will be that if it is essentially for the maintenance of the British supremacy that a British army is there, and if the British Exchequer should therefore in proportion to their own interest and purpose take a share in the expense of that army, is it not right and proper also that this share, whatever it may be, should be according to the capacity of the two countries? I can read a quotation from the Government of India. The Government of India says in another part:—"The Go-"vernment of India has however continually objected "to any rateable division as imposing an undue charge "on the revenue of India; they maintain that as a "question of partnership, India as a poor country "should not be put on a level with rich England." Is that a right principle and do you agree with it?—In my opinion it is so.

5347. Then leaving this question of the whole British Army there, the *personnel*—that Britain is chiefly interested in the maintenance of a British army in India—I will just put a question or two with regard to the frontier wars. We see from one of the returns laid here (Commons, No. 91 of 1895) that during the past years there are nearly 129 millions of rupees spent from April 1882 to March 1891 beyond the West and North-West frontiers of India after the expenditure on the Afghan War of 21 millions sterling. Now, in all this expenditure, I want to know whether the 129 millions includes the ordinary pay of the soldiers also or not? The items are these: there is construction of railways, construction of roads, and bridges, military works (including fortifications and cantonments), special defence works, expeditions and explorations, expenditure in the military department which is Rx. 2,544,000; does this include the ordinary pay of the soldier when he is not on any expedition?—No, it does not include it.

5348. It does not include it, so that will make the amount so much larger if that is included in it?—If you were to take the portion of the army beyond the frontier.

5349. I am talking of that portion only which is touching on the frontier?—Yes.

5350. Therefore according to this return there has been an expenditure of Rx. 12,857,000 from the year 1882 to 1891. Now these frontier wars, according to the repeated declarations of the Cabinets—of the Governments here—both Conservative and Liberal, were all Imperial wars. I had better read an extract or two so that the thing may be more clear?—Might I venture to ask to which wars or expeditions you refer?

5351. All the frontier wars, I am talking about—on the north-west frontier?—You mean the expeditions against the Waziris, for example?

5352. All the small expeditions, the Afghan war and all those, all the frontier wars. Now Lord Beaconsfield in the House of Lords said "That the real question at "issue was whether England should possess the gates "of her own great Empire in India . . . . We re-"solved that the time has come when this country "should acquire the complete command and possession "of the gates of the Indian Empire. Let me at least "believe that the Peers of England are still determined "to uphold not only the Empire but the honour of this "country." Then Mr. Fawcett raised the question with regard to the Afghan war, that, being an Imperial war, a portion must be paid by this country?—Yes.

5353. And during that discussion Mr. Fawcett read an extract from Lord Lytton's speech, in which Lord Lytton said:—"I came to India, and just before leaving "England for India I had frequent interviews with "Lord Salisbury, the then Indian Secretary, and I "came out specially instructed to treat the Indian "frontier question as an indivisible part of a great "Imperial question mainly depending for its solution "upon the general policy of Her Majesty's Govern-"ment." This was the declaration made by Lord Lytton in the name of Lord Salisbury; and then Mr. Fawcett insisted upon regarding it as an Imperial war, and on that occasion Mr. Gladstone emphatically endorsed the opinion put forth by Mr. Fawcett, and said that it was a really Imperial question, and I may be able to read a great many extracts, but I do not think it would be necessary, because all these wars beyond the frontier are specially for the purpose of taking necessary precautions, as it is alleged, against any Russian invasion, and it matters both as to the European position as well as to the Imperial character of the British Empire. I therefore ask you whether it is right that the British Government should not pay a portion of the expenditure incurred in all these frontier wars?—If I may venture to say so, I should draw rather a sharp distinction between expeditions which might be called of a local character or interest, and any large campaigns which were engaged upon in following out a certain Imperial policy. For instance, I should say that a campaign on the North-East frontier against the Akas or the Abors, or some of the wild tribes between India and Burma, or some of the tribes on the North-West frontier, who possibly raided on some of our subjects, and came down, and crossed the frontier or approached the frontier and gave us a good deal of trouble, those I maintain are justifiably paid by the Indian revenues. With regard to the larger wars, if they are engaged upon by reason of following out a policy which has for its object the maintenance of our power not only in India but in the East generally, then I think that we may fairly claim that England shall pay a reasonable part of these expenses. That, in the instance you have

quoted, of the Afghan war, was done to some extent, because a contribution of five millions was made.

5354. With regard to these tribes, if they are contiguous to the border, and harass our people, it may be that in defence and in preventing them from doing so, you may have these small wars, but then if you specially go, as it were, to secure the gate of the Indian Empire, and take every possible step in order to gain that object, all that will come under the Imperial policy and for the European position of Britain?—That is my view, certainly.

5355. Then I will go further with regard to the wars outside of India, with which India has nothing whatever to do, such as in Egypt, Africa, or Abyssinia, or any of those places, if the Government of England uses the Indian Army, is it not right and just that they should pay for the whole expenditure of that army instead of putting on India even the ordinary pay of the soldiers that are used in this way?—As you are aware, an argument has been used in these cases that you cannot dissociate the object of the expeditions from India. Take Egypt; it was said that it was the high road to India, and, therefore, India was interested. But I think in the case of Abyssinia and Egypt, and in other instances which might be quoted, the whole of the charges should have been borne by the Imperial Exchequer.

5356. Then now comes the question of the capacity of the two countries. Supposing the principle were as admitted—as it has been repeatedly admitted, and I could read several other extracts from the letter of the Government of India—supposing it is admitted, taking them as partners, in so far as the British army in India exists entirely for the supremacy, but India benefits indirectly to a certain extent, by preventing Russia from coming in— making every allowance for that—supposing the partnership to be admitted, what would be a fair apportionment between the two countries with regard to the expenditure of the British Army in India, and on such Imperial wars as took place in which India is interested, such as the North-West frontier wars; I can give you some figures here?—I am afraid I could hardly answer such a question as that.

5357. Lord Cromer compared the capacity of the two countries as follows:—England's wealth being on an average 33*l.* per head, India's production is 27 rupees per head, which at present exchange would be about 33*s.*, so that is just about one-twentieth part, and Sir Henry Fowler in a speech has pointed out, also, that the taxation paid by India is nearly one-twentieth per head of all the taxation as paid in England per head. Consequently, do you not think that that would be a fair ratio of the capacity of the two countries in making any division as two partners, one benefiting largely, and at the same time being the wealthiest, the other benefitting not so much, but at the same time its capacity being so very little—a very small partner indeed compared with all the benefits that England derives from India—do you think that that would be a fair division?—I am afraid I could hardly accept any arithmetical division in such a sense.

5358. No, the Government of India refuse to take any arithmetical division, and the Government of India insists on having it according to the capacity of the two countries.

5359. (*Sir William Wedderburn.*) Might I ask one question; it is with reference to the boundaries of India. I think you drew a distinction just now between the local wars and those upon the boundaries which are fairly debitable to India, and frontier wars with a wider object. Can you tell me if the Government of India have a distinct decision and understanding as to where the north-west frontier line is? Can you tell me whether there is any authorised map upon which the Government of India depends in these matters?—I think so.

5360. Can you refer me to it?—I cannot remember which map it is.

5361. When any military operations take place beyond that frontier the consent of both Houses of Parliament is necessary in order that the cost may be charged to Indian revenues. In deciding that point I understand you would consider it a good test whether or not they came under those two categories that I refer to—whether it was a purely local disturbance so to say, or whether it was a step taken in an Imperial policy?—Yes, I think so.

5362. That would be a good criterion for judging?—I should say so.

5363. (*Mr. Ryder.*) May I ask a question with reference to the first question of Mr. Naoroji—whether you are satisfied that it is quite fair to distinguish between the cost of the maintenance of the British rule in India and the cost of the *de facto* Government of India? Is it not fair to say that the *de facto* Government of India is British: but that that does not affect the duty of India as a very large and powerful community to pay for the cost of its own government?—I should say that it was certainly the duty of the Government of India to provide for the maintenance of order in the country, and for repelling attacks of border tribes in such a way as might be necessary in the local interests of India. Whether it is right for the Government of India to pay the whole charge in matters which affect the Empire generally is, I think, another question.

5364. Yes; I had rather intended to avoid that question of the apportionment of charge. No doubt everybody will be agreed that where India cannot afford to bear the whole of the charge England should come to its assistance. Really my point was that *primâ facie* it is the duty of India to pay for its own government; the fact that that Government is British does not affect the duty of India to pay?—I certainly think it is the duty of India to pay for its own government, qualifying that with reference to the remark I just made; that is to say, the fulfilment of the duties of India in connexion with India itself, as it were—not going beyond India.

5365. But then would you go so far (as I think Mr. Naoroji did) as to draw such a distinction between Imperial interests and Indian interests as to hold that the one was exclusive of the other, and that, if once you granted that an interest was Imperial, then it ceased to be Indian and became chargeable on the British taxpayer instead of upon the Indian?—Not altogether.

5366. Surely it is of Imperial interest that every part of the Empire should be prosperous and should be defended against its enemies?—Yes.

5367. You really cannot separate the two; Indian interests are Imperial, and must continue to be so as long as India is part of the British Empire; and therefore it is not enough to say that a particular interest is Imperial in order to prove that the charge should not fall upon the Indian taxpayer?—I think we might take the example of the Afghan war. That was what may be called an Imperial war, and there was a grant in aid given by the Imperial Exchequer to that.

5368. That grant-in-aid might be justified by the fact that India was over-burdened by the charge of the Afghan war?—But I think in the case of the Afghan war it was allowed by Mr. Gladstone that it was an Imperial war to a great extent, or rather he said that he would not assert anything to the contrary.

5369. It undoubtedly was an Imperial war, but so also an Indian war may be Imperial in its magnitude and yet be still Indian?—Yes.

5370. (*Mr. Naoroji.*) Now, to provide for the Government of India is it necessary at all that there should be British troops, European troops?—Yes, certainly.

5371. That is to say, for maintaining the British supremacy. If that question were not considered there would be no necessity for British troops, and Indian troops would supply every want?—There would be no India at all if British supremacy were not maintained.

5372. Yes; then it is the British supremacy that necessitates this employment of European troops?—I should rather say that the British troops—European troops—are required for the maintenance of order in India.

5373. Very well. The maintenance of order is also as necessary for the existence of the British rule as any other purpose, because then, without that order and law, and if this was not gained, there would be no existence for British rule, which would be very much jeopardised in every way. British people are deeply interested in everything that is done in India. Then, again, India being regarded as a part of the Imperial partnership, does India get the slightest share of glory or gain out of what is called the Imperial concern. For instance——

(*Chairman.*) But, Mr. Naoroji, may I appeal to you for a moment. Do you not think that when we come

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to the question as to whether a British force ought to be kept up in India, we are getting beyond our limit?

(*Mr. Naoroji.*) No, because that involves the very question of the whole expenditure. It is not merely the question of the amount of the expenditure that is troubling India, it is in the way in which the expenditure is carried out and used that the whole difficulty arises. Unless we thoroughly understand the character of the whole expenditure we shall never be able to judge properly.

(*Chairman.*) I think we have got a step beyond your first questions.

(*Mr. Naoroji.*) Shall I wait till the question arises upon the apportionment?

(*Chairman.*) Well, I think it will be more appropriate there.

(*Mr. Naoroji.*) I took the policy for granted.

(*Chairman.*) But when we get to the question as to whether British troops should be kept in India at all, I think it would be rather the opinion of the Commission that we are stepping beyond our instructions.

(*Sir James Peile.*) I think it gets on to policy.

(*Mr. Buchanan.*) Should we discuss this question that Mr. Ryder raised, with regard to the amount that should be put upon the Indian Exchequer and the amount that should be borne by the British Exchequer with regard to expeditions outside the limits of India, now or when we came to the question of apportionment?

(*Chairman.*) I think it would be better when we come to the question of apportionment.

(*Mr. Ryder.*) I am afraid that belonged to a later part of the inquiry; I had not wished to raise the question at all.

(*Chairman.*) It was a matter for Mr. Ryder to ask, because Mr. Naoroji put the question how far India was concerned in this matter rather broadly.

(*Mr. Buchanan.*) I thought it was a very important matter to go into: but the question is, now or later?

(*Chairman.*) At present we are looking only into the actual increase of the army charges.

(*Mr. Naoroji.*) Mr. Ryder has raised a far broader question than mine, consequently I was going to say something about it, but now as it is postponed to the other occasion I shall not interfere any more.

5374. (*Sir Ralph Knox.*) I should be glad if Sir Edwin Collen could give us some description of the system under which the native army is raised and trained and recruited, and the expenses that are contingent upon this raising and training of recruits of the Native Army in India. What is the system of enlistment, and who enlists them; where are they enlisted; what staff is used for the purpose; where are they trained as recruits, and so forth?—They are enlisted by district recruiting officers established at certain centres of recruiting areas from which we expect to get the best material, and these recruits are medically examined and are then passed to their regimental centres, if their battalion happens to be there. I may say that the battalions are linked in twos or threes, and that one battalion is usually at a regimental centre. These recruits are passed to the battalion which is at the centre, or to the battalion away from the centre, and they are then drilled in the usual way and passed into the ranks after a certain time, not exceeding 8 months.

5374*a*. Can you state what the number of these recruiting districts is?—The previous system was that regiments sent out recruiting parties, sometimes under an officer, sometimes not; but within the last few years the system of district recruiting under special officers has been established. It has been first established in the Punjab and Bengal, and it is only now coming into operation in Bombay. In Madras at the present time they follow the old system of regimental recruiting, or did so until quite recently.

5375. Could you tell us the number of these recruiting districts?—Yes. There are four for the Punjab, Amritsur, Rawal Pindi, Dharmsala, Peshawar; Gorakhpore, Lucknow, and Delhi for Bengal. I do not think the head-quarters of recruiting officers have yet been settled for Bombay or Madras.

5376. They have a staff attached to them?—One officer and an assistant, as a rule.

5377. And no non-commissioned officers or men?—They have non-commissioned officers from regiments.

5378. Would there not be some native officers working under them?—Yes, there are native officers.

5379. But you do not mean to say that the European officer goes into this district and tackles the men and asks them whether they will join the army?—What happens is this: he visits as much as possible of the district; he tours about and the recruits come in to his centre. He gets to know a large number of the village head men and the natives of influence and position.

5380. By what method does it become known that he is present there, and is ready to receive recruits?—A notice is circulated; but I have no doubt it is very well known at once that he is there.

5381. But some machinery is necessary to make it known, is it not?—Of course all the civil officers are warned, and they warn all their subordinates in turn.

5382. Then the civil officers are used in some way to assist the recruiting for the native army?—Yes, in this way, that they convey the information; but, as I say, it very soon becomes known where a district recruiting officer is, and, certainly since the increase of pay has been given, I think the recruits come forward readily enough.

5383. They know that from time to time an officer will appear at some recognised place, to whom they can make application to join the army during a certain period?—Yes.

5384. You say the regiments are grouped in numbers—twos and threes and so forth; does that apply to the cavalry as well as to the infantry?—No.

5385-6. Can you say about how many of these local centres there are in which one battalion is more or less constantly placed?—There are 15 in the Punjab, 10 in Bengal, 9 in Madras.

5387. And this battalion, which is more or less a stationary battalion, practically performs the duty of a training depôt, amongst other duties, for the regiments that may be stationed on service elsewhere?—It does not follow that it is always stationed at the centre; it moves about.

5388. But if it migrates, does not one of the other battalions come and take its place?—Yes, except under special circumstances.

5389. They interchange amongst themselves?—Yes.

5390. And you endeavour to have one of the battalions of the regiment stationed at the centre to receive these recruits?—Yes, that is no doubt what was originally intended; but recruits generally go to the battalion for which they enlist, unless it happens to be on foreign service.

5391. And they do pass from that localised battalion to the other battalion?—Yes, in the case I have mentioned.

5392. Do you know how long they are kept in the localised battalion before they are passed to the other?—No, I cannot say; it varies. In some cases they join direct.

5393. But I understood you that the practice was, though there is no invariable rule, that men who are enlisted go to this depôt or battalion; although they may join the other battalion, the general organisation is, that men collected in a certain district, for a certain regiment, would go to this localised regimental centre?—I did not perhaps explain clearly that as a rule recruits go direct to the regiment for which they enlist; in some cases they may be sent to the centres first.

5394. You cannot say how long they are generally kept before they are sent to the outlying battalions?—No; I do not remember the exact period.

5395. But they are kept some time?—Yes, in particular cases.

5396. And the idea is that they should be more or less trained, so as to be able to take their place in the ranks of the battalion that they join?—Yes, that was the original intention of the plan; but in most cases they go direct.

5397. That gives a sketch, I suppose, of the infantry system. Could you explain the cavalry system, inasmuch as the regiments do not appear to be combined in twos and threes like the infantry?—The cavalry is recruited in much the same way, but recruits go direct to the station of the regiment for which they enlist.

5398. Do the regiments move long distances from station to station in the district?—The endeavour is to

arrange the relief so that the movements may not be very long; but at the same time they are often necessarily so.

5399. The result is that a regiment of Bengal cavalry recruits throughout the whole of Bengal wherever it may happen to be stationed?—It depends very much on the composition of the regiment. If the regiment is composed partly of Pathans, and partly of Sikhs, they recruit from different districts.

5400. Well then, they adopt particular districts according to the idiosyncracies of the regiments?—According to what they are composed of.

5401. Is there no organisation for obtaining recruits from these particular districts to send them to these particular regiments?—It would be done now to some extent through the district recruiting officer; in former days they would send out recruiting parties, and they do so now.

5402. (*Sir Donald Stewart.*) I thought cavalry always made their own arrangements?—I think of late years the recruiting officer has helped them in a certain way, but I do not think there is a general regulation to that effect.

5403. How would it be possible for that recruiting officer to arrange about men who had to pay for their assamis?—They would come forward and be medically inspected; I mean, if likely young men came forward the recruiting officer would find out about them, and I suppose he would be in communication with the officers commanding the regiments. But as a general rule they go straight to regimental head-quarters with the money they have to pay.

5404. (*Sir Ralph Knox.*) I do not quite understand that payment, would you describe it?—It is Rs. 200 and above, it may reach 400 Rs. With this the recruit pays for his horse, pony, tent, uniform, &c. His carbine is supplied free. The Madras Cavalry (three regiments) are in what is called the "regular" system. They get everything from the State.

(*Sir Donald Stewart.*) He gets a horse and certain equipment.

(*Sir Ralph Knox.*) He has to put down this money before he enlists, and then he gets a pay in return for that, which recoups him for that expenditure?

5405. (*Sir Donald Stewart.*) The Government give him so much for the maintenance of his horse and so much for his own maintenance. If the expenditure on his horse is greater than the Government allowance he gets compensation for it?—Yes. He gets compensation for dearness of provisions and forage.

5406. 13 Rs. 8 annas is allowed for the maintenance of the horse, I think?—Yes. Whenever the monthly cost of the horses' daily food, or a certain scale, exceeds 13 Rs. 8 annas, he gets compensation.

5407–8. (*Sir Ralph Knox.*) I should gather from what you say that there is a sort of combined system, that is to say, that a Cavalry regiment throws out its recruiters whether British, native, or non-commissioned officers, and that they are assisted by the district recruiting officer who may be situated in the place from which they are in the habit of drawing their recruits. They work together to this extent, that if a district recruiter is about, he directs the preliminary arrangements for the regimental recruiting officer as far as he can?—I think in some cases he does.

5409. On the other hand, besides, there is a regimental agency, which comes from the regiments to these districts which they adopt particularly, and obtains their recruits there?—Generally speaking, that is so; men come to the head-quarters of the regiment, and they wait there very often until there is a vacancy.

5410. But would they not have to move very long distances to do that?—Sometimes.

5411. (*Sir Donald Stewart.*) They come to their relatives in the regiment?—Yes.

5412. Their relations are in the lines, and they come and stay in the lines until there is a vacancy?—Yes, they do that.

5413. That is a very common practice?—Yes.

5414. (*Sir Ralph Knox.*) I thought you stated that it was necessary to make not long since an increase in the pay of the native soldier in order to induce him to join?—That is so.

5415. Then that does not seem to be supported by the fact that these men rushed always to the colours to the extent that you wanted them?—In the case of the cavalry, the commanding officers complained that they could not get men of the same stamp, they would not come forward; and therefore after a very long discussion and every endeavour to postpone the increase of pay and to adopt other expedients, it was found necessary to raise that pay; and the commanding officers then reported that they had no difficulty in getting them.

5416. Then the system in India appears to be a somewhat easy one from the fact that men are all anxious to rush into the army to the full extent of the numbers that you want?—Certainly, since the pay has been raised; not before that in recent years at all events.

5417. That of course facilitates the recruiting very considerably?—It does.

5418. But it does not do away with the necessity for training the men when you catch them as recruits?—No.

5419. They have to be trained, and it is generally recognised, I suppose, that they are under training for some time before they are fit to take their position in the ranks?—Yes.

5420 (*Sir Donald Stewart.*) The outside limit is a year for the infantry, and of course longer for the cavalry?—Yes, 8 months for infantry, I think.

5421. (*Sir Ralph Knox.*) These are the only two arms that are recruited in India?—There are the native mountain batteries and sappers.

5422. What number of mountain batteries?—There are eight.

5423. And engineers?—There are three corps of Sappers and Miners.

5424–5. What are the numbers of the mountain artillery. Eight batteries of about 150 men each?—106 native officers, non-commissioned officers and gunners, and 149 of the driver establishment in each battery.

5427. (*Mr. Mowbray.*) Was the cavalry pay raised at the same time as the infantry?—No, in 1891–92.

5428. What is the present pay of the native cavalry?—It is 31 rupees per mensem.

5429. And the infantry?—It has been raised by Rs. 2, to Rs. 9 per mensem.

(*Chairman.*) I think now we can turn to the military charges in England, which are separated in Sir Henry Waterfield's tables from the charges incurred in India. Of course they are all part of the same expenditure, and, as Sir William Wedderburn has pointed out in his memorandum, the military charges in England and the military charges in India, when we come finally to consider what the increase of military expenditure has been, must be taken together. At present we are taking them separately in order to watch and test the progress of expenditure in both divisions.

(*Sir Ralph Knox.*) But they are shown together in this return of Sir Donald Macfarlane's.

5430. (*Chairman.*) Yes, they are shown together there, but I am dealing now with Sir Henry Waterfield's tables which give the net expenditure. I think probably, Mr. Jacob, I had better address the questions to you, had I not, on Sir Henry Waterfield's tables?—(*Mr. Jacob.*) Yes, I think so. (*Sir Edwin Collen.*) I am not very familiar with them; they have only lately come before me.

5431. Then perhaps you will turn to Table X. Table X. shows an increase of net expenditure in England from Rx. 12,501,000 in 1875–6 to Rx. 15,681,000 in 1895–6, and that is exclusive of the charge involved in exchange?—(*Mr. Jacob.*) Yes, that is the total charge in England; that is not the charge for the army only.

5432. Yes; I am taking the total first of all: Sir Henry has separated the army charge in Table X. and I shall next call attention to the columns in the Table X., which refer to the army?—Yes.

5433. That increase on the whole therefore is a little over Rx. 3,000,000?—Yes.

5434. Taking the budget for this year—and there is no very great difference between the final accounts of 1893–94, and the Budget of this year—a difference of about 100,000?—Yes, that is all.

5435. Going through the latter we find that the army expenditure is included in columns 7, 8, 9, and 10, is it not?—Yes.

5436. The "army effective," of course, gives the army expenditure under that head complete?—It does

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not include all that is generally included under "army effective"; the furlough pay is generally included under that head, but it is here shown separately under the head of "Furlough."

5437. But that head of "Furlough" (column 8) includes a certain amount of civil pay, does it not?—That is so.

5438. The detail of them is given in table XV?—Column 5 of that table shows the army charge.

5439. It shows that that charge has been almost stationary—Rs. 318,000 and Rs. 327,000?—Yes.

5440. And further, column 9 of Table X. gives the non-effective, of which only a portion again is military?—Yes, that is so.

5441. The last column is stores; column 10 includes civil stores as well as military stores?—Yes.

5442. Taking now the net army effective charges, the amount in 1875–76, was 623,000*l.*; in 1884–85 it was 864,000*l.*; in the Budget of 1895–96 1,037,000*l.*, which is only a very small amount above the final account of 1893–94. Can you give us any description of the causes which have lead to that increase?—The increase is almost entirely in the payments to the War Office. The payments to the War Office in 1875–76 were 320,000*l.*, and in 1895–96, 750,000*l.*; that is an increase of 430,000*l.*, which is almost equivalent to the total increase under these heads.

5443. A large part of that, I presume, arises from the increase of the army in India, does it not?—A portion of it is no doubt due to that, but a portion is also due to an increase in the actual amount per head levied.

5444. Can you give us the ground on which that increase was made?—I can give the information from a memorandum prepared by Sir Henry Waterfield. There were various committees and discussions as to the amount to be charged to India on account of the British army from 1869 to 1872, and eventually in 1875 a committee, which I think is generally called Mr. Bouverie's committee, reported and named certain amounts at which each soldier was to be rated according to his branch of the service. The amount payable on an average strength (from 1870–71 to 1875–76) of 61,309 was raised by Mr. Bouverie's committee to 5*l.* 16*s.* 7*d.* per man of all arms (as compared with 4*l.* 12*s.* 6*d.*, the amount which was previously paid).

5445. But Mr. Bouverie's committee sat in 1875, did it not?—It reported in 1875–76.

5446. Therefore the sum of 5*l.* 16*s.* 7*d.* would, I presume, apply to the sum paid in 1875–76?—It may have been paid partly in arrears.

5447. There was a considerable increase immediately afterwards. In 1876–77 there is an addition of 80,000*l.*, in 1877–78, 100,000*l.* in 1878–79, 61,000*l.*, and in 1879–80, 52,000*l.*, and then for some time it remained stationary or declined?—Yes, the Government of India did not at once accept the proposals of Mr. Bouverie's committee; they required further information on many points, but the Secretary of State agreed to adjust the claims from 1873–74 to 1876–77 accordingly. The accounts in dispute, however, from 1870–71 onwards, were not closed, as the India Office refused to accept at the rate named for recruits, soldiers of several years' standing; and, in view of the charges of which the India Office had assumed the direct payment, averaging 3*l.* 19*s.* 3*d.* on the establishment in India, a capitation rate of 6*l.* for those still paid by the War Office was proposed. The Committee on Public Accounts having in 1877 commented very strongly on the delay in settling the payments, a Treasury Minute was recorded on the 2nd of July 1878, under which the Chancellor of the Exchequer agreed to remit the outstanding sums (estimated at from 100,000*l.* to 150,000*l.*) which might be claimed from India, up to March 31st, 1879. A Commission over which Lord Northbrook presided, was then appointed to consider the capitation rate for the future, which the India Office had offered to take at 6*l.* 10*s.* on the establishment in India.

5448. Therefore, probably we may take it that the sum of 320,000*l.* brought to account in 1875–76 represents the old capitation charge?—Yes, that was so.

5449. Which you say was 4*l.* 12*s.* 6*d.*?—Yes.

5450. I understand, that, with some modifications, Mr. Bouverie's recommendation was accepted?—It was accepted to a certain extent; but then another committee was appointed under Lord Northbrook, which examined the accounts for each year and fixed the amount payable.

5451. And what generally was the amount at which the committee arrived?—For the four years, the rates were as follows: 1886–87, 7*l.* 1*s.* per head; 1887–88, 7*l.* 6*s.*; 1888–89, 7*l.* 9*s.*; 1889–90, 7*l.* 4*s.*; and the small difference in the amounts led both the India Office and the War Office to concur that the data had now been obtained for fixing a capitation rate, regard being had to the larger number of drafts sent to India in 1890–91 and 1891–92; and in the final report of Lord Northbrook's Commission, on the 22nd March 1892, they recommended that the claims for those two years should be settled by the payment of a capitation rate of 7*l.* 10*s.*, which is still in force.

5452. That is 7*l.* 10*s.*?—Yes, that was the rate finally settled.

5453–4. Would you say that that 7*l.* 10*s.* fixed in the year 1890–91 compares with 4*l.* 12*s.* 6*d.*, the rate that you think was in force in 1875–76?—Yes, I believe that is the case.

5455–6. And, therefore, applying it to the same force, you would expect to find a very large increase; it is an increase of between 60 and 70 per cent., is it not?—Yes.

5457. Well, that would at once carry up the charge on the same basis as 1875–76, to over 500,000*l.*, would it not?—Yes, the mere increase in the rate would do that, apart from any increase in numbers.

5458. Well, should we be correct in supposing that the increase from 320,000*l.* to 750,000*l.* is divided between this increase of rate and increase of numbers?—There is also another branch of the payments, that on account of deferred pay. I believe that was not paid at all in 1875–76, the system was introduced after that.

5459. (*Sir Ralph Knox.*) In 1876–77?—Yes; there was no payment on that account at all in 1875–76.

5460. (*Chairman.*) And what was the payment on that account in 1895–96?—183,000*l.*, and it has been larger in some of the previous years. In 1894–95 it was 230,000*l.*

5461. Allowing for that charge a very small sum indeed would be left to represent increased force?—Yes.

5462. If you started with 320,000*l.*; if you then take 190,000*l.* for deferred pay, and something not very far off the same sum for the difference between the 4*l.* 12*s.* 6*d.* and 7*l.* 10*s.* rates, it carries you up, does it not, to close upon 700,000*l.*; and would leave very little, less than 50,000*l.*, to represent other causes of increase?—Yes, that would be quite right.

5463. Therefore you would put it down that the result of these committees of inquiry has been that they have led to a very considerable increase in the capitation rate per man since 1875–76?—Yes.

5464. That the introduction of deferred pay has again added very largely to the charge against India with perhaps a comparatively small margin of increase caused by increase of force?—Yes, that is so.

5465. Then the next head of effective service is transport. That appears to have been a very stationary item; but can you tell us what the charges are which are met under that head in England?—The system has varied considerably, and the charges have also varied very considerably from year to year. The amounts in 1875–76 and 1895–96 correspond very closely, but it has risen to 335,000*l.* in 1883–84, and has fallen so low as 195,000*l.* in 1889–90.

5466. What determines the charge for the transport? A large number of transports are kept by the Admiralty for the Indian service, are they not?—They used to be so kept.

5467. That has only been altered within the last few years?—Yes, within the last few years.

5468. Then would you not have expected to find the maintenance of those ships, more or less, a constant charge?—I believe that in some cases private vessels had to be engaged in addition to the ordinary transport ships. (*Sir Edwin Collen.*) Yes.

5469. And the charge for hiring is the margin which rises and falls according to the needs of the Indian Government?—(*Mr. Jacob.*) Yes.

5470. You do not happen to know what the actual charge was in 1884–85?—Yes, the actual charge in 1884–85 was 305,000*l.*, that is the net charge.

5471-2. At present is the transport conducted entirely on the principle of hiring vessels?—(*Sir Edwin Collen.*) That is a branch of expenditure entirely between the India Office and the Admiralty. The "Malabar," I think, is running.

5473. (*Sir Donald Stewart.*) She is now going on her last voyage?—Yes.

5474. (*Chairman.*) At all events that probably is an item, which, apart from some great demand from India for an increased number of troops, is one that would remain more or less constant; we need not expect a great increase upon it?—(*Mr. Jacob.*) I should think not.

5475. Then there comes a rather comprehensive heading, "Other charges," apparently 37,000*l.* in 1875-76, and 31,000*l.* in 1895-96, and therefore not a very important item. But in the interval there are several years in which these charges vary very greatly indeed, owing, I see from a note attached, to the payments made by the British Government on account of the Afghan war. Are there any other disturbing causes than that?—These payments do not increase the charge; they lessen the net charge.

5476. But increase the payment, do they not, in the way they are brought to account in the years 1881-82 and 1882-83?—No; in the year 1880-81 the actual net payment, if we take only the charges ordinarily charged under that head, was 41,000*l.*, but there was a credit under that head, of 2,695,000*l.*.

5477. Quite so, and of course that was to the good?—Yes.

5478. But if you look at next year?—Yes; that means that the credit was lessened. The charge in that year was 47,000*l.*, and the credit was 2,305,000*l.*, the credit in the two years making up 5,000,000*l.*

5479. However, except those payments, there is nothing calling for special comment?—There is nothing at all.

5480. I see that during a series of years ending 1877-78, instead of there being an actual charge against this head, it was in credit—you see taking the figures which are put in italics, which means there is more received than paid?—Those figures merely indicate the difference between the actuals of successive years—there is no credit in any year under that head, no absolute credit—the table shows merely the difference between each year and the preceding year. I can give you the details of the charges in 1875-76 and 1893-94. I have not taken them out for every year. Perhaps I might give the corresponding amounts in 1875-76 and 1893-94: advanced to regiments in 1875-76, 13,107*l.*; 4,352*l.* in 1893-94; pay during the voyage was only 5,131*l.* in 1875-76, against 5,858*l.* in 1893-94. Then there was a contribution to the School of Music of 472*l.* in 1875-76; purchase of stallions, 12,943*l.*, neither of which recur at present; I think the latter charge is taken to another head now. Then there is the outfit allowance of Indian cadets, which cost 1,050*l.* in 1875-76. The pay of officers appointed in succession to subalterns was 188*l.* in 1875-76 against which may be taken in 1893-94 pay and allowances of second lieutenants 1,030*l.* and outfit allowance on promotion to commissioned rank 550*l.*; pay of surgeons, 2,436*l.* in 1875-76, and the corresponding payment now is 4,344*l.* Then officers acquiring scientific knowledge in 1875-76, 877*l.*, and in 1893-94, 2,792*l.*; purchase of land at Port Said, 121*l.* in 1875-76; and military officers on special duty, 842*l.* in 1875-76, and 5,261*l.* in 1893-94. There are also one or two charges in 1893-94 which did not occur in 1875-76. These include a payment for outfit allowances, &c. of lady nurses of 1,123*l.* in 1893-94; the guard of honour brought over to the Imperial Institute, 2,145*l.*; and officers studying Russian, 1,915*l.* There are a few other payments in each year but this enumeration, I think, completes all the payments which need be specified in detail.

5481. What is that first item, advance to troops; what does that mean?—(*Sir Edwin Collen.*) Advance to troops on passage. (*Mr. Jacob.*) These payments used formerly to be made by the War Office, and the recovery from India was included in the old capitation rate of 10*l.* The direct payment was undertaken by the India Office in 1869. When a corps is about to embark for India the paymaster is allowed, in accordance with the Royal Warrant, to draw on the India Office for an advance of 35 days' pay to the officers, and 25 days' pay for the non-commissioned officers and men, and his account is adjusted on his arrival in India.

5482. And that does not fall within the capitation rate?—No, it is outside the present capitation rate.

5483. The capitation rate does not begin to take effect until the men land in India; is that it?—It is calculated on the forces in India. (*Sir Edwin Collen.*) On the actual numbers. (*Mr. Jacob.*) In India.

5484. And, therefore, while the troops are being conveyed, the Indian Government make a separate payment to them?—(*Sir Edwin Collen.*) They pay the expenses of the troops from the day they leave England until they arrive, and of course while in India.

5485. (*Mr. Buchanan.*) They pay 7*l.* 10*s.* per head on the number of troops from the day they leave England, or from the day they arrive in India?—They make an annual payment according to the numbers actually in India.

5486. (*Sir Ralph Knox.*) The arrangement is that India pays directly all those men who go out as a portion of a battalion or regiment, but the pay of the men who go out as detachments, or drafts, is paid by the Home Government and is covered by the 7*l.* 10*s.*

5487. (*Chairman.*) Then we come to furlough pay, of which the details are given on page 15. The military charge was in 1875-76, 318,000*l.*, and in the budget of 1895-96, 327,000*l.*, therefore showing hardly any increase. What are the conditions under which that furlough grant is made? Would you not rather have expected to find with a large increase of force, that there would be an increase of furlough pay?—(*Mr. Jacob.*) Latterly there have been several alterations in the furlough rules, but the rules now in force were introduced in 1886, and under them the general rate of furlough pay of officers has been reduced. I think I am correct in saying that it has been generally reduced. The rates vary under the existing rules from 200*l.* a year to 700*l.* a year. Under the old rules the minimum was 250*l.*, and the maximum 1,000*l.*, so that I should say that generally there has been a reduction.

5488-9. Therefore, there has been an economy in the scale of furlough pay, which has counterbalanced any increase of furlough pay from increase of troops in India?—Yes; as regards the allowance payable, the scale has been reduced. I believe the rules are, if anything, slightly more liberal as to the amount of leave. (*Sir Edwin Collen.*) They are more liberal.

5490. That is to say, that under the new rules a man might get ten months' leave, while under the old rules he would only have had nine months, but during the ten months he would be receiving a smaller sum than he would have received during the nine months under the old rules?—(*Mr. Jacob.*) The rules are on an entirely different principle as to the amount of leave admissible?—(*Sir Edwin Collen.*) Might I say in addition to what Mr. Jacob has said, under the old rules, which were known as the 1868 rules, although the minimum was, I think, 200*l.* or 250*l.*, yet the intermediate sum a man could draw was based on his Indian pay; in a very high appointment he could draw 1,000*l.* a year undoubtedly; but the intermediate rates were based on a rupee calculation, and they were paid at the official exchange of the year, so that as the rupee fell the furlough allowance fell, and that was what caused the Government to settle the furlough allowances on a sterling basis under the 1886 rules.

5491. The next heading is table XVI., Non-effective charges in England, which is sub-divided under columns 5 and 6, into the military non-effective charges, British and Indian. Would you tell us what the distinction is between the Indian non-effective charges and the British?—(*Mr. Jacob.*) The British payment is a payment made to the War Office.

5492-3. That is under the arrangement between the India Office and the War Office?—Yes. The Indian payment is the payment of the actual pensions of Indian officers.

5494. "British" is that share of pensions of the Imperial troops which belongs to service in India?—Yes.

5495. The Indian pensions are the pensions to those officers who serve in the native army?—Yes.

5496-7. Now, of course, in dealing with the British item there is a very considerable qualification to be made. In 1875-76 the payment was 350,000*l.*, but in the Budget of 1895-96 it is 476,600*l.*, an increase, no doubt, but there was a complete change in the method of making these payments in the year 1885-86, was there not?—Yes.

5498. Can you describe to us what that change was?—From 1870 the arrangement in force was that the

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capital value of each pension should be actuarially calculated; and that India should pay down the proportion of such capital value, which was due for service rendered to the Indian Government. Under this system India paid during the 14 years from 1870–71 to 1883–84 at the rate of 10*l.* 1*s.* 4*d.* per man; but the amount varied greatly, from 6*l.* 7*s.* 8*d.* for the first six years, 1870–76, to 13*l.* 8*s.* 6*d.* for the seven years 1876–83; these latter charges were exceptionally heavy in consequence of the large number of men who, having enlisted during the Crimean War and Indian Mutiny, were then completing their 21 years' service, and of the changes in the British army by which the payments for pensions to officers were greatly increased. Owing to the rapid increase, the quarterly advances proved insufficient, and arrears of 2,016,824*l.* were, on the 31st March 1883 owing to the British Government. In February 1884 a special payment of 1,000,000*l.* was made which accounts for the specially large payment shown in the accounts of 1883–84. With effect from the 1st April 1884 the Treasury decided to discontinue the system of receiving the capitalised value of the pensions due by India; and it was agreed that in each case of pension it should be actuarially calculated what was the chance of the man being alive during each year, and India should pay accordingly. This alteration of system effected an immediate reduction of the charge, so great, indeed, that the provision made in the Estimates for 1884–85 on the old system was sufficient to clear off the whole of the arrears; and, as India had thus discharged her liability for all pensions granted before 1884–85, the payments since that date have been very moderate, though they have necessarily continued to increase. They have risen from 36,289*l.* in 1884–85, to 430,674*l.* in 1894–95, the average for the 11 years being 247,754*l.*

5499. Therefore, the difference of system was this, that up to 1885 India by means of a capital payment got rid of its liability once for all in respect of every soldier, part of whose pension she had to pay?—Yes.

5500. But after 1885, upon proper calculation, the only charge India bears is the actual charge for the pensions of the men, falling due within the year?—Yes.

5501–2. There is not a calculation made for each man, is there? but that broad principle is aimed at?—I believe a calculation is made for each man.

5503. Do they watch whether he is alive or not?—No; I mean it is an actuarial calculation for each man.

5504. They do not follow the man?—No.

5505. But they say there is A. B. here, according to our actuarial calculations he ought to be alive?—Yes.

5506. And another year he ought to be dead, according to our calculation?—Yes, that is the way in which it is done.

5507. Therefore they do not follow the man, but they pay in regard to each man according to an actuarial calculation whether he ought to be alive or not?—Yes.

5508–9. And that of course has led for several years to a very much decreased charge: but at the same time the charge has now risen in the Budget of 1895–96 to 477,000*l.* being more than the capital payment of 1875–76 which was 350,000*l.*?—I think that the payment in 1875–76 was not a payment in full.

5510. Oh no, because, as you have just mentioned, over several years there were arrears?—Yes, there were very large arrears, over 2,000,000*l.* of arrears had accumulated.

5511. The interest of which money India kept in her pocket?—I cannot say.

5512–15. The calculation was made on the idea that the sum was paid down at the moment the soldier retired. As India did not pay up a large part of her charge for five or six years later, she certainly got the benefit of the money in the meantime. Well, then under the head "Pensions in India" the charge has risen from 1,100,000*l.* to 1,846,000*l.* Can you give us any reason for that?—The increase is very largely due to the increased successions to the colonels' allowances; also to an increase in the actual pension list generally. The pension list was not nearly at its maximum in 1875–76.

5516. Because at present we should hardly look for an increase of the non-effective charge on account of the addition made to the strength of the army in 1886?—No, it would be very slight, I suppose, on that account.

5517. You have not got any figures which show how that increase of 1,846,000*l.* is built up, to what extent it is due to colonels' allowances?—(*Sir Edwin Collen.*) Might I explain, my Lord, that after the Indian Mutiny there were a very large number of officers who were thrown out of employ; and, I think, the gradual increase of charges was due, in great measure, in the earlier years of the series certainly, to those officers being gradually pensioned off and retired.

5518. But would not the charge of officers put *en disponibilité* so long ago as the Indian Mutiny be now diminishing?—Yes, but there are a large number of them still on the pension list.

5519. But I should have thought that after 40 years—very nearly 40 years—the decline would have taken effect?—Yes; but men who remained in the service for many years after the mutiny—for instance, the youngest of them was comparatively a young officer—have gradually reduced in numbers, and have taken their pensions in the intermediate period.

5520. Mr. Jacob, do you think you could give us any figures showing the sub-division of the heading, and showing how it is made up; for instance, take 1875–76, or 1883–84, to what extent the colonels' allowances come in, and whether there is any other sub-division which would bring out what Sir Edwin Collen has mentioned, viz., the number of mutiny officers who are on the pension list?—(*Mr. Jacob.*) There is no sub-division of them in the accounts, but I will see whether the India Office can give any sub-division of them.*

5521–2. Thank you; because you see the increase is a very large one?—Yes.

5523. (*Sir Donald Stewart.*) Is it not due to the fact that every officer who entered the service before a particular date was entitled to a colonel's allowances after 38 years' service?—That is the case.

5524. That is one cause; there is something due to the fact that officers are now compulsorily retired?—Yes; that would increase the charge.

5525. I think the maximum was calculated to arrive about the year 1900?—About 1901, I think, the maximum would probably be.

5526. And after that date it will gradually be reduced to the normal condition?—Yes. (*Sir Edwin Collen.*) It was calculated too that the amount of colonel's allowances would decrease after the year 1895, because those who entered in 1881 do not get colonel's allowances.

5527. (*Chairman.*) Has any calculation been made, Mr. Jacob, of what the normal charge may be expected to be?—(*Mr. Jacob.*) I am not sure; I will see what calculations have been made.

5528–9. One question more about the British item, Column 5; has any calculation been made of what the normal charge under that head will be. You see it has been a rising charge owing to the change of 1886–87?—No. I am not aware of any calculation having been made as to what the maximum will be.

5530. Well, then, we pass to stores, Table XVII. Sir Henry Waterfield divides the stores under the headings of "clothing," "ordnance and miscellaneous," and "other." I think we have learned in the course of these examinations, that the tendency of late years has been to get a much larger quantity of stores locally than formerly, and I think Sir Edwin Collen told us yesterday, taking one instance, that boots are now got in India which were bought in England formerly?—Yes.

5531. And we learn that the policy of the Indian Government has been to buy on the spot where possible?—Yes.

5532. But taking "clothing" in 1875–76 the charge was 225,470*l.*, and in 1895–96, 236,400*l.*?—Yes.

5533. Therefore one does not see any corresponding diminution of this side to set against the increased expenditure in India?—There has been a very large decrease if an average of years is taken. I do not think it is possible in a case of this kind to compare one single year with another, but the actuals generally from 1875–76 down to 1880–81 are very much higher than in subsequent years. The total of 1880–1 was 385,000*l.*, in 1879–80 307,000*l.*, in 1878–79 207,000*l.*, in 1877–78 347,000*l.*, so that the average of those four years was very high, and there has been a considerable reduction compared with that, and as far as my recollection goes, it was about the year 1881–82 that the

* *See* Appendix 2 A.

matter of the purchase of stores in India was first taken up with any vigour.

5534. But I presume from that time and in consequence of the new policy, the charge of getting stores of this nature in India has increased?—Yes, certainly it has.

5535. And yet there does not seem any notable decrease in the expenditure in England?—There is a very notable decrease in the charge for clothing stores in England as compared with the four years I have mentioned.

5536. Then come the ordnance and miscellaneous stores which were 470,000*l.* in 1875-76 and 426,000*l.* in the budget of 1895-96. There, again, we learn that the policy of the Government of India is to get all the ordnance stores they can in India—its ammunition for instance?—Yes.

5537. Then, I suppose, if there has not been any large decrease, the reason would be that those expensive warlike weapons that are still got from England are not likely to show a reduction?—Yes, that is the case; in some years the charge has been very heavy under this head. For instance, in 1890-91 it was 717,000*l.*, and in 1891-92,826,000*l.*

5538. That is when a change of arm, I suppose, took place?—Yes, but I think it has been carried on into subsequent years. (*Sir Edwin Collen.*) That was owing to the equipment of the artillery with the breech-loading gun; then the British troops were equipped with the Martini-Henry, and the native troops with the Snider, then later there was the equipment of the native troops with the Martini-Henry and the British troops with the Lee-Metford.

5539. And lastly we come to the stores which Sir Henry Waterfield qualifies as "other." Can you tell us what they are, 381,000*l.* in 1875-76, which has sunk to 42,000*l.* in the budget for 1895-96?—They are the stores of all the other departments of the army.

5540. There there has been a very heavy decrease indeed?—I think that includes the decrease in malt liquor for one thing. (*Sir Edwin Collen.*) It would; and commissariat stores. (*Mr. Jacob.*) And the commissariat generally.

5541. Therefore under this head you show a result from the new policy of buying in India?—Yes.

5542. How are the stores required for special operations and special defence works, separated from the other kindred services?—It is only in a very few years that the charges for special operations have been separated from the other military stores.

5543. Supposing there is an expedition, I suppose, in the first instance, the stores that are required for that expedition come out of the general balance of stores in hand, do they not?—Yes, that is so. (*Sir Edwin Collen.*) As a rule.

5544. Then if stores are demanded from here to replenish the stock is it very easy to ear-mark those stores to the special expedition?—(*Mr. Jacob.*) It is not easy; there has been a proposal made, I think quite recently, by the Government of India that an attempt should be made to ear-mark them, but I understand that the India Office has raised some difficulty about it, and it seems doubtful whether it will be carried out. The attempt was, however, made in some years as, for instance, in 1879-80, 1880-81, and 1882-83. The other charges shown lower down in that column are for stores for the special defence works; they are kept separate.

5544*a*. Would you find it difficult, Sir Ralph, to charge stores, which you ordered from your general store balance, against an expedition?

(*Sir Ralph Knox.*) No, I do not think so; we should value the stores as they were issued; that is what we always do when they are shipped abroad and in that way we get a very fair approximation.

(*Chairman.*) Take the Chitral expedition, stores ordered here would probably only reach India after the expedition was over.

(*Sir Ralph Knox.*) But these would probably be ordered to replace stores taken from the magazines in India.

(*Chairman.*) And therefore you would keep an account in India against the general store account and charge the expedition with all the new stores brought in to make up the general balance.

(*Sir Ralph Knox.*) Yes. We should ascertain what was returned and credit the account with the amount.

5545. (*Chairman.*) But supposing the stores are not actually replaced, would not that tend to a fictitious charge for stores issued? Supposing, for instance, that in the case of an expedition you do not order the full number of rifles to replace those issued for the expedition, an account of this kind would not be quite correct, unless you replace exactly the number that you have issued for the expedition?—(*Sir Edwin Collen.*) We should follow the principle Sir Ralph Knox has described, that is to say, in arriving at an account in India, the stores would be valued and the cost of replenishing the stock of ammunition. It would not be possible to show it in the home accounts exactly, but we know what demands we should make on home for the purpose of the expedition for the replenishing.

5546. If you always replenish exactly to the extent that you issued, that would give a true result; and I understand Sir Ralph Knox's method is that he charges the expedition with the stores actually issued out of stock for the purpose, whereas in this case there is an order sent to England, and the stores, it seems to me, as far as an expedition is concerned, would probably come into receipt after the expedition ended?—Yes.

5547. And if you did not order exactly the same amount of stores that you issued, which I presume is not always done, then you would not have a correct result?—We have a very accurate scale of reserves laid down, for instance, so many thousand water-proof sheets are issued, say 20,000; a demand is sent to England for the replenishment of that reserve which is kept up to a certain point, to replace the 20,000.

5548. Therefore there is an automatic process?—I think so.

5549. You replace the stores up to a certain level?—Yes, because we have actual scales of reserves.

5550. (*Mr. Courtney.*) Suppose you issued for any special expedition 10,000 rifles, but your stock happened to be rather abundant, and you only ordered 5,000, would you charge to that expedition the cost of 10,000 or 5,000?—We should charge 10,000, but I may say that we do not issue rifles because those are in the hands of the troops.

5551. Anything; it does not matter what it is?—Yes.

5552. Why was this sub-head of account "special operations" ordered; it only commenced in 1878-79?—(*Sir Edwin Collen.*) There was a special column for special operations because we had the sanction of the Secretary of State up to a certain limit. (*Mr. Jacob.*) That is the special operations for the four years named above. As I said, an attempt was made to separate the charge, but it was afterwards abandoned. No attempt has been made since then to separate the charge for special operations.

5553. (*Chairman.*) You find a difficulty in ear-marking the stores for special operations?—I do not remember the exact facts of this case, but I know nothing is done in that way now.

5554. (*Sir Donald Stewart.*) Was it by order of the Secretary of State that this column was opened?—I do not know the facts about the opening of that account, but I know a representation has been recently made to the Government of India asking whether something of that sort could not be done again now.

5555. Precisely, but I think the whole thing was dropped?—It certainly was dropped when it was previously attempted.

5556. And all these further figures given here are really on account of special defence works?—That is so

5557. (*Chairman.*) Those, I think, complete the items which make up the general heading Military Expenditure in India. There is only one further heading and that is exchange. I do not know whether you would have any points on that to which you would like to call attention. I think, Mr. Jacob, you propose to call our attention to the fact that Sir Henry Waterfield in his account of the Indian expenditure, has omitted the item of exchange, which is included in most of the published accounts relating to army expenditure?—Yes, that is so.

5558. Would you please describe to us that charge and the reason that Sir Henry Waterfield had for omitting it from the Indian side of the expenditure?—One of the charges omitted, is that on account of

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British soldiers' pay. That is fixed at a sterling amount and from the year 1883–84, the amount actually paid to the British soldier, has been the equivalent of that sterling at the official rate fixed annually.

5559. That is to say, in Sir Henry Waterfield's account of money expended in India, the account is charged with the amount paid to the soldier at what I may call for my purpose here, an arbitrary rate of exchange, namely, the rate of exchange that obtained in whatever year it might be, 10, 15, or 16 years ago. As the rupee has fallen, India has made a separate account of the additional amount, that became due to the soldier in order to provide him with the equivalent of the sterling?—Yes.

5560. Of course the question arises, on what basis did you take the sum that is charged to India as the normal rate, because there is no real equivalent between the rupee and the sovereign?—The amount shown is possibly the difference between the rupee at 2*s.* and the actual amount paid. It is not shown separately in the accounts, I may explain.

5561. You have called our attention to the fact that the English soldier in India receives a certain number of rupees in respect of each sovereign due to him, that is to say, he receives for each fall in the rupee so many more rupees in order to make up his pay?—Yes.

5562–3. Well, Sir Henry Waterfield makes a separate account of these additional rupees, and keeps it outside his statement of army expenditure; what is the rate which he admits into his account? how many rupees to the sovereign does he admit into his account on page 10? Here you have net military expenditure, you know? I understand from you, that from that net military expenditure, is excluded this amount, which you may say is paid extra to the soldier to make up his sterling pay?—Yes.

5564. What is the amount included in the net military expenditure per sovereign?—That I believe is ten rupees to the sovereign.

5565. Well, that was only an old and convenient method of calculation. Except for a moment, the rupee scarcely ever in history reached 2*s.*, did it?—Oh, yes.

5566. Only for a very short time?—For some time it was above 2*s.*

5567. Just at the time that the gold discoveries were at their highest, was it not?—No.

5568. Was it over 2*s.* early in the sixties?—Yes, it was above 2*s.* in 1859–60 and 1860–61, and was very close to 2*s.* even in 1871.

5569. It was 1*s.* 11*d.*?—It was over 1*s.* 11*d.*

5570. The case is that for every 1*l.* due to the British soldier, in this column here is charged 10 rupees?—I believe that is the way the calculation is made; but I am not sure.

5571. Whatever he received more than 10 rupees Sir Henry Waterfield has carried into this separate account?—That, I believe, is the way in which his account is made out, but I am not sure as to the initial rate upon which the increased charge has been calculated.

5572. In what account of Sir Henry Waterfield does that allowance which is paid in India appear?—In this Table XIX, column 5.

5573. Column 5, British soldiers' pay?—Yes.

5574. Ought not that to be counted as a charge in India when we are looking at the charge of the army in India. It is a payment made in India?—It certainly is a payment in India, but it is a payment which depends entirely upon the rate of exchange.

5575. Quite so, but it is an Indian charge?—It is.

5576. And therefore when we come to put the charges together we ought probably to put in an extra column for that?—Yes, that is a charge in India.

5577. You see, it comes to a very large sum?—Yes.

5578. And, in reality, without going into the niceties of its being caused by exchange, so many more rupees are paid to the soldier in India. That is a payment in India, and it ought really to be added on to the head of "other charges," column 6 in table IV.?—Yes, if you are taking out the total charges in India.

5579. You would agree with that?—Yes, it certainly is a charge in India, and in our accounts, of course, it is not stated separately at all.

5580. Are there any other points under this heading of exchange?—The exchange compensation is also separated, too, and shown in that table.

5581. Column 6?—Yes.

5582. Therefore may we take column 5 and column 6 as both representing payments in India?—Yes, those both represent payments in India, but column 6 does not represent only military payments; it includes both civil and militay charges.

5883. That is quite a recent charge?—Yes, that is the exchange compensation.

5584. Can you separate the military portion from the civil?—Yes. The army charges for exchange compensation have been:—1893–4, Rx. 264,620; 1894–5 (Revised), Rx. 518,600; 1895–6 (Budget), Rx. 610,000.

5585. Are there any other points in connexion with Table XIX. to which you would wish to call our attention?—I would only call attention to the remittance accounts; that is also an Indian charge; that is not a charge on account of English expenditure.

5586. That is an Indian charge?—That appears in the Indian accounts.

5587. But that is given by Sir Henry Waterfield as an English charge?—Yes; it is brought to account here because it is directly due to exchange.

5588–9. But that is not confined to military officers?—No, that is not military at all.

5589*a*. We must take that into consideration when we come to the other headings?—Yes. The only portion of column 3 that is military is the exchange on the sterling military expenditure in England.

5590. Quite so; stores, pensions, and so forth; the other things that are paid in England?—Yes.

5591. But clearly, when we are making a charge for expenditure on the army in India, as apart from the corresponding charge in England, columns 5 and 6, so far as column 6 refers to military officers, ought to appear in Table IV., the Indian expenditure?—Yes, if you want to give the whole of the Indian expenditure. Sir Henry Waterfield's Table IV. is headed, "Net Military Expenditure in India apart from Exchange," and that is why he excluded these items.

5592. I should rather like to see the evidence of yesterday and to-day, so as to put rather more carefully together what the joint expenditure is, and I should propose to call your attention to that probably when next we meet, because if we try now to work out in question and answer what the joint charge is it will take up some time, and we shall get through it quicker if we come with the table prepared which will show the joint military expenditure in England and India; therefore I do not propose to go into that now?—Yes.

5593. (*Mr. Buchanan.*) I would only ask Sir Edwin Collen this; I see that in 1875–76 you paid the home authorities 4*l.* 12*s.* 6*d.* per head, and now you pay them at the rate of 7*l.* 10*s.*, which is a very large increase in the cost of the British soldier to the Indian Government. I suppose the contention of the Indian Government would be that that increase is greater than ought to have been charged to them?—(*Sir Edwin Collen.*) I think so. I think they would say that a certain organisation, for instance, depôts which have been created at home, has conduced to the increase of that charge. Take for example the portion of the charge, such as that for the cavalry depôt which came originally into the accounts, but which now is included in the 7*l.* 10*s.*; what we always contended, was that the organisation of the depôt was on a higher scale than was absolutely necessary to supply us with the numbers of cavalry recruits we required.

5593A. That addition to the cost of training the British soldier, undertaken at home from the point of view of convenience at home without any regard to the necessity for it in relation to his service in India, that change was made without consulting the Government of India, and with the view to British exigencies and not to Indian?

(*Chairman.*) No doubt there is force in what Mr. Buchanan says, but these charges were arranged practically by a Commission which had Lord Northbrook at its head with a representative of the War Office in Sir Ralph Knox, and a representative of the Indian Government, Sir Thomas Seccombe, therefore this was not a mere autocratic act of the English Government.

(*Mr. Buchanan.*) No

5594. (*Chairman.*) It was fixed by the committee. It was quite open to the Indian Government to object to the result?—If I may venture to say so, some of the members of various committees, the Indian members of various committees, although they accepted for the purpose of the settlement of the claims of the War Office certain rates and certain calculations, yet recorded their opinion that this depôt organisation, for instance, was on a higher scale than was necessary for the requirements of India, and they particularly asked that inquiries might be made into that subject.

5594*a*. (*Chairman.*) At the same time, it was a committee on which India was represented as well as the War Office, and, in addition to this, at the head of that committee was placed a statesman who certainly would not be charged, I think, with a disinclination to India; he was as impartial a man between England and India as you could find.

5595. (*Mr. Buchanan.*) That is one of the questions we propose to investigate, though whether it should come now or under the apportionment of charge I do not quite know; all I was going to ask just now was whether the Government of India would acquiesce in this great increase from 4*l.* 12*s.* 6*d.* to 7*l.* 10*s.*, as having been fairly imposed upon them?—No, I should say that they would say that that increase had been greater than was absolutely necessary.

5596. (*Chairman.*) When we come to the apportionment of charge we shall have your views upon this point?—Well, we may be entirely in error, but we have never been quite satisfied as to the details upon which the calculation was founded.

5597. But I presume you will be prepared to give us, when we come to the apportionment of the charge, your view upon the result of this Committee, will you not?—Well, in a general way, but I have, of course, no technical or expert knowledge of all the calculations made by the War Office at home.

5598. We shall be looking to you to give us the Indian case?—Yes, I shall be very glad.

5599. (*Mr. Buchanan.*) That will come next time. There is only one other question I should like to ask you about—could you tell us what in the old days when India did her own recruiting, and had her British force independently of the home Government, would be the corresponding charge to the Indian Exchequer to this 7*l.* 10*s.*?—I do not know the exact charge. I know, when we had the Warley Depôt, we recruited at a very small cost.

5600. There is no possibility of giving a figure, but I presume we may assume that it was considerably less than the 4*l.* 12*s.* 6*d.*; the former system was very much cheaper?—That is to say the special recruiting for the East India Company's forces.

5601–2. (*Chairman.*) The Indian Government have constantly put before the Treasury their view that the recruiting system was much cheaper when they did it themselves, but I do not know where to refer you to it?—(*Mr. Jacob.*) It is in the papers laid before the Commission.

(*Sir Ralph Knox.*) It comes up like King Charles' head in every letter they write on the subject.

5603. (*Mr. Buchanan.*) The Indian Government think, I suppose, as far as financial reasons go, that they would like to revert to the old system and have their British force independently?—(*Sir Edwin Collen.*) That opens up a very large question. I am not prepared to answer that in the affirmative.

5604. It has not been practically considered by the Indian Government in recent years?—No; not within recent years.

5605. It would certainly be very much cheaper?—I should say certainly that it would be cheaper.

5606. (*Sir William Wedderburn.*) I should like to ask Sir Edwin Collen a question that I forgot to ask as to the Indian charges with regard to the Volunteers. Do you consider from a military point of view that the Volunteers of India are of value?—I do.

5607. To the extent of the cost that is shown here?—Yes, I think so.

5608–10. I see that it has increased. At page 58 of this return of the reduction of expenditure it gives the cost for the volunteers, and it has risen. In 1884-85, it was Rx. 68,100. It has gradually risen till in the estimates of 1892–93 this item is shown as Rx. 166,000. That is a very large increase?—Yes.

5611. Is it likely to go on increasing in that same ratio?—I think not, because part of the increase depends upon certain concessions which were made to the volunteers in the way of assistance and money, and capitation allowances and so on, which are not likely to occur again within a few years, and the limit will be the limit of numbers of volunteers who can be obtained in India.

5612. Then the increase has been a sort of annual increment each year?—Each year, yes.

5613. It has not jumped up suddenly?—No, as a rule it has gone on gradually. There were very few volunteers at one time, now there are a considerable number—28,000 to 30,000 I think.

5614–17. May I ask in what way they are valuable from a military point of view?—I should say from a military point of view they are valuable for garrison purposes, to hold certain stations in case of any internal disturbances, or when the troops were withdrawn in other directions. They are auxiliary forces to the regular army and they would be valuable in occupying certain positions in India, and securing the safety of an unprotected population.

5618. If it were desired to reduce that expenditure upon the volunteers, in what direction could it best be effected?—The only possible way would be by the Government of India saying they would not allow any more volunteers to be enrolled. I see no possibility of reducing the expenditure so long as you continue to enrol them.

5619. Those different items at paragraph 18, page 58, of the paper headed, "Reduction of Expenditure," would all have to continue?—Yes, undoubtedly.

5620. There is just one other question I wish to ask with reference to a map of the boundaries; could you give me the reference to the map which is at present the working map of the Government of India in dealing with such questions—boundary questions?—No, I am afraid I cannot give you any special reference.

5621. I mean could you ascertain, and at the next meeting perhaps give us that?—I might be able to do so.

5622. It is an important point to know upon what line the Government of India depend in these matters?—Yes.

5623. (*Mr. Naoroji.*) I have just only one question. I think it was declared in some despatch by the Government of India that they were not legally bound to pay this compensation for exchange; are you aware of that?—(*Mr. Jacob.*) Yes, there could be no legal claim.

5624. They are not legally bound to pay it?—Yes, I believe so.

5625. And can you say that when, as was the case very often, exchange was above 2*s.*, any account was taken of that at all in paying the salaries in those days?—I was not happy enough to be in India then.

5626. But from the India Office you can ascertain whether they have always paid the regular rupees without any reduction at all or so much higher. From records I daresay they can find out whether any such deduction was ever made?—I think I can safely say that no such deduction was ever made in the matter of civil pay.

5627. (*Sir Ralph Knox.*) There is one point which I should like to clear up which I think these figures do not make very clear, but rather confuse. The first figure stated in table 14 as payment made to the War Office is stated at 320,000*l.*?—Yes.

5628. It is hardly correct, I think, to state that that payment was made to the War Office. It was made on account of the War Office claim, but it was really made to the Treasury; are you aware of that?—Yes, it was made to the British Treasury.

5629. At one time all the payments of these expenses formed a proportion of the extra receipts of the revenue. That year, 1875–76, was, I think, in the middle of the period during which there was considerable dispute as between the War Office and the India Office as to the payment that should be made, was it not?—Yes, I believe so.

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5630. It is the middle of the period, and during that time it would appear that, as against the claims which the War Office was making, the India Office was taking a very sanguine view as to what the amount would be which they would have to pay; for I find here, in referring to the papers in which a settlement was come to, that the War Office claims during the seven years were 486,000*l.*, 444,000*l.*, 388,000*l.*, 403,000*l.*, 430,000*l.*, 468,000*l.*, and 679,000*l.* As against those claims the India Office appears to have paid the Treasury 505,000*l.*, 435,000*l.*, 450,000*l.*, 400,000*l.*, 380,000*l.*, and then comes this very sanguine year, 320,000*l.*; the next year 400,000*l.* The settlement that was come to ultimately as regards those seven years was that a certain portion claimed by the War Office should be written off, and that the sums which had been advanced to the Treasury on account of those years should be taken as approximating the sum which should be paid by the Indian Government to the Treasury. The average payment throughout those years would have been 410,000*l.* and none of them fell so low as 320,000*l.*?—No payment for any one of those years appears really to have been so low as 320,000*l.*

5631. So that the insertion of this figure, practically for comparison, shows as if some very large increase, as compared with that year, had been made in the claims on the part of the War Office?—I stated before that it was only a payment on account, that there were some arrears.

5632. But supposing the sum of 410,000*l.*, which is the average, be taken for that year, the increase would be reduced by about 90,000*l.*?—Yes, that is so.

5633. The increased charge in the later years has risen, has it not, from the fact that there has been an increase of force, and also from the fact that a larger number of recruits are sent out in consequence of the full development of the short-service system. Is not that the case?—I think Sir Edwin Collen could answer that question. (*Sir Edwin Collen.*) Yes, I think so.

5634. The increased charge under the 7*l.* 10*s.* charged for the period is by reason of the fact that a charge per man had been the main element in making the calculation, and that the number of men shipped as recruits has been larger than it was under the former system; that is so, is it not?—(*Mr. Jacob.*) The charge per man formed a considerable element, but not the only element in the charge.

5635. Quite so, but still a considerable element?—Yes.

5636. So much so that, supposing the number shipped had increased from, say, 9,000 up to 14,000, that would make a considerable difference?—It would make a considerable difference.

5637. But are you not aware that that is one of the main causes of the increased charge?—On the details of 1889-90 the charge per man was less than 50 per cent. of the whole charge.

5638. But it was the charge which varied the most?—That I cannot say.

5639. Then as regards the non-effective British charge, could you state what the sum was that was paid under the system of capitalisation in the last year?—The amount paid in 1884-85 was 830,994*l.*

5640. Do you know how much of that was on account of officers, and how much on account of men?—I am not sure whether that is stated in the accounts or not. No. I find that it is merely stated as a payment to the Imperial Government on account of retired pay pensions, &c. of Her Majesty's British forces serving or having served in India, 800,000*l.*; pay of non-effective colonels of Royal Artillery, 30,994*l.*

5641. But after the cessation of the system of capitalisation the charge was very much reduced?—Yes, very much.

5642. Do you know at what rate the non-effective charge for men was increasing at about that time? You have stated just now that you are unable to distinguish between the two; I am afraid that is an answer to my question?—I do not think I could state that now.

5643. Have you figures which would show at what rate the out-pension charge for British soldiers is increasing now?—Do you mean the total charge?

5644. No, for pensions to soldiers. What I was trying to do was to contrast the charge under the longer service system with the charge under the shorter service system for pensions for soldiers?—The amount is not distinguished in the accounts at all.

5645. Would you be surprised to hear that in the last years of the system that is in 1881, 1882, 1883, the additions to the annuity which the Indian Government capitalised, amounted in the year 1881-82 to 39,000*l.*, in 1882-83 to 34,000*l.*, and in 1883-84 to 21,000*l.*, an average of something like 35,000*l.* a year of increased charge, whereas the increased charge at present amounts to from 7,000*l.* to 10,000*l.* a year. Would you think that that would be the natural effect of the change?—I do not know to what charge exactly you are referring.

5646. The charge for out-pensions for soldiers?—Yes, I have not got the details of that. The total charge is increasing much more rapidly than that.

5647. The total charge?—Yes.

5648. But the pensions to the soldiers in the two periods are according to figures which I have before me just what I have stated. Before the system of short service had come completely into operation, the annual increase amounted to as much on an average as 35,000*l.* a year, whereas now the annual increase amounts to not much more than from 8,000*l.* to 9,000*l.* a year?—No, I am not at all surprised to hear that, because it would be the natural result of the change of the system. In the one case the capitalised value was given which, of course, very largely exceeds the annual value. In this case it is an increase in the annual value; in the former case it was an increase in the capitalised value. An increase in the annual value of 9,000*l.* or 10,000*l.* shows a very much larger increase than an increase in the capitalised value of 35,000*l.*

5649. Quite so, but the increase I have stated is not an increase of the capitalised sum, but an increase of the annuity upon which the sum paid by India was capitalised?—I did not understand that.

5650. That is to say, India in 1881-82 paid a capital sum respresenting the value of an annuity, representing 39,970*l.* for pensions granted in that year; in the year 1882-83 they paid a capitalised value of 34,560*l.*; in 1883-84 it fell to 21,300*l.*, so that if there had been a system of annual charge in existence at that time, the vote would have gone up by 39,000*l.* in the one year, 34,000*l.* in the next year, and 21,000*l.* the next year?—What increase was that?

5651. The increase of the annuities which India capitalised?—I do not understand that.

5652. Every year a certain number of men were being put upon the pension list?—Yes.

5653. The annuity representing the value of those pensions was ascertained and then India paid the capital value of that?—Yes.

5654. That was the system. Well, I have before me a figure which informs me that for the year 1881-82 the annuity which India capitalised on account of out-pensions of men was 39,970*l.*?—Not the increase?

5655. Those were the new pensions created that year in addition to any pensions that had been in existence before?—Yes, but India only paid the value of those.

5656. That is all?—Yes, exactly.

5657. But the addition to the annual charge amounted to 39,970*l.*?—No, certainly not, the addition to the annual charge would not amount to that. India paid only the capitalised value each year of the pensions.

5658. Of the pensions?—The amount may have been increasing or decreasing from year to year.

5659. Yes, but the figures I have before me show that the increase in that year in the annual charge was 39,970*l.*?—Not the increase in the annual charge, the pensions of which we had to pay the capitalised value during that year were of that amount; we may have had to pay more or less in the previous year.

5660. More or less?—Certainly.

5661. In the previous year?—Yes; the two things have no connexion with each other that I can see.

5662. You paid in that year 484,000*l.* for the capitalised value of the pensions that were granted to soldiers for their Indian service?—Yes, but we did not pay 484,000*l.* plus the amount that we paid in the previous year.

5663. What you paid in the previous year was a final settlement?—A final settlement exactly.

5664. And then you paid the next year 484,000*l.*?—Yes.

5665. That represented an annuity of 39,000*l.*?—Yes.

5666. The next year you paid 420,000*l.* on account of out-pensions, capitalised sum?—Yes.

5667. That was the capitalised value of an annuity of 34,000*l.* a year. The next year you paid 259,000*l.*, which was the capitalised value of 21,000*l.*, and so on?—Yes..

5668. Therefore the annual increase to your pension list represented, then, just as much as I have stated, 39,000*l.* one year, 34,000*l.* the next year, and 21,000*l.* the next year?—No, I do not admit that that is the annual increase in the same sense in which the expression would be applied under the present system. That was, as I understand you, the charge for which we were actually responsible in each year; now we carry on from year to year the balance of the pensions which, according to the actuarial calculation, are payable during the previous year, and the additional payment, if any, is an actual addition to the payment of the previous year.

5669. But surely you will admit that your payment under the capitalised system was the capital value of the new pensions that were granted in that particular year?—Yes, that was the way we paid.

5670. Your new pensions meant an additional charge to India?—No, they would not be an additional charge in the same sense as under the existing system. When you pay from year to year there are certain pensions coming on and there are certain pensions which go off, and you get a net annual increase or decrease, but in this case you merely take an absolute figure for the year and you pay the capitalised value of that. The two systems cannot be compared except by bringing the figures to some common denominator, as, for instance, by taking the totals over a very considerable period. You cannot compare them by taking merely the increase from one year to another, or the actual payment from one year to another.

5671. I see what you mean, you say there would be a decrement to set off against this additional charge?—Certainly.

5672. (*Mr. Naoroji.*) As I understand it, say that in any particular year 400,000*l.* were paid?—Yes.

5673. This means that for those people whose annuity began in that year, out of that 400,000*l.* every annuity would be paid for them for as long as was necessary by the government here?—Certainly.

5674. That account is settled altogether?—Yes, absolutely settled.

5675. In the next year new pensions arise?—Yes.

5676. In that case, again, the Indian Government pays another 400,000*l.*, to meet all the annuities that apply to these new pensioned men?—Yes, that is the case.

5677. And so on year after year. What Sir Ralph Knox wants to show is that every year you pay the capitalised amount for the annuities, to be paid afterwards as long as they lived from that sum by the Government here?—Yes.

5678. Well, that I suppose is clear enough?—That is clear enough.

5679. That has nothing to do with what was paid last year for those pensioners only who were added last year. What you pay this year is only for those who are coming on this year, and whose annuity is to be paid afterwards by the War Office regularly?—That was the previous system, but under the present system we pay the annual value.

5680. You pay only the annual value every year?—Every year.

5681. Has that diminished, or has it increased?—Well, it is actuarially calculated, it is not the actual value, but it is the annual value calculated for the one year only.

5682. You pay the annuity for that year only and not the capitalized value?—That is so.

5633. (*Sir Ralph Knox.*) What you said is that against these additions that I have stated here as the annual additions, we must ascertain what would have been the falling-off of the pensions that had ceased during those years?—Yes, if we had distributed the capitalised value over the whole period for which the pensions were payable, there would have been a decrement in each year on account of the old pensions as well as an increase on account of the new pensions, and the difference between those two would have represented what is now shown as the increase.

5684. There might have been a decrement; there would have been sure to have been some increase?—There might have been some net increase, but I say what you would have to compare with the present increase is not the total new pensions of the year, but the difference between those new pensions and the amount which actuarially calculated would have fallen off in that year.

5685. (*Mr. Mowbray.*) On Table XIX, Mr. Jacob, could you explain to me why, if the rupee was falling between 1871 and 1883-84, the column of British soldiers' pay, and the column of increased expenditure, owing to exchange, does not begin till 1883-84?—That is because, as a matter of fact, we did not pay the equivalent at the official rate of exchange until that year. It was a new system that was introduced in that year. (*Sir Edwin Collen.*) In 1873 a change was made by which the British soldier was paid at 1*s.* 10½*d.*, and that went on, I think, until 1883-84.

5686. Then you mean that between the years 1871 and 1883-84 the British soldier did not get any increased number of rupees to make up for the fall in exchange?—(*Mr. Jacob.*) He got his pay at 1*s.* 10½*d.* instead of 2*s.*

5687. At a fixed rate of 1*s.* 10½*d.*?—At a fixed rate during all that period, and I presume, therefore, with reference to what I said above, that the fixed rate with which the existing rate is compared for the purpose of calculating the increased charge for exchange on the British soldier's pay is 1*s.* 10½*d.* and not 2*s.*

5688. And what were the steps which led to the alteration of that fixed rate into the calculation at the annual official rate?—(*Sir Edwin Collen.*) A representation was made by the Commander-in-Chief in India on the subject.

5689. (*Sir Donald Stewart.*) I was commander-in-chief at the time I think, and it was on a complaint received from a private soldier?—Yes, of the Royal Fusiliers.

5691. (*Mr. Mowbray.*) Was it done by the Government of India on their own initiative?—In communication with the Secretary of State.

5690. Was it in any way forced upon them by the Government at home in consequence of the representations of the soldiers in India?—No, I do not think it was in any way forced upon them by the Government at home; they took it up and discussed it on their own motion.

5692. (*Sir Donald Stewart.*) It was strongly recommended by the Government of India?—Yes.

5693. (*Mr. Mowbray.*) Are there any facilities given to the soldiers for remittances home?—Yes.

5694. I believe there is some system by which officers can remit on more favourable terms?—(*Mr. Jacob.*) They used to be able to remit through Government before compensation for loss by exchange was granted.

5695. That old system has been abolished since the compensation for loss by exchange was granted?—Yes.

5696. Was there any system?—Perhaps I may be allowed to explain; that the arrangements previously in force did not allow the officers to remit at a very favourable rate; they were merely allowed to remit at the official rate of the year, which generally happened to be slightly higher than the actual rate, because the rupee was falling; it was fixed with reference to past facts, and the rupee fell in the interval.

5697. But was there any similar arrangement with regard to the remittances of private soldiers who were being paid at the sterling rate?—(*Sir Edwin Collen.*) That is to say, who were being paid, you mean, at the rate of 1*s.* 10½*d.* since 1873?

5698. Since 1873 at the rate of 1*s.* 10½*d.*, or since 1883-84 at the current official rate?—Yes; they were allowed to remit for some years at 2*s.* 0½*d.* A despatch from the Government of India in 1883: "The question "was referred to the Commander-in-Chief for opinion, "who in his reply dealt mainly with the question of "remittances, and objected to any change being made "in the rate of exchange, 2*s.* 0½*d.*, at which the soldier

Major-Gen. Sir E. H. H. Collen, K.C.I.E., and Mr. S. Jacob, C.S.I.

12 March 1896.

Military.

" was allowed to send home remittances for the benefit " of his family and friends, and to take home his " savings bank balances."

5699. Of course, I quite understand that where people are paid in rupees, and wish to remit, there may be a reasonable ground for allowing them to remit at a rate higher than the current rate of exchange, and that, I understand, was the case with officers before the exchange compensation allowance was made?—(*Mr. Jacob.*) The rate at which officers were allowed to remit was not intended to be higher than the current rate of exchange; it happened to be so because the rupee was falling; they were merely afforded facilities for remittance, but not with the intention of giving them a favourable rate. It happened in some years that the rupee did rise slightly, and in those years the rate, which they were offered by the Government, was lower than the actual market rate.

5700. But, of course, the same argument would not apply to people who are being paid at the sterling rate?—No.

5701. And what I wanted to know was whether any similar advantages for remittance were given to private soldiers, who were being paid, not as the officers were being paid, in rupees, but in sterling?—The British soldier has no privileged rate of remittance. (*Sir Edwin Collen.*) No, he had, as I pointed out, but he has not now. (*Mr. Jacob.*) He has not had a privileged rate since he has been paid at the official rate of exchange.

5702. Since he has been paid at the rate of exchange of the day he has no special advantages?—No. (*Sir Edwin Collen.*) What the Government of India said in the despatch was this: " If fixed in sterling, it should be " paid in India at the exchange of the year; if a local " allowance, it should be fixed and paid in rupees. " any money remitted to us from India for us or for the " soldiers should be dealt with in the same way."

5703. (*Mr. Naoroji.*) I want to ask just one figure. Can you give me the total amount for any one year of the salaries of soldiers and the pay of officers; European officers and European soldiers?—(*Mr. Jacob.*) I am not sure that that could be given.

5704. European military officers and European soldiers, the total pay and expenditure, and also the total pension of soldiers. All the officers I think we have in the return; it is the soldiers' pay and personal expenses or allowances I want?—I will see if any such statement can be prepared.

The witness withdrew.

Adjourned till Thursday next, at 11 a.m.

(For the 12th to the 14th days' Evidence, *see* pages 385, *et seq.*)

At the India Office.

FIFTEENTH DAY.

Thursday, 23rd April 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. S. Jacob, C.S.I.

23 April 1896.

Debt.

Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor-General to the Government of India, recalled and further examined.

7184. (*Chairman.*) I am sorry to say we have been obliged to make an alteration in the arrangement which we contemplated when we parted. We did our best to get the evidence given by Captain Hext in proof to the Admiralty, and I saw Mr. Goschen on the subject of his giving us a witness, and he promised me that if I would send him the evidence as soon as it came out, he would lose no time whatever in giving us a witness. But the evidence did not reach us till Tuesday. He wanted to look through it himself, and that was too short a time for him to be able to send us a witness. About to-day or to-morrow I shall probably hear from him as to who will come, and, in that case, I think we had better take the Admiralty witness next week, so as to have Captain Hext the week after, as the India Office is anxious not to detain him over here longer than is necessary. I have also agreed with the Admiralty and the other Departments on the subject of the case upon which Lord Rosebery's award was based, and I hope that that will be very soon in the hands of the Commission. In the meantime, in consequence of the Admiralty not being able to send us a witness, I was obliged to make another arrangement, and I asked Mr. Jacob to come to-day. I propose, as on a former occasion we took " Law and Justice," to-day to take with him the " Debt Services." Mr. Jacob, have you seen the memorandum which was prepared for the use of the Commission by Sir Henry Waterfield on the " Debt Services "?—It was prepared by Sir Henry Waterfield and myself, jointly.

7185. I will, if you please, take that as the paper on which my questions to you will be chiefly based?—Yes.

7186. Would you in the first place tell us what is the law or the practice of the Government of India as to the repayment of debt; is there any sinking fund?—In India there is no sinking fund as regards the rupee debt, but in England there is a small sinking fund for the general debt. It is not a fund prescribed by law; but the practice originated as follows: Formerly loans were raised at such a rate of interest as would attract offers at about par, and, the amount of discount or premium being small, it was included in the expenditure or revenue of the year without materially affecting the finances. When, however, it was decided in 1885 to issue a loan with a low rate of interest, in the form of a stock at a considerable discount, it was determined to enter as a receipt the money raised, not the debt incurred. But, lest, by borrowing at a discount, and subsequently repaying at par, the difference should fail to be charged against the revenue, it was provided that, if the discount in any one year was moderate, it should be charged against revenue; but that, if the amount was so large that that course would be inconvenient, such a sum should be annually invested and charged against revenue as would

at 3 per cent. compound interest amount to the discount incurred by the date when the option of redeeming the loan would first arise. The cases in which the discount on loans was not charged against revenue were—

	£
In 1885-86 - - - -	515,014
In 1886-87 - - - - -	792,554
And, on the purchase of the Oude and Rohilkund Railway, in 1888-89 -	285,482
	£1,593,050

The sums applied to the sinking fund have been invested in the purchase of India 3½ per cent. stock; the debt extinguished in 1893-94 was 10,237*l.*, and in 1894-95 10,507*l.*; the total extinguished, since 1885 to 31st March 1895, is 85,416*l.*

7187-8. Then, perhaps, you can give us an instance of the manner in which that sinking fund works. Supposing, for instance, that the Indian Government borrowed here three millions, we will say, at 3½ per cent., at which, I think, your stock is now, is it not?—3 per cent. we issue at now.

7189. Would there be a sinking fund attached to that, or is it merely a sinking fund arising, as I understand from your last answer, out of the discount arrangements? Could you show us how it would act upon such a sum as 3 millions borrowed in 3 per cents.?—There would be no sinking fund for the general debt; it would be merely for the discount if it were of so large an amount as to render it inconvenient to charge the amount against the revenue of the year.

7190. That is to say, if the loans were issued at 98 or 96 you would make up the difference between that and par?—Yes, we should charge that to Revenue Account.

7191. So that in the long run you would be able to show that you had 100*l.* for every 100*l.* of stock?—Yes.

7192. You have no other sinking fund but that?—There are special sinking funds in a few cases, in connexion with the purchase of certain of the guaranteed railways. The practice in respect of the principal of these railways has been to purchase them by means of annuities; and when stock is issued in lieu of, or in exchange for, annuities, provision is made by law for the creation of sinking funds by the investment of the difference between the amount of the annuity which would have been payable, and the interest on the stock originally created in redemption thereof.

7193. I shall have to ask you a question on that subject afterwards; but while we are dealing with this point I am struck by the fact that from this memorandum it appears that of recent years the interest on the debt attributed to public works in India considerably exceeds the amount of the interest on debt charged in India. If you will look at the page which gives the interest on the debt ("Public debt "other than that charged to railways and irrigation," page 1) it appears that interest on debt in India in the Budget of 1895-96 was 3,633,400 Rx. The total interest on the total debt charged to public works is then stated as 4,909,800 Rx., leaving the interest on the Public Works debt at 1,276,400 Rx. more than the total interest on the debt in India. It rather puzzles one to understand how that has been effected. You may have lent to railways or to public works surpluses with which you charge them as debt, or you may have transferred to the Public Works Account in India part of loans raised in England?—Yes. We charge against the Public Works the interest on the actual capital expenditure on public works, and that may exceed the amount borrowed in India during any given period, and, as a matter of fact, it does now exceed the total of the Rupee debt. Of course, we have to take into account, besides the actual debt which is shown under this head, our net Savings Bank receipts. These we do not fund in India, but they come in aid of the Government balances and become one of the liabilities to meet which the Government balances generally are responsible.

7194. And which you use for such things as railways?—We use them for any purposes for which we should use money raised by loan.

7195-6. What rate of interest do you charge on such expenditure?—We charge 4 per cent. on the Public Works capital expenditure.

7197. Four per cent. all round?—Yes.

7198. You use such moneys as Savings Bank receipts; do you also use for the same purpose surpluses arising at the end of the year which strengthen your balances?—They of course enable us to avoid borrowing, thereby lessening the amount we should borrow in any given period and so increasing the amount of the credit to the Ordinary Debt and of the charge for the Public Works Debt.

7199. Therefore supposing that in one year there was a surplus of 2 millions which went into your balances, and supposing that during that time your expenditure on public works was 4 millions, you might borrow 2 millions to be added to your debt and lend 2 millions out of your balances, and at the end of the period your Public Works Budget would be charged with a debt of 4 millions?—Yes.

7200. But the debt of India would only be increased by 2 millions?—That is so.

7202. I think I understand it now. You divide the debt of India into two divisions, which I shall qualify as non-productive and productive debt. I do not know whether you use those expressions?—Those expressions used to be employed. The two divisions are now called Ordinary Debt and Public Works Debt.

7203. And how would you define and limit the Public Works Debt? On what conditions and for what services is that debt raised?—The total expenditure on the construction of railways and irrigation works is treated as capital expenditure on which interest is chargeable.

7204. Nothing else?—No, nothing else. We include all railway capital expenditure, whether it is actually incurred from revenue or incurred from debt.

7205. You may either advance the money out of balances or you may raise it in the open market?—Yes.

7206. As far as the Public Works Budget is concerned it does not matter: they owe the same whether it is advanced from balances or raised from loans to the Government of India?—Yes.

7207. And whether it is advanced from balances or raised in the market, it is a debt against the Public Works Department?—Yes. Of course, we do not treat the Public Works Department as if it were separate from the Government of India; the arrangement under consideration is merely a distribution of the debt which it has incurred which the Government of India thinks it convenient and prudent to make in its accounts.

7208. Quite so. It is very important we should get into our minds that a part of this Public Works Debt has been advanced out of the surplus revenue or out of other funds—out of the savings banks fund for instance—which may be at the disposal of the Government of India; and that it does not follow that the debt of India increases in precise proportion with the increase of the Public Works Debt?—Yes, that is one way of looking at it. Of course you may look at it from another point of view. A great part of the railway capital expenditure is incurred in England, and, though loans have been raised in England during this period, we do not charge any of the English debt as Public Works debt except that portion which is raised expressly for such purposes, as, for instance, for the purchase of a specified railway. We do not charge any of the ordinary debt raised in England to Public Works, and the consequence is that we have to show a minus entry in India under the Ordinary Debt, whereas the result would be just the same if we showed a plus entry in India, and a smaller positive entry in England.

7209. Studying these figures I come to the same conclusion, that the way in which it is stated here is a method which might be equally well, and perhaps more intelligently stated, if that part of the debt was charged against the debt raised in England?—A proposal to that effect has actually been received at the India Office from the Government of India, but it has not been answered yet, and I cannot say what the decision of the Secretary of State will be upon it. The Government of India have, however, proposed that the minus entry in India should be done away with by transferring to interest on Public Works debt certain portions of the interest charged on the ordinary debt in England.

7210-2. But still that is a method of account?—Merely a method of account.

7213. The debt of the Public Works Department is in part due to advances by the Government of India, either of surpluses or of other funds, which they may have in their balances for the time being?—Yes, the principle on which we proceed is that, as we are borrowing every year, or almost every year, it is not worth while keeping up a distinction between the different portions of our balances, or paying off debt with one hand and raising it with the other; and that the simplest way is to raise in any year the net amount we find we shall require for the satisfaction of the whole of our outgoings.

Mr. S. Jacob, C.S.I.

23 April 1896.

Debt.

7214. Quite so. What interest do you allow on the Savings Bank deposits in India?—Till last year we were allowing 3¾ per cent., but it was reduced in 1894 to 3½ per cent.

7215. You are still obtaining from the Public Works Department 4 per cent. on those deposits, if they are lent to the Public Works Department?—We charge the Public Works Department 4 per cent. all round.

7216. And so far you make a fair profit?—No, I do not think any profit has been made on the Savings Bank debt. Till last year, as I said, we allowed interest at 3¾ per cent., but the cost involved to the Government was probably fully 4 per cent.

7217. Now it has got down to 3½ per cent.?—Yes. It was calculated last year that the whole cost of the Public Works Debt was considerably over 4 per cent. really, if we went back to the origin of the debt. We are paying 3½ per cent. in sterling, for instance, upon a considerable portion of the English Debt, which comes to more than 4 per cent. when converted into rupees.

7218–9. (*Sir Edward Hamilton.*) Is the actual amount of the Savings Bank deposits large?—The total of what is classed as Savings Bank deposits, which includes a few service funds, is Rx. 10,791,000.

7220. (*Chairman.*) In what year is that?—At the end of 1895.

7221. (*Sir Ralph Knox.*) What is the limit of deposits in savings banks in India?—The limit is 200 rupees a year, and 2,000 rupees in all.

7222. (*Chairman.*) But if you give 3½ per cent. at the present moment, and charge 4 per cent. when you lend that money out to the Public Works Department, that would give you I should think a distinct profit, would it not?—I do not think on the whole that the 4 per cent. charge to the Public Works Department would give us any profit.

7223. Do you think that the administration in India of that Savings Bank fund of 10,000,000 Rx. would really cost as much as ⅛ per cent.?—No, that alone does not cost ⅛ per cent.

7224. Is it Rx. 10,000,000 capital?—Yes, it is a very small amount compared with the Savings Bank deposits in England. I did not mean that the Savings Bank debt costs us 4 per cent., but I meant that, if you took the whole of the Public Works Debt all round, we do not make a profit by charging 4 per cent. for that.

7225. But Sir Edward Hamilton's question was rather directed to the Savings Bank debt, and on that I think that at the present moment you are making a profit?—Yes, but I do not know that you can say definitely that any particular part of the debt is applied to any particular part of the expenditure.

7226. (*Sir Edward Hamilton.*) No, but you are lending at 4 per cent., I understand, and only paying 3⅛ per cent., therefore there is a margin of 17*s.* 6*d.*?—I should say that, as far as this money is concerned, we are not lending at all; it is merely a distribution of the charge between the different departments of the Government. On the whole the Public Works Debt costs us fully 4 per cent., and I think it is fair to charge 4 per cent all round for that. If we assumed that the Savings Bank debt had all been applied to public works, and charged only 3⅛ per cent., or a little over, upon that, we should have to follow the other debt, and see what sterling debt had been incurred for public works, and what the charge for that was; and, if we did that, the whole of the charge would, in my opinion, come to more than 4 per cent.

7227. (*Chairman.*) Do not you really keep any account of what you do with Savings Bank money?—We do not earmark the money in any way; it merges in our general balances.

7228. (*Mr. Courtney.*) Of course it is a loss to allow 3⅛ per cent. if you can get money for 3 per cent. in the open market?—Yes, if we can.

7229. And do you float loans at 3 per cent.?—Not yet.

7230. (*Sir Edward Hamilton.*) There is about to be a loan at 2½ per cent., is there not, presently?—That is a sterling loan. We have not raised a 3 per cent. loan in rupees yet; our lowest loan that we actually raised was 3½ per cent. at 96.

7231. (*Chairman.*) Over here?—No, in India, in rupees.

7232. (*Mr. Courtney.*) How long ago?—In 1893.

7233. (*Chairman.*) What is your last loan here?—That was a 3 per cent.

7234. Within the last year or two?—Yes.

7235. Did you raise it at par or over par?—On the average nearly at par—99*l.* 18*s.* 3*d.*

7236. (*Mr. Courtney.*) The discrepancy arises from the uncertainty still hanging over the rupee?—Certainly.

7237. (*Chairman.*) This division between the ordinary debt and the Public Works Debt is, I presume, only a matter of account?—That is all.

7238. There is no separation in the stocks themselves?—None.

7239. (*Sir James Peile.*) Do you know what the 2½ per cent. loan now being issued is quoted at to-day?—I have not seen the quotation to-day; yesterday it was about 103.

7240. (*Sir Edward Hamilton.*) It is 105 to-day.

7241. (*Sir Donald Stewart.*) It was 105 yesterday afternoon?—It may have risen after the quotation I saw, which was 5 premium on the minimum named, that is, 104.

7242. I think so?—I did not see that.

7243. (*Sir James Peile.*) It is not yet issued, but it is quoted?—That is so.

7244. (*Chairman.*) Perhaps we may now take the debt as a whole. I see that the total debt of the Indian Government in 1875 consisted in India of Rx. 69,850,000, and in England of 48,600,000*l.*, making a total, accepting for the moment the valuation of the rupee at one-tenth of a pound, of 118,450,000*l.*?—Yes, those are the correct figures in round numbers.

7245. In 1895 the debt in India was Rx. 104,373,000, and in England it was 116,005,000*l.* Putting them together on the same basis they amount to 220,378,000*l.*?—That is so.

7246. Therefore the increase is in round figures 102,000,000 Rx.?—Yes.

7247. The figures I go upon are the amounts of 1875–76 and the Budget of 1895–96.

7248. (*Sir Ralph Knox.*) We have not got them.

7249. (*Chairman.*) I am taking the rupee at one-tenth of a pound, because the India Office follow that rule and charge the difference between the rupee at one-tenth of a pound as loss by exchange. I think it is very questionable whether that is a right method of doing it, but it is customary and intelligible. The interest on the debt in 1875 in India was 3,017,000 Rx., in England 2,161,000*l.*, making a total of 5,178,000*l.* In 1895 the interest on the debt in India was 3,633,000 Rx., in England 3,857,000*l.* Putting those together on the same principle I get 7,490,000*l.*?—Yes, that is so, if pounds sterling and Rx. can be added together. The figures for 1895–96 are, however, only the Budget estimate and not the actuals.

7250. Quite so. That shows an increase apart from exchange of 2,312,000*l.*, of which 1,696,000*l* is in England?—Yes.

7251–2 The average rate of interest I make out to have been, in 1875, between 4¼ and 4½ per cent.; the average rate, in 1895, between 3¼ and 3½ per cent.?—Yes, that is about it.

7253. And therefore the average saving over 1875 in 1896 is very nearly 1 per cent., or 2,200,000*l.*?—It works out to very nearly 1 per cent., and would give a saving of between 2,100,000*l.* and 2,200,000*l.*

7254. I suppose that the Indian Goverment would hold that the amount borrowed between 1875 and 1895 was borrowed necessarily and for the benefit of India?—Yes.

7255. But if the rate of interest, especially in England, had been the same in 1895 as in 1875, the charge would have been, in round figures, 2,200,000*l.* more than it is—that is, 1 per cent.?—Yes, 1 per cent.

7256–7. On the other hand, taking the rupee at the fictitious rate of 2*s.*, the cost of exchange was in 1895 2,215,000*l.* against 237,000*l.* in 1875, an increase of 1,978,000*l.*?—That is the increase in Rx., on account of exchange.

7258. Therefore the reduction of the rate of interest rather more than counterbalances the cost of exchange, even when the rupee is taken at the fictitious rate of 2*s.*?—That is not taking it at the fictitious rate; you have now taken in the exchange which gets rid of the fictitiou rate.

7259. I am first of all taking the rupee at one-tenth, an then I say that, when we take the charge which you pu down as exchange, it shows an increase over 1875 o 1,978,000*l.*?—Yes.

7260. We need not dwell upon the fictitious rate; I only guard myself against acceding to that method of calculation. But my question was intended to elicit the fact that the reduction in the rate of interest rather more than counterbalances the cost of exchange even when the rupee is taken at the fictitious rate of 2*s*. If the rate of interest had remained the same in 1895 as it was in 1875, would not the interest on debt have been 2,200,000*l*. more?—Yes.

7261. But according to the India Office method of calculation the loss by exchange is 1,978,000*l*.?—That is the difference between the amounts shown in the Exchange column.

7262. Therefore the reduction in the general rate of interest rather more than counterbalances the loss by exchange?—Yes.

7263. And that, really, states the case of the debt as a whole; that in spite of the inconvenience caused by the exchange to India owing to the fall in the value of silver, her position is very nearly the same—rather better—as it would have been if the rates of 1875 had continued?—The total interest charge is higher now than it was then.

7264. Yes, but only because you have borrowed more?—Yes.

7265. And that does not affect the fact that, if the rates of 1875 had continued, you would have been paying 2,200,000*l*. more than you are now?—No.

7266. Let me put it in another way. If the exchange had continued exactly as it was in 1875, and if the rate of interest had continued exactly the same as in 1875, as far as your Budget in India is concerned, you would have been worse off than you are now by some 300,000*l*.—between 200,000*l*. and 300,000*l*.?—Yes, I suppose that would have been the case.

7267. And that states the general result of the incidence of the debt on the Budget of 1895 as compared with that of 1875?—It seems to me that the general result can be just as well put in another way; the fall in the rate of interest has no direct connexion with the fall in the rate of exchange, so I do not understand why the one should be set off against the other. I should not state the general result in that way.

7268. I am looking simply at the result on the Budget?—Yes.

7269. But much stress is laid upon what we all admit to be the inconvenience to India of the fall in exchange. Dealing with the debt alone, as far as the charge to the Budget in 1895, as compared with 20 years previously, is concerned, the fall in exchange is counterbalanced by the fall in the rate of interest; therefore it does not matter how the position arises, in reality you are no worse off in 1895 than you were in 1875?—That is a fact, but I do not see the connexion between the two.

7270. No. As far, however, as the Budget is concerned, no more is taken out of the taxpayers' pockets?—Of course that is one way of putting it; but it would be equally correct to say that the general result would have been that we should have had a large saving if it had not been for the fall in exchange.

7271. Certainly that is another way of putting it, but the point to which I am confining my question is the effect on the Budget, that is all?—Yes.

7272. The result on the Budget is almost the same as if the state of affairs that exists now had existed in 1875?—That is arithmetically correct; but I want to guard myself against the impression that that is the way in which I should myself put the result.

7273. I am not asking you in the slightest way to connect the two facts; I only say that, in the financial manner of looking at it, that is how the taxpayer is affected?—Yes.

7274. The one counterbalances the other?—Yes, very nearly.

7275. (*Sir James Peile*) You would say that, in consequence of the fall in exchange, you do not enjoy the benefit which you otherwise would from the fall in the rate of interest?—Exactly. Other countries have reaped the benefit from the fall in the rate of interest without suffering the inconvenience and loss which results from the fall in the rate of exchange.

7276. (*Chairman.*) I quite admit that; but, as far as it goes, in spite of the inconvenience and the loss arising from the fall in exchange, you have, nevertheless, been able to raise these large sums of money without taking more out of the taxpayers' pocket?—Without paying a materially higher rate of interest on the whole of our debt. But I should add that the fall in exchange has really affected the rate of interest adversely to us; we should have been able to borrow in rupees at a much lower rate than that at which we have been, and are now, able to borrow, but for the fall in exchange.

7277. That is quite possible. Now, passing to the debt as divided between ordinary debt and Public Works Debt, I gather that in 1875 the total debt of India was rather over 118,000,000*l*.?—Yes, adding Rx. and pounds together.

7278. As I did before?—Yes.

7279. While productive debt was 22,000,000 Rx. or pounds?—Yes.

7280–1. Leaving a net ordinary debt of 96,000,000 Rx. or pounds?—Yes.

7282. And that debt, at the rate of interest which you were paying then, would have cost India about 4,000,000*l*., would it not?—The interest on the Public Works Debt?

7283. No, the ordinary debt?—The charge on the ordinary debt was slightly more than 4,000,000*l*.

7284. You have got 96,000,000*l*. at 4¼ per cent.?—Yes.

7285. It is sufficiently near; it would be rather more, because the actual average was rather over 4¼ per cent.?—Yes.

7286. In 1895 the total debt was 220,000,000*l*.?—Yes.

7287. And the Public Works Debt was 150,000,000*l*.?—Yes.

7288. Leaving 70,000,000*l*.?—Yes.

7289. Which at 3¼ per cent. would cost about 2,275,000, would it not?—Yes.

7290. Showing a reduction in the charge of the ordinary debt, apart from the question of exchange, of something like 1,700,000?—Yes, that would be so.

7291. That, I think, would show the difference between the ordinary debt of the two periods, would it not?—Yes.

7292. Then, leaving apart the question of exchange, that, as a matter of ordinary administration, is a very satisfactory result?—Yes.

7293. We have heard a great deal of the difficulty of getting along in India; would you not think that any State which, passing through a very difficult time,—1875 precedes the Afghan War—started with a debt of 96,000,000, and at the end of 20 years had reduced that to 70,000,000, and had been able at the same time to benefit by a very considerable reduction in the rate of interest, would show a satisfactory result? I think you will find very few States that could show such a result as that?—I suppose that that is so.

7294. Do you doubt it?—No, I cannot say that I do.

7295. I should have thought that it was a point of which a financial administrator would have been rather proud?—Of course, that is stating only the ordinary debt; our actual debt has increased.

7296. I will come to the other debt afterwards, but the ordinary debt is that which marks the course of ordinary administration, apart from the money you lay out productively?—But there are the other obligations which we have incurred, such as the Savings Bank Debt.

7297. Those are comparatively small, are they not? I notice that your receipts go a long way to counterbalance the cost of those other obligations?—Yes, we have some corresponding receipts.

7298. The Chancellor of the Exchequer the other day in the House of Commons congratulated this country upon the rapid decrease of the ordinary debt, which, I think, hardly showed the same per-centage as that?—I think it is a satisfactory result.

7299. Now, passing to the productive debt, which stands now at 150,000,000; on that you say a charge is made of 4 per cent.?—Yes.

7300. That is to say, that on 150,000,000 the Government requires from the department that manages those works a sum of 6,000,000?—Yes, that is so as regards the debt which is not specially raised for any special public work, such, for instance, as the purchase of a railway. In the case of debt raised for the purchase of a railway, the actual cost of the debt is charged against the public works.

7301. Can you tell us out of that 150,000,000 how much is specially raised, and how much is lent at the rate of 4 per cent.?—I can put in a statement showing that.

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7302. Perhaps you will put it in, because I think it will enable the Commission to understand the regulations of the Public Works Debt better?—I will prepare a statement and put it in.*

7303. Would it be a large sum?—Yes. The debt specially incurred is, in round figures, 12,000,000 for the East Indian, 1,500,000 for the Eastern Bengal, 10,000,000 for the Oudh and Rohilkund Railway, 5,000,000 for the North-Western Railway, and 5,000,000 for the South Indian Railway.

7304. But perhaps in your statement you will give the figures?—I will show them exactly.

7305. For our purpose, in order to understand this question, taking an assumed figure, it may be that 30,000,000, we will say, out of the 150,000,000 is raised specially, and 120,000,000 is advanced at 4 per cent. I put it in that way in order to understand the operation of the case. For those sums which are not raised for special purposes you require 4 per cent. from the department?—Yes. We charge the Railway Revenue and Irrigation Accounts with 4 per cent. on the balance, which must have been somewhere about 120,000,000 in 1895-6, as the total charge for interest on the above accounts was estimated at Rx. 4,910,000.

7306. That is to say, on something like 120,000,000 you charge 4 per cent.?—Yes.

7307. And on the remainder you charge the actual rate?—Yes.

7308. Therefore on that amount of 120,000,000 you make a considerable profit, I suppose?—No, I do not think we make profit on it.

7309. You are raising money at 3 per cent., are you not, and charging 4 per cent.?—It was only last year that our general rate in India was even below 4 per cent.

7310. How do you mean "your general rate"?—The rate on our general Rupee Debt in India stood at 4 per cent. until the 1st August 1895; and only a year or two before we were paying 4½ per cent. on a considerable portion of our Rupee Debt.

7311. That I will come to. I am going to ask you some questions about the process of conversion?—Yes.

7312. Therefore, though at present you are making that profit, it is only for a very short period, if that is the case?—I should say that we are not making a profit even now; but at any rate it can only be argued that we have been making a profit for the last few months.

7313. Will you explain a little farther the reason why you do not think there is a profit, if you are charging the department that is entrusted with those works 4 per cent. on what you advance to them, and you are raising that money for them at 3 per cent. or thereabouts?—We have never raised it at 3 per cent. yet. Our general Rupee debt stands at 3½ per cent. in India. Further, a great part of the expenditure was incurred in England when the exchange was a much higher rate than at present, and on English debt a rate of 3 per cent. comes to more than 4 per cent. in rupees, if the debt was raised in gold some years ago.

7314. I rather want to keep apart the question of exchange, because both you and Sir Henry Waterfield have from the beginning kept it apart, and I will bring it in afterwards. I understand that the India Office method of calculating, which I wish to follow, is that of keeping exchange apart, and I am trying to do that?—If we had transferred certain portions of the ordinary sterling debt to the Public Works Debt, I should see no objection to having a lower rate for the sterling portion. In fact the Government of India recently made certain proposals to the India Office with a view to getting rid of the *minus* entry in the Indian Accounts in respect of the Ordinary Rupee Debt; and they recommended, among other things, that certain portions of the debt should be transferred to the sterling debt, the rate of interest thereon being charged at 3¼ per cent.

7315. Yes, but you see the larger portion of your debt in England at the present moment—42,000,000—is obtained at 3 per cent. apparently?—42,000,000 is in Three per cents. now; but that is not the larger portion of our English debt; the larger portion, 64,000,000*l.*, bears interest at 3½ per cent.

7316. Yes; therefore you have got 64 at 3½ per cent. and 42 at 3 per cent?—Yes, and the Government of India proposed that, if any of the sterling debt was taken as Public Works Debt, the rate adopted at the present moment should be 3¼ per cent.

7317. You may say that the average between those two rates of interest on the sterling debt is probably representative of something like 3*l.* 3*s.* per cent. Do you not think you are making a profit if you are paying interest at the rate of 3*l.* 3*s.* per cent. and obtaining 4 per cent. for it?—No, I should certainly say not. Supposing we raised 100*l.* 20 years ago at 3 per cent.; we transferred it to India and got Rs. 1,100 for it, which we spent on capital expenditure, and we could then meet the interest by a payment of 33 rupees a year, at 11 rupees to the pound, say. We now have to pay, say, 52½ rupees to pay that interest of 3*l.* That is the charge to us upon the 100*l.* of debt, and we have to pay more than 4½ per cent. in rupees calculated on our original capital expenditure in India.

7318. Just let me put my question more clearly. I am reserving for the moment the question of the exchange, that will come in afterwards?—I do not see how you can reserve the question of exchange if the whole of the Public Works Debt is charged on the Indian accounts.

7319. You have got the rate of interest down to 3*l.* 3*s.* per cent. That rate would be a paying rate were it not that it has to be paid over here; you are getting 4 per cent. in rupees, but have to pay the 3*l.* 3*s.* per cent. in sterling?—Yes.

7320. That is the case; and you say that the fact of having to pay the 3¼ per cent. in sterling makes all the difference?—Yes.

7321. Have you worked out what that difference is, what it raises it to?—No; I could only calculate it by taking into account the rate of exchange in each year in which the expenditure was incurred and taking the difference in the charge.

7322. At the present moment you have got so much—you have got Rx. 120,000,000 lent out, say, on which you are getting 4 per cent. in rupees: you will get Rx. 4,800,000?—Yes.

7323. Then in respect of that 120,000,000 you are paying 3¼ per cent. sterling over in England; do you know what the cost is of remitting to England the 3,900,000*l.*?—At the present time?

7324-6. Yes?—It is a little over Rs. 17·50 to the pound.

7327. On that ground you would hold that, so far from gaining from the 4 per cent., you are rather losing?—Yes.

7328. Then we take the 150,000,000 on which you are charging the Public Works Department 4 per cent., or a smaller amount if it was raised specially for any particular purpose; do I gather that you think that, taking the rate at which you have to remit home in order to pay the interest on a portion, at all events, of that money, the Public Works Debt does not cover its real charge?—I think 4 per cent. is about a fair charge to make to the Public Works.

7329-30. And you think that the 6,000,000, we will say—it would not be quite 6,000,000, but we will say the 5,000,000 odd—that you get from the Public Works Department fairly represents the sum of the interest that you would have to pay upon that 150,000,000?—I should think so. The productive Public Works would be self-paying if they brought in 4 per cent. all round.

7331. But in many cases you get more from these public works than that interest, do you not?—On the whole we do not get more from the railways and irrigation works.

7332-3. Not more than the 4 per cent.?—There is a net charge on the whole.

7334. Therefore, so far, the productive debt does not pay its charges?—No, not on the whole, and that is due to the heavy burden of the sterling debt.

7335. Do you know at all what the charge to the Indian taxpayer would be on that amount?—On what amount?

7336. On that 150,000,000. You say that you do not think that that pays its charges. That, of course, means that on that amount the Indian taxpayer has to pay a sum?—The total expenditure on Railway Revenue Account, which includes the interest and working expenses and all other charges, is 23,592,000 in 1894-5, and the total receipts on the Railway Revenue Account are 21,244,000, which leaves a deficit of 2,348,000 on the Railway Revenue Account.

7337. (*Mr. Courtney.*) Are the receipts reckoned in pounds, too?—In Rx.

7338. And the expenditure?—In Rx. also.

7339. (*Chairman.*) That would leave the balance in Rx.?—Yes.

* Statement not put in, but *see* following answers.

7340. (*Mr. Courtney.*) And is the interest on the sterling loan converted into a corresponding number of rupees?—We show in our accounts the actual number of rupees that we have to pay to meet the interest on the sterling debt, including annuities.

7341. (*Sir James Peile.*) You have to add a deficit on irrigation?—Yes; on the major works of irrigation, the expenditure on which is all that is charged to capital, the expenditure in 1894-5 is 1,994,000 Rx. and the revenue is 1,371,000 Rx.; but to that must also be added 776,000 Rx. as the "portion of the land-revenue due to irrigation," so that the irrigation receipts if you include that land revenue just about balance the expenditure.

7342-3. (*Chairman.*) But that land revenue comes in as revenue; you would not put it into this account?—We show it as a receipt under the head of irrigation.

7344. You see the point I want to make clear. I was putting it to you that in 1895 the ordinary debt of India was 220,000,000?—Yes.

7345. And upon that I took off 150,000,000 for the Public Works Debt?—Yes.

7346. Leaving a net ordinary debt of 70,000,000?—Yes.

7347. But I was assuming that that 150,000,000 Public Works Debt was a productive debt and paid its own charges; I gather, however, from what you say now that it does not, and I put it to you that the difference between the amount which it pays and the amount the debt costs would be a charge upon the Indian taxpayer?—Yes, that so.

7348. Should you be able to make it clear to us how much that is?—That is the amount I have just stated. In 1895 the net charge to the taxpayer no the Railway Revenue and the Irrigation (major works) Account was between 2 and 2½ millions.

7349. Two and a half millions?—Yes.

7350. (*Mr. Courtney.*) That is taking the arbitrary or conventional charge of 4 per cent.?—That is taking the charge of 4 per cent.

7351. (*Chairman.*) And I suppose in those cases where a special loan has been raised only the actual rate is charged?—The actual amount paid, whether in sterling or in Rupee debt, is in such cases charged against the Public Works; and, where railways have been purchased by means of annuities, the amount of the annuities is also charged against such railways.

7352. That is to say, in the expenditure you include the interest charged?—Yes.

7353. And, when you come to make up your accounts at the end of the time, you find that the receipts are short by 2½ millions?—In 1895 by between 2 and 2½ millions.

7354. And that, of course, would be an additional burden. We know that the Indian taxpayer has to pay the total interest on the ordinary debt, and to that you must add the deficiency on the productive debt?—The Government must meet that deficiency from its general resources.

7355-6. Quite so. You have been telling us about the reduction of interest on the debt; would you now tell us what have been the chief conversions of late, taking the notable cases in India, first of all, during the period from 1875?—In 1877-78 a portion of the 5 per cent. debt was discharged, the balance being discharged in 1882-3; in 1878-79 there was a conversion of about 10,000,000 Rx. from 5½ per cent. to 4½ per cent., and by measures taken in 1888-90-92-93 the whole of the general 4½ per cent. debt was gradually converted into 4 per cent. debt.

7357. In 1893?—Yes, the last step in that conversion was taken in 1893, up to which year the greater part of the 4½ per cent. debt was guaranteed.

7358. And, finally?—And, finally, the whole of the general 4 per cent. Rupee debt was converted to 3½ per cent. in 1894-95; this was an amount of 95,000,000 Rx.

7359. Practically, you may say that in 1875 there was some 12,000,000 Rx. bearing 5½ per cent. and 5 per cent., but the bulk of the debt was then 4 per cent., and in 1895 by far the greater portion of the debt was 3½ per cent?—In 1875 there were also some 16,000,000 Rx. of 4½ per cent. debt. In that year the 4 per cent. debt amounted to 42 out of a total of 70 millions. At the end of 1895 the 3½ per cent. debt amounted to about 95 out of a total of 102 millions bearing interest.

7360-1. Is there any limit of time before you can reduce again?—Most of the 3½ per cent. debt was guaranteed for 10 years at the time of the reduction, that is to August 1905.

7362. I see you have a column of "Debt not bearing interest"?—That is debt which is under notice of discharge in connexion with the conversion.

7363. Outstanding?—It is outstanding and has not been presented either for conversion or for discharge.

7364. Of course it is an item which will be cleared off?—Yes, some portion of it was in the course of conversion, the final operation being delayed pending the removal of some technical objection. That portion has since been transferred to the 3½ per cent. debt bearing interest. The remainder has been, or will be, discharged; but in India this portion comes in very gradually when a debt is notified for discharge.

7365. Now, as to conversion of debt in England?—In England 5 per cent. debt of 17,000,000 was converted into 4 per cent. debt, and then more than 50,000,000 of 4 per cent. debt was converted into 3½ per cent. debt. Those are the principal conversions.

7366. (*Sir Edward Hamilton.*) How long is that 3½ per cent. irredeemable?—A very long time—till January 1931.

7367-8. (*Mr. Mowbray.*) What were the dates of those conversions?—The conversion of the 5 per cent. into 4 per cent. debt was effected in 1879-80; and that of the 4 per cent. to 3½ per cent. debt in 1887-8.

7369. (*Sir Edward Hamilton.*) The 3 per cents. were not a conversion, they were new stock?—A new stock, yes.

7370. How long are they irredeemable, do you remember? They are both quoted at enormous premiums, the 3½ per cent. at 122¼ and the 3 per cent. at 114½?—The 3 per cent. are not redeemable till October 1948.

7371. (*Chairman.*) Practically, you may say that the whole debt in England was reduced to 3½ per cent.——?—Yes, the whole debt outstanding in 1875.

7372. With a considerable time to run still before it can be converted. The new debt has been raised at 3 per cent.?—That is practically correct; but we have also raised some small amounts in debentures at 3¼ per cent.

7373. Your new issue is to be made at 2½ per cent.?—Yes.

7374. At par?—It is quoted at above par already.

7375. (*Sir Edward Hamilton.*) How long is that to run for?

7376. (*Sir Donald Stewart.*) Thirty years.

7377. (*Mr. Courtney.*) Would that be issued at a premium?

7378. (*Sir Edward Hamilton.*) Ninety-nine is the minimum.

7379. (*Mr. Courtney.*) You get more than that?—Of course we shall get more than that.

7380. (*Sir Edward Hamilton.*) It is quoted at 104?—Yes.

7381. (*Chairman.*) We have now gathered the heads of information about the debt itself. There are two or three matters connected with debt upon which perhaps you will give us some information; and I will begin with the obligations. There are certain obligations upon which you pay interest, I think?—Yes, there are certain special loans, chiefly endowments by the King of Oude, on which we pay interest, and there are the balances of the Service Funds, and the Savings Banks, and a few other special accounts which bear interest.

7382. They do not amount to anything very much, do they? The capital of these charges on the revenue of India, I see, is only Rx. 13,000,000?—Yes, the charge was only about 550,000 Rx. in 1893-4.

7383. But they are increasing, are they not?—Yes, they have been increasing, but that is chiefly owing to the Savings Bank interest, which increases with the increased deposits. The charge for the interest has, however, fallen in 1894-5 owing to the reduction in the rate from 3¾ to 3½ per cent.

7384. The Savings Banks do not appear to have got much hold in India, if in the whole of India their capital is only 10,000,000 Rx.?—The deposits are, however, increasing every year. The total balance of all kinds of Savings Banks have risen during the 20 years from under 3 millions to over 10½ millions. Of course that increase cannot compare with the similar increase in England. Anything of that kind requires a very long time in India to take hold. Since the principal Savings Banks have

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been made over to the Post Office the balances have increased very rapidly for India.

7385. When was that?—That was in 1883–84, I think.

7386. I suppose the larger part of the interest on these obligations is payable in India, is it not?—I think entirely payable in India.

7387. Look at page 8?—Yes; there is a very small amount payable in England; but, with the exception of about 1,000*l.* interest on the balance of the India Office Provident Fund, the other amounts are really transferred from India.

7388. Then you realise certain receipts with which the debt may be credited, do you not?—Yes.

7389. Can you describe them to us?—The largest item is the interest derived from the investment of the paper currency reserve. We are allowed to invest a certain amount of the paper currency balance in Government paper, and the interest on that is credited to this head. The amount now invested is 8,000,000 Rx.

7390. Bringing in 300,000*l.* a year?—Bringing in somewhere about that now; the amount was larger when the interest was receivable at 4 per cent.

7391. Then there is a heading "Loans and Advances, Imperial and Provincial"?—Yes. We have lent a considerable amount to some of the bigger corporations in India, such as the port trusts and the municipalities of Presidency towns. We also lend smaller amounts to municipalities and other local bodies in other parts of India. We lend to them at a lower rate than they could borrow directly from the market, and the interest received is credited to this head.

7392. But do those advances come out of your balances, or do you borrow for them?—As I said before, we keep no distinction between the borrowed money and the other money when once they have come into our balances. Undoubtedly we could have reduced our borrowing by the amounts lent to the local bodies, if we had decided not to lend money to them.

7393. (*Sir Edward Hamilton.*) You are making, presumably, a profit upon them?—A small profit generally.

7394. (*Mr. Courtney.*) What rate do you lend at?—At various rates from ¼ per cent. upwards, the rate named being generally the minimum. As regards the local bodies at places other than the Presidency towns, the loans are managed through the Provincial Governments. We charge the Provincial Governments 4 per cent., and they are allowed to charge the local bodies any rate that they think fit. It is possible that the rate that we charge to the Provincial Governments has been reduced to 3½ per cent. I am not certain, but the question of reducing it was, I believe, under discussion at the time I left India.

7395. You do not make much of a profit if you only charge 3½ per cent.?—No, we should not make any profit; the Provincial Governments might make a small profit if they chose.

7396. (*Chairman.*) Have they any power of fixing what the rate shall be at which they will lend?—Yes, they have a discretion as to that; the rates actually charged are all stated in the Finance and Revenue Accounts; details of all the loans are given there.

7397. Perhaps you might give us the description of the system in your memorandum; it is rather interesting?—The policy adopted in reference to loans to municipalities, district committees, cultivators, and embarrassed landholders, was explained in Sir David Barbour's financial statement in 1889. Before the year 1888–89 all loans and advances of public money were treated as advances on Imperial account. The loans were made on the advice and through the agency of the Provincial Governments, who were so far responsible that irrecoverable sums were charged off as provincial expenditure. But they had no concern with the punctual and complete realisation of the interest, which was credited as an asset of Imperial revenue. The interest on these loans is almost always higher, however, than that paid by Government on its public loans, and this advantage was surrendered to the Provincial Governments in January 1889, as an inducement to them to undertake complete responsibility for their administration of such loans. At the same time the question of lending to municipalities was reconsidered. Before this time such loans were granted only under exceptional circumstances, but experience had shown that rigid refusal to lend money to small municipalities and local boards had delayed sanitary reform, as such bodies cannot raise money except at high rates of interest, their case differing materially from that of presidency corporations, which have a public credit. It was accordingly ruled that loans might in future be granted to such bodies, but only for works of public and general convenience and utility, such as drainage and waterworks, bridges, and the like, and not for works which are merely or mainly ornamental or convenient, such as town halls, public gardens, or market places. It was provided that a local body, having borrowed from Government, may not borrow from any other source until it has obtained the sanction of the local government concerned, which should not be given until it is clearly shown that the sum lent by Government, with interest thereon, is duly secured. Sir David Barbour, speaking less than three months after the new rules had been published, said that the demands of local governments which had been received, so far as they related to advances to cultivators, or to embarrassed landed proprietors, or for drainage and embankments, merely meant a transfer of administration and responsibility; but that loans had already been granted to local governments for Mofussil municipalities for sanitary purposes, for 254,900 Rx., on account of projects for the supply of water to such places as Allahabad, Agra, Nagpore, Delhi, and Peshawur. The loans and advances on which interest was received by the Government, as they stood on the 1st April, amounted to Rx. 5,000,000 in 1875, and to Rx. 11,000,000 in 1894.

7398. There were some small loans made to Native States, I see?—Yes, there are some small loans made to Native States.

7399. Then again there is a considerable sum, varying with different years, to landowners?—Yes.

7400. What is the object of those?—Those are to distressed or embarrassed landowners. Sometimes special Acts have been passed for the relief of the landholders, and money is lent to them on special terms.

7401. (*Mr. Courtney.*) Has the Provincial Government unlimited discretion as to the amount of interest it charges?—It may not charge less than the amount we charge; I do not think there is any maximum limit, but the highest rate now actually charged to any Municipality is 5 per cent. Landholders are in a few exceptional cases charged at 6 per cent., and cultivators are sometimes charged 6¼ per cent., or one anna in the rupee.

7402. (*Chairman.*) I see there were special advances to Native States; for instance, Mysore and Gwalior, but both of them were to meet cases of famine, were they not?—Yes. The amount outstanding against Native States now is very small; there were only 45,000 Rx. outstanding against them at the end of 1894–5.

7403. Will you look at page 19 of Sir Henry Waterfield's Indian Revenue and Expenditure, 1875–76—1895–96, Table XX., Increase or Decrease of Permanent Debt of India. I want to ask you one or two questions about discharges of debt. Taking India, you will see in various years that large sums are paid apparently in discharge. For instance, in 1876–77 there is 1,265,000 Rx.; in 1879–80, 1,123,000 Rx.; in 1886–87, 1,192,000 Rx.; in 1893–94, 1,110,000 Rx.; and in 1894–95, 1,200,000 Rx. We have understood from you that there is no sinking fund provision for the extinction of debt in India; can you tell us how those considerable sums came to be discharged? Was it in consequence of sums having been paid off on conversion?—Generally that was the case. In 1876–77 Government purchased out of surplus cash balances, and cancelled, Rx. 1,254,000. In 1879–80, 1886–87, 1893–94, and 1894–95 the large amounts shown as discharged were so dealt with in the course of conversion proceeding.

7404. Where we see large amounts entered, we may nearly always conclude that they are sums payable under some action for changing the character of the debt?—Generally that is the case. I think the only exception of any importance is that of 1876–77, when the Government purchased a certain amount of debt which it thought it was profitable to purchase, having regard to the then market price.

7405. What kind of debt was that?—It purchased 356,000 Rx. of 5½ per cent. debt and 688,000 Rx. of 4½ per cent., 179,000 Rx. of 4 per cent., and a small amount of 5 per cent. debt.

7406. They purchased it in the open market?—Purchased and cancelled it.

7407. In fact they were borrowing probably at a lower rate of interest, and they thought it better to buy stock in the open market and cancel it?—They thought the operation profitable, but it has never been repeated.

7408–9. In various other years there are considerable sums discharged, 205,000, 634,000, 549,000, 213,000,

and so forth; in fact some reduction takes place almost every year. If there is no sinking fund, can you tell us what those smaller operations in reduction of debt consist of?—Yes. The reduction of debt in 1881–82 was effected through the money provided for famine insurance; a portion of the famine insurance allotment was actually appropriated to the purchase and cancelment of debt in that year.

7410–11. That was what I might call a casual reduction?—Yes. In 1882–83 also 60 lacs of 5 per cent. debentures were purchased with the famine insurance money. That was the practice followed at that time; since then the amount appropriated for famine insurance has been applied to the reduction of loans and not to the actual cancelment of existing debt.

7412. Take 1888-89, that is 213,000 Rx.; in 1889–90 it was 119,000 Rx.?—In 1888–89 it was part of the proceedings for the conversion of the 4½ per cent. to 4 per cent. debt.

7413. That was a conversion?—Yes, there was a small conversion of 1,790,000 Rx. in that year.

7414. In each of the years 1883–84, 1884–85, small sums like 22,000 Rx. appear to have been applied in discharge of debt?—I think those amounts have been merely casual cancelments: sometimes Government paper escheats to Government, or is confiscated, or comes into the possession of the Government in some casual way, and it is then cancelled instead of being re-issued.

7415. I ask the question as to these insignificant sums because I want to see if there are any casual or exceptional receipts applied from time to time to the discharge of debt?—I may mention one instance of the way in which Government paper comes into the possession of Government, and is cancelled. The Administrator-General, if estates are in his hands for a certain length of time, and if, after issuing notices, no claims are made, hands over the securities to the Comptroller-General, who cancels them. Of course, any claims made afterwards are inquired into and admitted if sufficient evidence is produced, but in the meantime the debt is cancelled.

7416. Turning now to debt discharged in England, there you will see very large sums, which, I suppose, represent the balance of some large debt transaction, do they not?—Yes, sometimes it is temporary debt that has been incurred and discharged. I could give you the details of any particular amounts.

7417. If you please, in order that we may understand what these sums are; take 1879–80, in which year 2,609,000*l.* was discharged?—That means merely that certain liabilities were incurred in connexion with the purchase of the East Indian Railway and certain liabilities were cancelled. The net result really should be taken as the debt incurred during that year, but as a matter of account it appeared as the discharge of certain debt and the incurring of certain other debt.

7418. Take 1885–86, there is 50,000*l.* only?—That was the purchase of stock through the sinking funds.

7419. One more, 1890–91, not a very big one, 179,000*l.*, what was that?—That was partly from the same cause, and partly through a claim to stock outstanding, on which interest had ceased for some time.

7420–1. I should like to ask you one question with regard to the exchange operations. I have here before me the Net Income and Expenditure of British India, a return made on Mr. Fowler's motion, from 1884–85 to 1893–94, and looking at 1893–4 I see that the exchange on the debt cost 1,628,000 Rx., would it be a proper way of apportioning that charge between the Ordinary and the Public Works Debt, if we divided it in the proportion of 150,000,000 to the Public Works Debt and 70,000,000 to the ordinary debt?—No. This is the exchange on the interest on ordinary debt alone.

7422. What becomes of it on the Public Works Debt?—That is included in the sum shown against railways.

7423. But, surely, that is the charge for remitting interest on the 220,000,000?—No.

7424–5. Only on the 70,000,000?—Yes, the net amount is 70,000,000. Of course it is more in England and less in India—a minus amount in India.

7426. Quite so; but the 70,000,000 merely represents the result?—Yes.

7427. But you are quite clear that that charge for exchange only refers to ordinary debt?—Yes, I am perfectly certain of that.

7428. Is there any place where we can see the details—how it is made up?—It is merely the interest calculated on the balance of the ordinary debt in England.

7429. The exchange?—The exchange calculated on the interest of the ordinary debt. It is given in the accounts of 1893–94. You will find it in the Exchange column; 1,628,000 is shown there.

7430. Exactly, "Interest on Debt other than that charged to Railway and Irrigation Works"?—Yes.

7431. Therefore in applying it we have got to put the whole of that charge for exchange to the charge of the ordinary debt?—Yes.

7432. I do not know whether you would like to offer any opinion or give us any information upon the question of borrowing in India and in England—the respective merits of the two policies?—I shall be prepared to answer any question on it, I think.

7433. At the present moment I will only ask you this: Is it the settled policy of the Indian Government to always borrow in England, or how do they decide in what cases they will borrow in England and in what cases they will borrow in the Indian market?—The settled policy of the Indian Government at present is, as I understand it, to borrow in India entirely, as far as that may be possible.

7434. And how do they ascertain or satisfy themselves as to what is possible? For instance, you are, just at the present moment, raising a loan at 2½ per cent. in England, which promises to be a very successful one. In what form would it be decided in India that it would be better for the Government to come to the home market than to try the Indian market?—This loan is being raised merely in order to enable us to pay off other sterling debt; it is not really a new loan, but the substitution of a loan at a lower rate of interest for an already existing sterling loan. No such question, therefore, would arise in this instance.

7435. Still you are going to raise it here. This is to pay off an existing loan in England, and therefore it will not be affected by exchange?—No.

7436. But now, taking loans for railroads or for public works in India. In what way do you satisfy yourselves that the Indian market will not bear it, and that you must come home?—I think we never do come home now for a loan for general public works expenditure.

7437. You have not borrowed in India during this last number of years; you have done all your borrowing in England, have you not?—Not for public works. The only amount which we have borrowed recently in England, other than for the purchase of specific railways, or for the discharge of an existing sterling loan at a higher rate of interest, was in 1893–94, and that was owing to the failure of the Secretary of State's bills.

7438–9. Other increases have taken place in the English debt—that is, debt raised in England. What were they for?—I have here a summary of the increase of the English debt from 1875 to 1895. It gives the following details of the increase: For the purchase of railways—Oude and Rohilcund Railway and the South Indian Railway—10,428,000*l.*; for redemption of railway securities, 13,168,000*l.* (that is, the securities of railways that we have taken over—guaranteed railways); for advances to railway companies, 7,504,000*l.*

7440. And these were all sums raised to be paid in England?—Yes, the first two were practically to take the place of already existing securities which existed in England.

7441. (*Sir James Peile.*) Sterling?—Sterling.

7442. (*Chairman.*) In which case you reckoned you got all the benefit of the low interest in England without any of the complications of exchange?—We could not have purchased the railways in any other way than by offering a sterling security. We were bound to pay certain amounts in sterling, and it would have been quite impossible to raise the required amounts in rupees in India or to remit them to England when raised.

7443. By borrowing in England you get the full benefit of the low rate of interest here with no complications of exchange?—That is the case where we borrow merely to replace existing sterling liabilities. I proceed with the summary: Under Maharajah Duleep Singh's Act, 96,000*l.* (that was a special Act); for purchase of the Madras Irrigation and Canal Company's undertaking, 1,400,000*l.*

7444. No part of those loans was advanced in India?—No. For redemption of 4 per cent. transfer loan, 1,301,000*l.*; for loans for public works in 1885–86 and

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1886–87 (that is the one exception to what I have mentioned as our policy in respect of borrowing in India), 7,700,000*l.* That was, I believe, in consequence of the recommendation of the Parliamentary Committee on Railways of 1884. On account of the famine in Madras and Bombay in 1876–78, 6,100,000*l.*; owing to failure to sell bills on India *in* 1893–94, net amount, 6,000,000*l.*; for discharge of debt, 20,000 000*l.*; liabilities assumed on purchase of railways, net (after allowing for liabilities since discharged) 2,908,000*l.* Then, of course, some of that was raised for the discharge of debt, and we have applied that in discharge of debt. The total of that is 76,765,000*l.*, of which we have discharged 11,356,000*l.*, leaving a balance of 65,409,000*l.* raised in that interval, and there are also temporary bills outstanding for 2,000,000*l.*, which makes up the total increase during the period of 67,409,000*l.*

7445. During this time in India the total debt has been increased by 34,000,000 Rx.; in England the debt has been increased by 67,000,000*l.*?—Yes.

7446. Those figures you have read out, would they go far to make up the total of this 67,000,000?—They make up nearly 79,000,000., including the temporary debt.

7447. They make up 77,000,000?—Yes, 77,000,000*l.* of permanent debt; and then we have discharged 11,000,000, so that the result is 65,000,000, besides the 2,000,000*l.* of temporary debt.

7448. And may we conclude from that, that with the exception of that sum raised when the Secretary of State could not sell his bills, practically, the 34,000,000 increase in India represents all sums that have been raised for expenditure in India?—Yes, except that there was also that 7,700,000 in 1885–86 and 1886–87, the loans we raised in those years in England instead of in India.

7449. For use in India?—Yes.

7450. And the two exceptions would be the loans raised in 1885–86, 1886–87, and 1893–94?—Yes.

7451. Then with regard to these two loans, how did you satisfy yourselves in India that it would be preferable to raise them in England to raising them in India?—I think that borrowing in England for Public Works in 1885 and 1886 was more in the nature of an experiment; it was only tried in those two years, and it has never been repeated since, and it had not been tried for several years before.

7452. Was it criticised at the time, do you remember?—I think it was. The condition of the Indian money market at the time (owing to the serious depression of trade and the great and sudden fall in exchange) was, however, such as to lead the Government of India to urge on the Secretary of State the inexpediency of attempting to borrow in India the large sums required for capital expenditure on public works. The Secretary of State accepted this opinion, and agreed to raise the money required in England. In doing this he was influenced by the report of the Parliamentary Committee of 1884, which, while fully recognising the political and financial reasons for borrowing, as far as possible, in India, if the money required could really be obtained from Indian sources, finally recommended that when the difference between the rates of interest in India and in England is so considerable as to afford full compensation for the great comparative disadvantages which invariably attend borrowing in the latter country, the Secretary of State should not hesitate to borrow such moderate sums in England as would enable the Government of India to carry out their general scheme for public works. The large fall in exchange between 1884 and 1887—amounting to 2½*d.* per rupee—proved that the risk of the additional charge involved exceeded the benefit gained by the lower rate of interest in England; and borrowing in England for State public works has ceased since then.

7453. Then that is the only exception, because I take it that the loan raised in 1893–94 was for general purposes?—Yes, it was for general purposes.

7454. Passing to the loan in 1893–94, how did you satisfy yourself that that could not be raised in India; was it a very big one?—The sterling loan in that year was raised in England owing to the difficulty experienced in making our usual remittances to that country. India then was just in the transition stage in respect of its currency. Moreover, so much uncertainty prevailed that, even apart from the difficulties of remittance, we should not have been able to obtain at all good terms for a large loan raised there; and the balances in India were overflowing.

7455. What do you call the transition stage; the closing of the mints?—Yes, the closing of the mints. We did actually raise a loan at 3½ per cent., a small amount—the nominal amount was 3,000,000, but part of that was applied in discharge of the 4½ per cent. debt; but, as I said just now, we raised it at 4 per cent. discount.

7456. Then, in fact, you may say that out of this large amount—67,000,000—there are only two cases in which the question arose as to borrowing the money over here or in India, namely, 1885–86 and 1893–94. The first of these you say was rather experimental, and it would be a test case, because it was for public works in India?—Yes.

7457–8. The experiment has not been repeated?—No.

7459. And that only leaves the loan of 1893–94?—There was also the occasion of the famine in Madras and Bombay, in 1876–78, when 6,000,000*l.* was borrowed in England.

7460. Was that because of the distressed state of India at that time?—We did raise considerable sums in India at the same time; we could not, I think, have raised any larger amounts than we did on the Indian market.

7461. (*Sir William Wedderburn.*) I think that the 1893–94 loan was to make sterling payments in this country so as to avoid the necessity for remittance?—Yes, we had ample balances in India, but we could not remit them to this country at the rate for which the Secretary of State was holding out.

7462. (*Chairman.*) But still, of course, being raised here, it increased the interest charge payable here and loaded with the loss by exchange?—Yes; but I may say that the amounts that were added to our balances in India owing to the loans raised in England have been almost entirely expended on public works; the expenditure of the last few years on public works has been very large.

7463. And that money has almost entirely been provided by the Indian market?—Yes, with the exception I have mentioned.

7464. The increase of debt in India, 34,000,000 Rx., is the means by which that large outlay has been made?—With the exception of the amounts raised in England in 1885–87 and in 1893–94.

7465. Quite so. Now, are there any other points connected with the debt to which you would like to call our attention?—I do not think there is any other point. The only point on which I would desire to lay stress has already been anticipated by Sir James Peile's question, namely, that had it not been for the fall in exchange we should have been able to reduce the rate of interest on our rupee debt very much lower than we have been able to reduce it, though the reduction has been very considerable. The uncertainty as to the value of the rupee has affected our rupee credit, so that we cannot borrow at nearly the same rate in rupees that we can in sterling.

7466. Would you explain your view of that a little more fully. In what way does the fact of the variations in the value of the rupee on payments made over here affect the Government transactions in India? Your credit in India, I suppose, is as good as it can be; and why should people in India be unwilling to lend you money for use in India on good terms, because the adjustment of transactions between England and India is made expensive by fall in exchange?—The rate of interest prevailing in India has, for many years past, been much higher than that prevailing in England. But, besides this, a very large amount of the rupee debt is held in England, although the interest can only be drawn by bills on India. The sterling price at which our rupee debt is quoted in England accordingly governs, or helps to govern, the rupee price prevailing in India; and the fluctations in the rupee seriously affect this price. A man who invested, say, 100*l.*, in our rupee debt when it was nearly at par, expected that he would get about 4*l.* by the remittance of the Rs. 40 he would obtain as interest on his investment. If after a few years the investment produced less than 3*l.* 10*s.*, or even 3*l.*, the value of the security in sterling necessarily depreciated.

7467. That leads up to a question that I wanted to ask you. When you talk of borrowing in India, it is always a question whether the money, or much of it, is not really subscribed in England, is it not?—Yes.

7468–9. One great objection to borrowing in India is that it is a method, and an expensive method, of bringing money from here?—Yes, it may be.

7470. And that is what you mean when you say that your credit has been affected in India; you are unable to borrow, in consequence of the fluctuations in the rupee in India, at so good a rate as you might otherwise have done?—Yes.

7471. It is not that the Native Indian market would not lend money on favourable terms owing to the variations in exchange, but that from that cause you draw funds

from here at a disadvantage?—Yes. A very large proportion of the rupee debt is held by Europeans either in India or in England; and the European, whether in India or in England, values his investment with reference to the sterling amount it will produce.

7472. (*Sir William Wedderburn.*) And the objection, as I understand, is that the rupee paper investment is speculative, owing to the variations of silver, and therefore not suitable for investments of trust funds and other small investments for people who depend upon a regular income?—Yes, for some time past the fluctuations in the exchange value of the rupee have rendered rupee paper investments more or less speculative.

7473. They are speculative; I understand that that is the difficulty. I have heard it objected that to put a small sum in rupee paper does not give a certain return?—That is certainly the case.

7474. (*Chairman.*) Sir William Wedderburn's question only brings out more clearly this point, which I think is the gist of what you have been saying, namely, that raising money in India is not really raising it in the Indian market and from the Natives, but it is a method of drawing money from England?—That is certainly so. The latest return shows that Rx. 25,000,000 of the total rupee debt of Rx. 103,000,000 was actually held in England, and that 48,500,000 was held by Europeans in India, and 29,500,000 by Natives.

7475. Therefore, you will say, in answer to the question of why there is not more borrowing in India, that one reason is that the Native does not lend?—He does not lend at so low a rate, as a rule; he can get a higher rate.

7476. Your credit is too good for him?—Yes.

(*Sir Donald Stewart.*) I should just like to bring out this; I think it would be implied from your question that this money all came from England, and is subscribed by Europeans.

(*Chairman.*) I did not mean to say all, but it was a grave objection to borrowing in India, that it was another method of getting money from England, and that a large portion of the sums raised in India really comes from England.

7477. (*Sir Donald Stewart.*) Yes, but is it not a fact that we would never come to England for money at all if it could be raised in India?—Certainly, if it could be raised in India at a reasonable rate.

7478. And we know exactly the amount that India can absorb of any loan that is offered there; we know what India can absorb annually?—Yes, but our estimates of that include what is likely to come from England.

7479. Yes, no doubt subscriptions come from England, but you could not raise more than five crores of rupees in India with any degree of certainty in one year?—The estimate recently made by the Government of India is that when our demands upon the market exceed five crores of rupees, it is absolutely necessary that we should come to England.

7480. (*Sir William Wedderburn.*) But is not a considerable portion of the rupee debt of India held by Native States or Native Chiefs, under more or less pressure; that is to say, investments during minority, and that sort of thing?—No, I should say that a very small proportion was held in that way. Of course, there are special loans that have been made by Native chiefs. We have the Holkar loan of Rx. 1,000,000; the Sindia loan of 1½ millions; the Rampur loan of Rx. 470,000. Those were loans made by Native States with the object of having railways constructed in their dominions.

7481. But have not balances during minorities been invested in rupee paper, generally balances during minorities of Native Chiefs?—I think so, but the amount is not large, and, such as it is, it would generally be shown as held by Europeans; because such investments are always held by the Comptroller-General.

7482. That is hardly money borrowed or contributed by the Indian market.

7483. (*Chairman.*) 30,000,000 for India is not a very large amount to be invested in Government stocks by Natives, is it?—No, it is not a large amount.

7484. And therefore you have no very large field there from which you can draw supplies?—Not from the Natives themselves; of course there are Europeans carrying on business in India who hold large amounts—banks and others.

7485. (*Mr. Courtney.*) If you take your mind to Australia, up to recently at all events, if not now, would it not be true that the rate of accumulation of capital in Australia was so much less than the demand for capital for investment, as compared with the same rates in Great Britain, that any loan for Australian purposes would be more cheaply raised in Great Britain than in Australia?—I believe that is so.

7486. And the mass of the debts, the public debts of Australia, would be held here?—Yes.

7487. Would not the same relative state of facts obtain between India and Great Britain, so that, even if you had the same currency and there was no question whatever about the rupee, the mass of the capital raised might be more easily and cheaply raised here than there, because the rate of the accumulation of capital of late here so much exceeds the demand for capital to be employed here, as compared with the rate in India?—If it were not for the difference in currency, I suppose we should raise our loans chiefly in England, and should raise them very much more cheaply.

7488. And when the currency was stable, and you nominally raised it in India, you did in fact raise a good deal here?—Yes.

7489. Persons took the opportunity of sending out the capital to tender for loans that were raised there?—Yes, that was the case.

7490. (*Sir William Wedderburn.*) In regard to the division of the Public Debt into the ordinary and the productive debt, in what year was the existing division decided upon and acted upon?—I do not quite understand.

7491–2. There are two kinds of debt as shown in the accounts—the ordinary debt and the productive debt?—Yes.

7493. When was that separation, as it at present is shown in the accounts, first acted upon? When was the distinction first adopted?—I do not remember at this moment the year in which it was adopted, but the division has been carried back so as to include the whole of the capital expenditure.

7494. It was calculated backwards?—Yes.

7495. Oh, I see; then in 1875 the accounts are in that respect the same as in 1895?—Yes.

7496. I did not, perhaps, hear the explanation of the principle upon which an amount is put into the productive side?—We now call it Public Works Debt, not Productive. All the capital expenditure on railways and irrigation works is taken to account which is chargeable with interest.

7497. So that it does not really depend upon its being productive or not?—The question whether a work shall be undertaken as a productive public work is decided with reference to the question whether it is likely to produce within a given time 4 per cent. or not.

7498. And this 4 per cent. is a matter of account; it is not an actual payment by the province?—It is a mere matter of account.

7499. Was not the original idea of General Strachey in making this separation, that there was to be a certain actual per-centage received upon the works before other works were undertaken upon the same footing?—Such an idea has been put forward several times and been considered; that is to say, that there should be a separate Public Works Account as it were, the net amount of which only would enter upon the general account, and would have to be kept within a certain specified limit.

7500. Has anything of that sort been acted upon?—No, never.

7501. And this amount of 2½ millions, which is now charged upon the public works, has that been increasing from year to year?—It has varied very much from year to year, principally according to the exchange.

7502. Then I should like to ask you, with regard to the power of raising money, would it make a very considerable difference if the Imperial guarantee were given to the Indian debt?—I should doubt if it would at the present time. The Imperial credit is doubtless better than that of the Government of India, but the difference at present is not large; and my experience is that a loan merely guaranteed by any particular authority is not raised on as favourable terms as if it were raised directly by that same authority.

7503. I think for a good many years past the credit of the Indian Government has been increasing with reference to the Imperial credit, it has been approximating, I think?—Yes.

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7504. And I suppose that the reason of that approximation is a belief that, practically, the Imperial Government is responsible for the Indian debt?—That I could not say, though I have no doubt as to the existence of such a belief generally.

7505. Would you be in favour of the Imperial guarantee being given to the Indian debt?—For the reasons I have stated, I do not think it is a matter of much practical importance.

7506. I think that if you made a calculation you would find that it would make a considerable difference in the charge?—If, as has been stated, the 2½ per cent. loan now under issue is already quoted at 104 to 105, I do not think that is very much below the credit of the English Government. I doubt if the difference in credit is much greater than would exist if Indian loans were raised under an express guarantee of the Imperial Government.

7507. (*Mr. Naoroji.*) Is it not because of the conviction of the people here that the Indian Government are despotic enough, and powerful enough, to exact any amount of money from the people to pay their debts that there is all this confidence in what is called the credit of the Indian Government?—I should not put it that way.

7508. Then will you kindly give me those figures again of the debt held in this country by Europeans and by Natives?—Yes, Rx. 25,000,000 held in London, Rx. 48,500,000 held by Europeans in India, and Rx. 29,500,000 by Natives.

7509. Out of this 29,500,000*l.* held by Natives can you give us any idea of how much is held by the Native States and subjects of Native States?—No, I could not do that.

7510. You cannot?—No.

7511. Because every Native State invests its balances very largely in Government of India security, and can you in any way give us some idea of the amount that is held by those foreign Indians as we may call them?—No, I cannot give that information.

7512. No, well I can say that it must be a very large portion, and therefore, strictly speaking, the people of British India, who are special subjects of the British Empire, give but very little towards these loans?—I do not know at all what the proportion is that is held by Natives of British India.

7513. It must be, at least, not as much as 29,500,000*l.*, because the Native States do hold a large amount?—Yes, they certainly do hold some portion of that total.

7514. I suppose that there must be information enough here to give us the figures of what is held by the different Native States?—I do not think there is any information of that kind.

7515. They have got all the information by the Residents of the administration of all the Native States. You cannot give it, but there is one thing certain that there is a large portion of this debt held by, strictly speaking, foreigners, either European foreigners or Indian foreigners?—Yes, that is so.

7516. The people of British India itself can hold but very little?—Yes, that is so.

7517. Then with regard to any accumulation of capital in British India, we have first to take into account that there are something like 200,000,000 of rupees paid to Europeans, military and civil Europeans, and that goes to the benefit of Europeans, and is entirely taken away from any accumulation of capital that the Indians themselves can make, is it not so necessarily? The Natives have to pay 200,000,000 of rupees every year for the salaries of Europeans?—I do not remember the exact amount, but, whatever it is, a very large amount of it is spent in India.

7518. Yes, but it is for the consumption of the Europeans, not for the consumption of the Natives. Every European consumes so much which a Native would have consumed, had that European not been there occupying his place in the services in India. It is a mere matter of fact, of course, there is no opinion in the matter?—I do not quite understand which part of the question I am to answer.

7519. What I mean is this; with regard to what is spent outside, of course, there is no question in your mind, such as all the savings which are remitted to this country, and all the pensions which are paid here, that, of course, is a pure loss from the country, a pure drain from the country, is it not? It goes clean out of the country?—It goes out of the country, as far as the Europeans are concerned.

7520. Of course we are talking only of Europeans, and what is spent by the Europeans, there is also depriving Natives who would have occupied their places, had they not taken these places themselves; that is clear?—No, I should not admit that.

7521. Take, say, any European who gets his 1,000 rupees now; if instead of that European, it had been a Native, he would have got his 1,000 rupees, and he would have been provided with all that he wanted; whereas he is now deprived of it and the European gets it, his food or his shelter?—But the European spends a great deal of that salary in India.

7522. Yes, but it is spent for his own consumption, not for the consumption of the Native?—For the advantage of the Native.

7523. He consumes so much food—he consumes so much this, that, or the other—whatever is enjoyed by that European is so much taken away from a Native who would have occupied that place?—As far as the expenditure in India is concerned, it is just as much for the benefit of India whether it is by a European or a Native, I should say.

7524. Yes, but his expenditure means so much consumption of the material products of the earth—he consumes so much, either in services or in whatever he consumes—which a Native would have consumed if he had not been there, is not that clear?—It is clear as a matter of fact.

7525. Yes, well that is all I want; as a matter of fact it is clear that it is so. Now is there any indication therefore from this debt, that, because India is able to borrow so much money, that in any way proves that British India—the Indian people of British India have made any accumulation of capital, when they have to part with 200,000,000 of rupees every year merely for salaries?—I have made no assertion about that.

7526. You cannot say; there is nothing to prove that British India and the Indians of British India are making or accumulating any capital?—There is nothing in these particular figures.

7527. There is nothing to show that?—No.

7528. It cannot be asserted positively that it is so?—I think it can be asserted. I say in these figures there is nothing to prove it.

7529. These figures do not prove anything of the kind?—No.

7530. That is all right. Then it is said, although Australia makes capital, still it finds it cheaper to borrow from a different country in the same manner. Can we say that India is making capital and that it only comes to England for the purpose of borrowing cheaper? Or is it because British India, or the Indians of British India, cannot find that money that the Government are compelled to come here and get that money. It may be one of two ways?—We borrow in India, when that is possible, because we then know exactly what our liability is.

7531. Yes, but when we borrow in India we find a difference that, though we borrow in India, we can hardly get it from the Indian people of the British territory. Can we get a return of the holders of any of this debt who are subjects of British territory and not foreign Indians or foreign Europeans; can we get some such return?—Possibly some such return could be prepared.

7532. It would be a good thing to know this exactly—what is drawn from the people of British India itself?—I will see if any information can be obtained; I do not know that it can.*

7533. (*Sir Donald Stewart.*) But that would not prove anything; it would simply prove that the Natives of India do not like the low interest?—Yes, that is what I should say.

7534. (*Mr. Naoroji.*) It is said because they do not like lower interest; it is simply because they do not have the money to give at lower interest. The capital is so small and, for business purposes, so insufficient that the very commercial current rate—business rate—of interest is 9 per cent., is it not? All accounts between merchant and merchant are at 9 per cent. interest, is not that a fact?—The ordinary mercantile rate of interest is certainly much higher in India than in England.

7535. Of course if they make a special contract for any particular lower interest, that is a different thing; but what is here supposed to be regular 5 per cent. interest as between merchant and merchant, there is 9 per cent. interest, and even with this 9 per cent. interest the bankers actually who possess capital to any extent—I mean the Indian bankers—are able to get more than

* It was found to be impossible to obtain the required information.

9 per cent. because capital is so very deficient there; it cannot be accumulated because it is taken away from the country?—I do not appear as an expert witness on questions of political economy, and I can only say that my own experience after about 25 years in India is that there is certainly an accumulation of capital going on in British India, and that India as a whole is wealthier than it was when I first went there.

7536. Can we have any proof; can you show any increase?—As I say that is only my opinion.

7537. It is merely an opinion, therefore, you cannot give any proof?

7538. (*Sir James Peile.*) Have the imports and exports increased?—Yes, they have very largely increased.

(*Mr. Naoroji.*) Mr. Chairman, may I go into the subject of imports and exports now?

(*Chairman.*) I do not think it comes in at the present point.

7539. (*Mr. Naoroji.*) Of these Rx. 29,000,000 we are talking about, I suppose there is some amount held in different kinds of trust?—Yes, some portion of it would be so held.

7540. (*Sir James Peile.*) I should like to ask a few questions to clear up the subject of railway finance. Take this statement of East India Income and Expenditure, page 31, and take the figures for 1893–94 as an illustration; you have there the railway receipts net—that is deducting working expenses—12,000,000 Rx. in round numbers?—Yes.

7541. And the charges are, in round numbers, 13,500,000 Rx.?—Yes.

7542. That is all in rupees; those charges include all interest?—Yes.

7543. Both in England and in India?—Yes.

7544. They also include exchange on payments in England?—Yes.

7545. And exchange means the amount of rupees that you have to add to make up the silver equivalent of the sterling paid in England?—Yes.

7546–7. Then the result is in that year a deficiency of revenue over charges of 1,500,000 Rx.?—Yes.

7548. Are there any special reasons why that apparently unfavourable result should come out? The railways, on the whole, taking the receipts in rupees, and the charges in rupees, show a deficit of receipts on charges of 1,500,000 Rx. in the year. What is the reason of that? Is there any special circumstance which accounts for it; would you expect that to go on always?—It is very largely owing to the fact that works are still under construction which are not yet producing any revenue, but mainly to the large charge for exchange.

7549. And does that arise on any special item?—On the interest.

7550. But what is the interest in the case now of the old guaranteed lines; we pay that interest at a special rate, do we not?—Yes, we pay it at 5 per cent.

7551. And, also, is it not the case that for every rupee appropriated to a payment of that 5 per cent. interest we have to pay 1*s.* 10*d.*?—We have a special rate of exchange for them, too.

7552. And that makes the amount of exchange much larger, does it not, because for every rupee we have to give them 1*s.* 10*d.*, which we have to provide by remitting at 1*s.* 2*d.*, or whatever is the exchange of the day. It has increased in that way, the charge, has it not?—We do not remit the net profits at 1*s.* 10*d.*

7553. Not the net profits, but the guaranteed interest?—Yes, we convert the interest paid in this country at an exchange of 1*s.* 10*d.*, in order to calculate the surplus profit earned in India.

7554. That has increased the exchange charge?—Yes, it increases the surplus profit we have to pay to the Company.

7555. Well, when the lines are purchased that extra charge will vanish, will it not?—Yes, that will disappear.

7556. So that we may hope in future that that deficit on the Railway Account will decrease and disappear?—Yes, with a rise of exchange it certainly will diminish.

7557. On purchase, or with the rise of exchange?—Yes; I may say that in some years the loss has been very much less than that, as is clear from this statement; 1891–92 shows a deficit of only Rx. 315,000, and 1885–86, of Rx. 731,000 The variations have been chiefly due to those two causes, either that there has been a large expenditure going on which is not yet productive, or that there has been a large fall in exchange.

7558. (*Sir Andrew Scoble.*) Could you say in regard to that amount of Rx. 13,500,000, how much can be allocated to railways under construction?—I think I could take it out.

7559. I only want it approximately?—No, I could not state it from the accounts themselves.

7560. (*Sir Ralph Knox.*) How much of this large loss is due to the loss by exchange—the deficit in the year that has been mentioned?—In that year Rx. 3,732,000 is the exchange charged.

7561. That is more than the whole loss?—Very much more—that was Rx. 1,500,000, so that the exchange charge is about Rx. 2,250,000 in excess.

7562. It adjusts itself, in fact; if there had been no loss there would have been a profit?—Rx. 2,250,000.

7563. (*Mr. Mowbray.*) If the rupee was 1*s.* 10*d.*?—If the rupee was 2*s.*

7564. (*Sir William Wedderburn.*) With regard to the subscriptions to the Rupee debt from Natives of British India, it may be stated generally, I suppose, that the fact that so few Natives of British India subscribe to the loans, and that the current rate of interest is so high, points to a scarcity of floating capital in British India, so far as it goes?—A scarcity compared to the demands for it, yes.

7565. That it is scarce, rather?—Yes.

7566. (*Chairman.*) Mr. Jacob, you were telling us some little time ago, that in 1885–86, and I think again in 1893–94, occurred about the only instances in which loans raised here on account of India were remitted to India?—Yes.

7567. Would it be possible to ascertain the amounts so remitted in those two years, and the amount of rupees realised by those remittances in India?—They were not actually remitted; they merely had the effect of reducing the remittances from India. Of course the actual remittances from India far exceeded the amount of the sterling debt raised, and the result of the loans was merely that a smaller amount was remitted than would otherwise have been necessary.

7568. But of course it would come to the same thing, the loss by exchange was diminished by every rupee that was so saved from remittance?—No, not in the way we keep our accounts.

7569. Supposing, we will say, that the sum going to be transmitted from India was 13,000,000 Rx., and the Indian Government at home said—"No, we will not take "13,000,000 Rx. we will only take 11,000,000 Rx., and "we will intercept 2,000,000 Rx. of this loan:" well, so far as that 2,000,000 Rx. goes there is no loss by exchange?—Whether we raised the amount here by loan, or raised it by the sale of our bills, the cost to us is just the same for the year.

7570. Eventually the cost is; but on whatever you pay in England out of money raised in England, you do not have to incur loss in exchange on remittance. If you do, it is only a question of account. Supposing the sum due over here was 17,000,000 Rx., and you raised and paid the equivalent of that 17,000,000 Rx. here, there would be no loss by exchange here because there would be no remittance?—The amount that we bring to account as exchange is not the amount paid on the remittances actually made during the year, but the amount calculated on the expenditure of the year at the average rate at which the Secretary of State has drawn his bills.

7571. It is not an actual fact, though it is, no doubt, approximate; it is assumed?—Yes, it is on the assumption that we ascertain, by the sale of our bills, what the average value of the pound is in rupees, and so, in converting our expenditure in pounds sterling into rupees, we enter in our accounts the equivalent amount in rupees at the rate so ascertained.

7572. Therefore, in such a case as this, you imagine that this sum of money had been sent out to India and been sent back again?—We converted the expenditure out of it into rupees at the same rate of exchange as if it had been met by a remittance from India.

7573. I asked whether you ever remitted money to India in these cases as a test, in order to see the amount of rupees which is realised by such remittance; but you say that in the cases of 1885–86 and 1893–94, if I understand you, no

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such remittance took place?—No actual remittance took place.

7574. Therefore you could not give us such a test case?—No.

7575. In the case of old debt which has been in existence for some time, when you have to remit the sterling interest here, you are damaged by the whole amount of the loss of the exchange, are you not?—Yes.

7576–7. But were you to borrow at this moment, and send the money to India, you would get so many more rupees in India; and you would have to set the profit, if you might so call it, that would arise in that case, against any loss in the payment of interest back again, would you not?—I should like it to be clearly understood that in our accounts we very carefully avoid the use of the term loss by exchange in respect of the conversion of our sterling payments into their rupee equivalent. In our accounts we charge it as "exchange." The Sterling column and the Exchange column of the accounts, added together, give the actual amount of rupees which it has cost us—according to the average rate of our remittances—to pay any sterling liability that we have met in England. The loss as between any two given periods would be roughly ascertained by deducting the figures in the Exchange column in the one from that in the Exchange column in the other year, not by taking the actual figure of the Exchange column in the later year as the loss. We have eliminated from our accounts the term "Loss by Exchange," except as regards the head of charge which is called by that name, and which is the outcome of certain contracts under which we have to remit at a certain rate, while we actually can remit only at another rate.

7578. That explains the term; but I do not know whether you understand what I mean. It strikes me that, in the case of an old-established charge for debt on which the debtor is bound to remit 3, 4, or 5 per cent., if exchange falls constantly, the loss must be measured by the fall of exchange, because it is exactly the same sterling liability as existed 10 or 12 years ago, and every year you have to send a larger number of rupees to discharge it; but if you incur new liability, and borrow at the present time in England, the remittance being in the other direction, you gain, do you not?

(*Sir Donald Stewart.*) There is never any remittance of cash to India.

7579. (*Chairman.*) No, but you must get the benefit somehow, it seems to me, and I want to know whether Mr. Jacob has ever turned his attention to it?—I think the distinction which your lordship draws between earlier and later liabilities is a very important one, and I intended in my last answer to bring out the fact that we do observe that distinction.

7580. That is what I wanted to get out; it is a very important distinction, and I want to get your assistance in endeavouring to work it out to see how it acts?—It is very important.

7581. The main case that I put before you is this: that where there is an old existing debt you must allow the full weight of the loss by exchange; where it is a new debt you must consider that in some shape or another India gets a benefit out of the sovereigns raised here. She raises sovereigns here, and in some shape or other those must be the equivalent of a larger number of rupees for her purposes than was the case 20 or 30 years ago?—I do not think it can be said that she gets any benefit from that; for instance, say that we raise a sterling loan this year, and we employ it in India, either by remitting the money there, or—as would always be the case with us—by reducing our home remittances. We get a certain number of rupees in India as the equivalent of the sterling receipt here, say 17 rupees to the 1*l.*; but, unless the exchange rises, we get no profit upon that.

7582. Do you not draw a distinction there? If that or its equivalent in some shape or another went out to India and merely came back, of course one transaction would obliterate the other; but when these pounds get out to India for your purpose, they now fetch 17 rupees to the sovereign where they formerly fetched 10?—Yes.

7583. In some shape or other, where you are drawing money from England, it seems to me you must get the benefit from the exchange, just as I am admitting that, where you are paying money in England, it tells against you. If it tells against you in one sense, in some shape or other it must tell for you in the other?—A fall after we have incurred the liability tells against us.

7584–5. Yes; but at the moment when you incur the liability, it seems to me you must get a benefit somehow on the money you raise, which acts as a make-weight to what you will lose when you pay the interest afterwards?—I should demur to that. Say this year we raise 1,000,000*l.*, and remit it to India at 17 rupees to the 1*l.*; we have then Rx. 1,700,000 available for expenditure, and as long as there is no variation in the rate of exchange, our liability is Rx. 1,700,000.

7586. Quite so?—We derive no benefit from that, which can be called a profit. Whenever we want to pay off the loan, on the assumption that exchange does not vary subsequently, we have to pay Rx. 1,700,000, and when we pay the interest, we pay it on the Rx. 1,700,000.

7587. In some shape you get the Rx. 1,700,000, instead of a smaller number?—We get a larger number of rupees, the equivalent of which is stated in a smaller number of pounds sterling, but there is no profit to us in that.

7588. (*Sir James Peile.*) You would be able to borrow a smaller amount of pounds?—Yes.

7589–90. (*Chairman.*) One of the inconveniences of the present state of things is the larger amount you have to pay owing to what is generally called loss by exchange?—We do not call it loss by exchange. I do not pretend that we do not suffer a great loss by exchange. What I wish to express is that we do not allege that the figures in the exchange column in the accounts of any given year are an exact measure of that loss.

7591. (*Sir William Wedderburn.*) In the case of that 1893–94 loan was it not feared that if the money had been remitted—if Council's bills had been sold—the rate of exchange would have gone down still further? Was not the main benefit of that loan mainly to avoid a further fall of exchange?—It was in order to avoid the sale of bills below a certain rate at which the Secretary of State wished to sell.

7592. Therefore the main benefit was to avoid a further fall in exchange?

(*Mr. Naoroji.*) It was a speculation.

7593. (*Chairman.*) My object in asking the question is to call your attention to this point, which always seemed to me a very obscure and difficult one. At a future time I may ask you some more questions on it, and perhaps I may have the opportunity of having some conversation with you, to see if we can obtain any figures which would test what I mean. I do not mean to press it further now, because I am perfectly aware it is a very obscure question?—I quite admit the force of your lordship's point, and I am anxious there should be no misunderstanding on the question of what is our real loss by exchange. Suppose we have in 1875–76 sterling liabilities amounting to 15,000,000*l.* to pay, and we meet those liabilities by a remittance of Rx. 16,500,000. Now suppose that we have the same sterling liability of 15,000,000*l.* in 1895–96, and we can only meet it by a remittance of Rx. 22,000,000, then, I should say, there can be no doubt that in the intervening period—our revenue being measured in rupees—we have lost the difference. There has been no change in our sterling liability, but we have to pay a larger number of rupees, merely because the rate of exchange has fallen.

7594. Up to that point we are in complete agreement?—Well, then, suppose that at any intervening period—say, half-way between—when the rate of exchange was something between the rates first mentioned, we incurred some new sterling liability, then I should say that the loss that we have incurred in respect of this new liability between that period and 1895–96 is measured by the difference in the exchange for those two periods.

7595. Between the time at which that fresh liability was incurred and the present?—Yes.

7596. I am not sure that we are very far apart from each other?—No. I think it probable that I entirely agree with your lordship. But what I would point out is that we studiously put the column only as an exchange column, and not as "Loss by Exchange" in our accounts, and that this way of stating the account—while not expressing the actual loss by exchange at any given period—affords an easy means of ascertaining that loss, while at the same time it facilitates the comparison between the sterling amounts shown in our London accounts and the equivalents of them which are incorporated in our Indian accounts. Our accounts are intended mainly to be a statement of facts. It is absolutely certain that, whether the liability is an old one or a new one, the interest which we have to pay on every 100*l.* of sterling 3 per cents this year is,—assuming an exchange of 17 rupees to the 1*l.*—51 rupees, whether the interest is payable in respect of an old liability or a new liability. This, accordingly, is the fact we state in our accounts. We show 30*l.* in the

"England" column, and Rx. 21 in the "Exchange" column; and this brings to account Rx. 51 which we have actually paid. But we do not allege that the loss that we incurred is measured by the Rx. 21. And I personally should say that the loss would in such a case be measured by the difference between the Rx. 21 and the amount which would, on the same method of account, have been shown in the exchange column at the time that we incurred the liability.

7597–600. It occurs to me to take the exchange in regard to the debt of 1875. The exchange is stated at 237,000 Rx., I think, in 1876, and in 1896 it is stated at 2,215,000 Rx. I do not say that you do it in your accounts, but certainly I think you would gather from official statements that the difference between those sums, 237,000 Rx. and 2,215,000 Rx., is an absolute and dead loss. I cannot help thinking that that statement, which has a certain amount of force in it, exaggerates the position, because you have to consider how far that 2,215,000 Rx. is affected by the fact that it arises in part from recent loans?—Certainly, for ascertaining accurately the actual loss by exchange you would have to make various detailed calculations.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

At the India Office.

SIXTEENTH DAY.

Wednesday, 29th April 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor-General to the Government of India, recalled and further examined.

7601. (*Chairman.*) Mr. Jacob, you have sent me a short further memorandum on the police, supplementary to the evidence you gave before, and I would ask you, if you please, one or two questions arising out of it. You explain the great increase in the charge for the police, amounting to 55 per cent. or thereabouts, on the cost of the service. In 1875 the charge was Rx. 2,238,604; the increase is Rx. 1,262,000. I presume Upper Burma, as a province acquired in the interval, accounts for a considerable part of that increase?—Yes, the cost of the Upper Burma police in 1893–94 accounts for Rx. 631,675 out of the total increase of Rx. 1,262,558.

7602. That is to say, very nearly 50 per cent. of the increase is due to the acquisition of Upper Burma?—Yes, that is so.

7603. With regard to the remainder, does not more than half of it arise in the provinces of Lower Burma, Bengal and Bombay. Can you give us the causes of those increases?—Yes; Rx. 136,000 arises in Lower Burma. That is largely due to the employment of a force of military police, costing Rx. 84,000. The ordinary force also has been strengthened, the number of the subordinate officers being very largely increased.

7604. May I ask you, with reference to the appointment of a military police, what is the meaning of that? Previously, was there merely a civil police such as exists, I suppose, in the remainder of India, and was that force abolished and a military force substituted?—No, the civil police was not abolished, but shortly after the taking of Upper Burma, outbreaks of dacoity and other serious crime occurred in certain districts of Lower Burma, and it was thought necessary to have an organised military police in certain parts of the Province. This force was in addition to the civil police, and has some semi-military duties to perform. It has been increased from time to time.

7605. Then taking Upper Burma and Lower Burma together, should you anticipate that, as those provinces become organised, you may look for a diminution in the cost of the police?—I should certainly expect that there would in time be a very considerable diminution in the cost of the police in Upper Burma. The cost of the military police in that province, I may say, has begun to decrease already, and I think there will be a further large decrease as time goes on.

7606. What would you put the cost of the police in Upper Burma at, supposing it were possible to organise it as the police is organised in the settled provinces of India?—The military police in Upper Burma now costs Rx. 450,000. I do not suppose that the whole of that would be saved, but, looking at the cost of the police in the other provinces of India, I should think that eventually probably one-half of that amount might be saved.

7607. So that the eventual cost of the police in Upper Burma would not be more than from Rx. 300,000 to Rx. 400,000?—I should think so.

7608. Will you now tell us the causes of increase in Bengal and Bombay?—Yes, in Bengal there has been an increase of Rx. 103,000. There the cost of the police of the town of Calcutta has been increased by Rx. 41,000; the district executive force has been largely increased, and special charges have been incurred in South Lushai, amounting in 1893–94 to Rx. 38,000.

7609. In the case of the Calcutta police, is it met at all by municipal rates?—They pay, indirectly, a certain portion of the police charges, but the police actually have always been, and, I believe, still are paid by Government and under the control of Government officers.

7610. And therefore, whatever the municipality pays would be treated as a receipt in aid?—Yes, that would be the case, if the Calcutta municipality paid a direct contribution for the police. Then in Bombay the increase has been Rx. 103,000; there again this increase includes a large force of special police for Kathiawar, costing Rx. 60,000, and a sum of Rx. 43,000 on account

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of village police. The greater part of the charge for the Kathiawar police and the whole of that for the village police is covered by increased receipts under other heads.

7611. (*Sir James Peile.*) That is to say, the Kathiawar police is paid for by the Native States?—Yes.

7612. In fact, it is a Native State force; it has nothing to do with British India?—No; it is merely managed by the Government of Bombay.

7613. (*Mr. Caine.*) It is intended to put down dacoity chiefly, is it not?—Yes.

7614. (*Chairman.*) And in the case of the Calcutta police, when an increase is found necessary, caused practically by the increase of the city, do the increased receipts levied from the municipality cover the increase of the expense?—They would not always do so. The Government has made a special arrangement regarding the Calcutta police, and they would not, under that arrangement, recover the amount of any such increase at once. Eventually, I suppose, the cost of the municipal police, as distinguished from what might be considered as the police required for purely Government purposes, would be recovered from the municipality.

7615. That would be the object the Government would have in view?—I think so.

7616. (*Mr. Jackson.*) Is the arrangement regarding the Calcutta police renewable from time to time?—It is a somewhat complicated arrangement. Up to 1889 the municipality paid a contribution towards the cost of the police, but in that year an arrangement came into force under which the Government agreed to exempt the municipality from payment of that contribution on condition that it pledged itself to spend annually three lakhs (which was about the amount of the previous annual police contribution) on certain works in the suburbs (then for the first time included in the municipal area of Calcutta) which were considered essential to the public health. This arrangement was sanctioned by legislation, and is still in force. The Government of India, however, in sanctioning this legislation, intimated that this exemption from police charges was not to endure permanently, and that it reserved to itself the right to determine at what time the exemption should be withdrawn. The intention undoubtedly is that the municipality shall eventually bear its share of the cost of the police employed within the municipal area.

7617. (*Mr. Caine.*) As a matter of fact, does the cost of the police in the municipalities spread over a number of years fall upon the rates or fall upon the government?—Do you mean in all the municipalities?

7618. Yes; we will take Calcutta, for instance; do the contributions from the Calcutta municipality taken over a number of years, meet the cost of the police?—I should say that they certainly have not in the past covered the whole cost.

7619. Is it the idea that they should in the future?—I think it is the intention in the future that municipalities generally, apart from special temporary arrangements, should bear the cost of their police. The question has been, I believe, the subject of considerable argument with the Bombay municipality. That municipality does pay a contribution towards the charges of their police; but I am not sure that it has been possible, as yet, to make them bear the whole cost.

7620. Then, if that idea were carried out, the contributions from the municipality to the Government would cover the cost of the police?—Yes, they would, but that is not the case in the municipalities of the Mofussil; they do not all bear directly the cost of the police.

7621. Not the small municipalities?—No.

7622. (*Chairman.*) But the general idea is, that in the large towns the municipality should meet the cost of their police?—In some of those cases also an arrangement has been made by which the Government bears the cost of the police, while the municipalities bear a larger share of the educational and medical charges. This arrangement was described in the financial statement of 1882–3 in the following paragraph:—"One important step in advance has already "been taken by the Lieutenant-Governor of Bengal, "who has throughout most cordially co-operated with "the Government of India in carrying out the policy "now under discussion. It was indicated in the "Government of India resolution of September 30th, "1881, that it would be desirable to relieve municipalities of police charges and transfer to them "other items of charge, such as primary education and "minor public works, the cost of which, within the "limits of the municipalities, has up to the present "time been borne by provincial revenues. The in-"tention was, wherever such a course was possible, "merely to effect a transfer, and not either to increase "or diminish provincial or municipal charges in the "aggregate. It has been found difficult, however, "more especially in the case of the smaller municipali-"ties, to carry this policy into effect without either "increasing municipal taxation or providing extra "grants from provincial revenues. It appears that "out of a total sum of 140,000*l.* expended by the "different municipalities, &c. in Bengal (exclusive of "Calcutta, the suburbs, and Howrah) in 1880–81 about "44,000*l.* was spent on police. The Government of "Bengal has, therefore, decided that the charges now "borne by Government in municipalities on account of "dispensaries and hospitals, amounting to something "less than 10,000*l.* a year, shall be transferred to those "bodies, and that at the same time the Provincial "Government should take upon itself the cost of the "police. The practical result of these orders will be "to set free a sum of about 35,000*l.* a year, which the "municipalities will be able to spend on conservancy, "lighting, drainage, water supply, and similar public "wants. The Lieutenant-Governor has also increased "the grant for primary education in the ensuing year "by 10,000*l.*, and has announced that he will be ready "to make liberal grants-in-aid to the funds of district "road committees for the execution of well-considered "projects. In other parts of India, notably in the "North-Western Provinces, Assam, and the Central "Provinces, the transfer of police charges from the "municipalities to the Provincial Governments is "either in active progress, or will very shortly be "taken in hand; and generally it may be said that the "policy of the Government of India has been cordially "accepted by the local governments."

7623. These educational and medical charges otherwise would fall upon the Government?—Yes.

7624. (*Mr. Caine.*) Is there any demand from the greater municipalities for the control of the police?—I have no information on this point, but I believe the question has been raised in Bombay.

7625. You have no facts to show as to whether there would be any saving by transferring the control of the police of great municipalities from the State to the municipality?—No, I have no information about that.

7626. (*Chairman.*) Are there any notable increases in other provinces to which you would call our attention?—There have been increases in some of the other provinces; under India there has been an increase of 41,000 Rx., which is chiefly due to the police force for Beluchistan.

7627. By India, you mean Central India, I suppose?—I mean the smaller provinces which are classified under the "India" column in the published accounts.

7628. (*Sir James Peile.*) Directly under the Government of India?—Yes, they are the smaller provinces which are immediately under the administration of the Government of India. Then, in the North-West Provinces and Oudh there has been an increase of 66,000 Rx. The district executive force has been strengthened; the head constable class being specially increased; and there has also been an increase in the village police. In the Punjab, a large force of special police, costing Rx. 31,000, has been entertained; the chief and head constable classes have been strengthened, the proportion of these officers at the earlier period being markedly low. In Madras the force has been strengthened including the higher grades.

7629. (*Chairman.*) Has there been any increase of police on the frontier in consequence of the frontier being pushed forward?—There has been an increase in the Punjab, and I think that is partly on the frontier.

7630–1. Apparently, the increased cost is due to increase of force and not to increase of pay. Can you give us the total number of the police force in 1875–76 and in 1893–94?—There has been some increase due to increased pay, but the increase is largely due to an increase in strength. I cannot give the details of the figures for 1875–76, but I have taken out the figures for the district police force for 1876–77 and compared them with 1895–96, and they show an increase of 6,542 in Upper Burma, which, of course, is a new force entirely, and of 6,747 in the rest of India.

7632. Those numbers almost exactly correspond with the relative increases of cost?—They may do so, but I have not worked it out.

7633. What is that increase of 6,747 upon; what was the force in 1876-77?—In 1876-77 the total district police force was in round numbers 110,000 men, and in 1895-96, 117,000 odd.

7634. That includes the whole of the body of men that you have classed as police?—No, it does not include all the men that are classified under the major head "Police." It includes only what is called the district police force. I could not get the exact number employed in the earlier years for the village police and municipal police, and for some other of the minor heads, but the district police force comprises the main body of the police.

7635. Would this include the police at Calcutta?—No, this does not include the Calcutta police. I have not been able to obtain details of several of the municipal police forces in the earlier years.

7636. The increase of 7,000 which you have just given us on 110,000 would hardly lead one to expect an increase of very nearly 50 per cent. upon the cost of the police in 1875-76, would it? The cost of the police in 1875-76 was 2,238,000 Rx., and the increase in the meantime was, I think, something like 1,262,000 Rx., was it not?—The increase which I have given is in the district executive force only, the cost of which was 1,860,000 Rx. in 1875-76, and 2,093,000 Rx. in 1893-94, or an increase of 233,000 Rx.

7637. But when we talk of the whole of the police budget, am I not right that in 1875-76 it was 2,238,000 Rx., and in 1895-96 it was 3,501,000 Rx.?—Yes; but the 3,501,000 Rx. includes Upper Burma.

7638. That you see is an increase of rather more than 50 per cent.?—Yes.

7639. Which the increase in the numbers would hardly lead one to expect?—As I said, I was not able to get out the details for the whole force, but I have given the details of the district executive police force as a sample of the general increase. The percentage of increased cost for that force corresponds pretty closely, I think, with the percentage of increase in the total cost.

7640-1. 1,860,000 Rx., rising to 2,090,000 Rx. in 1893, is an increase of something like 11 per cent., whereas the increase in the total charge is over 50 per cent.?—The increase on the charge under district executive forces is about 11 per cent.

7642. Yes, and the increase in the total budget is about 55 per cent., is it not?—Yes, but that includes Upper Burma, which, as has already been explained, should be left out; that is purely extra.

7643. The Burma charge is extra to the 2,090,000 Rx. in 1893, is it?—Yes.

7644. What would the Burma charge carry the 2,090,000 Rx. in 1893 to?—I should say that in making the comparison between the two periods you must exclude Upper Burma altogether. Upper Burma accounts for 671,675 Rx. of the increase, so that the increased cost of the rest of the police is only 630,883 Rx., and that on 2,238,000 Rx. is only a little over 20 per cent. There have been increases in various other minor heads. The special (chiefly military) police, as I have already explained, in Lower Burma and in the Punjab has been increased; that is not included in the district police.

7645. Then, in order to assist us in forming an opinion upon the progress of the increase of expenditure, would you put it in this way: The budget of the police of the whole of India in 1875-76 was 2,238,000 Rx; in 1895-96 that had risen for the whole of India to 3,500,000 Rx.; but from that you would deduct 600,000 Rx., being the cost of the police in Upper Burma?—Yes.

7646. That 600,000 Rx., taken from 3,500,000 Rx., would leave about 2,900,000 Rx.?—2,900,000 Rx.

7647-8. And, therefore, the increase with which we deal is an increase in round numbers from 2,200,000 Rx. to 2,900,000 Rx.?—Yes.

7649. That is, 700,000 Rx. on 2,200,000 Rx.?—Yes. Of that increase, 233,000 Rx. is in the district police force, 279,000 Rx. in special police, chiefly the military police, 74,000 Rx. in village police, and 69,000 Rx. in the expenses of cattle pounds. Those last two—village police and cattle pounds—are covered entirely by a corresponding increase in receipts.

7650. (*Sir James Peile.*) Therefore a very large portion of the increase is due to military police?—Yes, to military police.

7651. And I think you have explained to us that a considerable portion of that increase is due to the unsettled state of Lower Burma?—Yes.

7652. (*Chairman.*) But you said just now, when I asked you a question as to whether any increase of pay formed part of this general addition to the budget, that there had been some slight alteration in favour of the police?—Yes, there has been some slight increase in the pay of the force in several provinces, and that would account for the additional cost of the district executive force over and above the cost which would appear due to the increase in the strength of the force. The increase in strength is 6,500 on 110,000, or about 6 per cent., and the increase in the charge is about 11 per cent. It is impossible for me to say exactly in what grades the increase in strength has occurred, because the earlier accounts and estimates do not give details by grades, but I can say with certainty that only the lower grades have been strengthened; there has been no increase in the number of officers in the highest grade, namely, that of district superintendent of police, except to meet the case of new forces organised in consequence of the annexation of new provinces.

7653. That would look as if the increase of pay and charges other than the increase of force would be something like 5 per cent.?—I should say so.

7654. (*Sir James Peile.*) That was to ensure better men?—Yes.

7655. More trustworthy men?—Yes.

7656. (*Chairman.*) That is over the 20 years?—Yes.

7657. (*Sir Ralph Knox.*) Is it the pay throughout the force for all ranks, officers and men, that has been slightly increased?—The improvement has been confined almost entirely to the lower grades.

7658. The lower grades of men?—Yes.

7659. (*Sir James Peile.*) The increase was not simultaneous all over India; but the police of different provinces was taken up for reorganisation one after the other?—Yes, I think that some of the provinces are still engaged in reorganising their police force.

7660. (*Mr. Mowbray.*) But is that done by the Provincial Governments, or is it done by the Supreme Government?—It is done by the Provincial Governments, the charge for police being everywhere Provincial; but the Government of India is much interested in the improvement of the general police administration; and I believe that it has put some pressure on the Provincial Governments in some of the provinces to improve the police force.

7661. The whole of the expense is defrayed by the Provincial Governments?—Entirely, except in the few provinces that come under India and in Upper Burmah; Upper Burmah is at present Imperial.

7662-3. (*Chairman.*) What has been the increase in the receipts between 1875-76 and 1895-96?—I have given the net charges in every instance, so that the increase in receipts is allowed for in all these figures that I have quoted; but I should add that in some cases there are additional receipts on account of the police which come in under another head, so that they do not reduce the net charge here. Thus the charge for village police in the North-Western Provinces (Rx. 26,241 in 1893-94) is met from receipts credited under provincial rates; and in Bombay a portion of the charge for village police (Rx. 49,661 in 1893-94) is a mere book entry, the corresponding receipt appearing under the head of Land Revenue. It is possible that some other local charges are met from receipts under Provincial rates, but the two mentioned are the only large charges against which receipts are credited under other heads.

7664. Have you a copy of the receipt figures under Police?—Yes, I have them here, the receipts in 1875-76 were 234,736 Rx. and in 1893-94, 417,531 Rx.

7665. And in the estimate of 1895-96 is the amount rising?—It has been gradually rising. The revised estimate for 1895-96, however, is 412,000 Rx. only, which does not show any rise over 1893-94.

7666. That is almost stationary?—Yes, and in the budget of 1896-97 the figure of 412,000 Rx. is repeated.

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Police.

7667. (*Mr. Buchanan.*) I did not quite understand about the military police. Are there two separate forces in India, a military police and a civil police?—In most of the provinces there is only a civil police, but in a few of the frontier provinces a police is maintained with slightly more military organization than the civil police. They are intended to act against armed bands of dacoits, or marauding tribes, and consequently have to be trained to act together more than the civil police are ordinarily required to do; they are chiefly officered by military men.

7668. Are they on a different scale of pay?—Yes.

7669. A higher scale of pay?—In Upper Burma it is a much higher scale of pay.

7670. And are they chiefly in the frontier provinces?—Entirely.

7671. Beluchistan?—In Beluchistan.

7672. And has there been, in the last 25 years, a larger increase in the military police than in the ordinary police force?—Yes, practically there was no military police in 1875-76.

7673. It is a growth entirely since that time?—Yes.

7674. Beluchistan, I suppose, has been annexed since that time?—Yes, but I find that the special police levies in Beluchistan are included in the political charges, and are not under the head of "Police."

7675. But does the annexation of Baluchistan represent any large increase of force or expenditure?—Yes, that accounts for a great part of the increase of 41,000 Rx. under India.

7676. And then Upper Burma, of course, has also been annexed since then, and that would represent a large additional amount?—The total extra charge for Upper Burma is 648,190 Rx., and the military police there cost 456,314 Rx. in 1893-94.

7677. I do not know whether you have stated it already, but what is the total amount of the expenditure on military police?—The military police are not shown separately, they are classed under what are called special police, but the special police came in 1893-94 to 763,000 Rx. the greater part of which is for the military police.

7678-9. That is really an additional charge imposed during the past 20 years, and mainly due to these additional provinces on the frontier having been taken?—Yes, mainly; a portion of it is, however, due to other causes; as, for instance, to the organization of a special detective force in some of the provinces, but the cost of that is not really very large.

7680. Do they rank as military police too?—No, they do not rank as military police, but they are included under the term "special police."

7681. Are the military police under the Government of India or under the Provincial Governments?—They are under the government of the province.

7682. (*Chairman.*) Is that the case in Upper Burma?—Yes.

7683. (*Mr. Caine.*) Do you think that the cost of police generally is likely to increase steadily as years go on; have you got to anything like the limit?—I think the cost of the civil police will certainly increase. For a time that may be absorbed by a decrease of the military police, but we cannot ever expect the cost of the police force to remain stationary, and so, gradually but surely, there must eventually be an increase in the cost of police.

7684. There is a strong feeling in favour of getting a better class of men into the police force?—Yes, there is a good deal said as to that in some quarters.

7685. There has been a good deal of trouble and a good deal of scandal with the class of men we have in the police in India?—There have been complaints.

7686. Of extortion?—Yes.

7687. You have not been able to form any estimate, or you are not in possession of, any estimate which has been formed, of the probable increase of the cost of the police during the next few years?—No, I do not know that any such estimate has been or could be formed.

7688. Still, it is your opinion that there must be a steady increase in the cost of the police for some years to come?—Yes, that is my opinion, based on the experience of the past; there must be a gradual increase in a charge of this kind.

7689. (*Chairman.*) Do you consider that that increase will be in consequence of an improvement of the force itself, of the men who are engaged?—Partly in consequence of that, and partly owing to the mere increase in the population.

7690. (*Mr. Ryder.*) Is there any special rate levied on the district when a special police force becomes necessary?—Every Provincial Government has power to put a punitive rate upon a village or tract of country, if it is necessary to increase the police there.

7691. That power is generally resorted to?—No, it is not very largely resorted to; in extreme cases it is.

7692. Speaking generally, the military police is not paid for by any special police receipt?—No.

7693-4. (*Sir Ralph Knox.*) You look to an increase in the cost of the civil, or non-military, police, in regard both to numbers and to an increase of pay to secure improved efficiency?—Yes. In some provinces improvements have recently been made, and I suppose there the further increase would be very gradual; but in other provinces the police has not been very lately re-organised, and I should think that they certainly will have to follow the example of the other provinces.

7695. Are the scales of pay subject to the control of the Central Government, or are they regulated by the Provincial Government?—They are subject to the control of the central authority. No general scale of pay may be altered without the sanction of the Government of India.

7696. So that any increase which has been proposed from a certain province or district is received by the central authority with the view of controlling it with reference to demands from other localities?—Yes.

7697. (*Mr. Mowbray.*) But as a matter of fact the rates of pay have been raised in some provinces and not in others?—Yes, as a matter of fact they have. The rates of pay, for the police, whether fixed recently or long ago, are not the same in all provinces.

7698. (*Chairman.*) I suppose when you say that the rates of pay of the police cannot be raised without the consent of the central authority, that falls under the general rule of Indian administration, by which increase in scales of pay, to whatever class of employé they relate, have to be approved by the Central Government?—Yes, that is so.

7699. The Provincial Governments have not got a very large discretion, have they, in increasing scales of pay?—No general rate of pay may be altered without the sanction of the Central government.

7700. Now, if you please, Mr. Jacob, we will pass to the memorandum put in by Sir Henry Waterfield, and yourself, which you have headed, "Commercial services" I propose, inasmuch as last time we had under consideration the progress of the debt, to begin with railways, because the railway expenditure is so closely connected with the subject of the debt, that it comes rather fitly after debt. You include in these "Commercial services," railways and irrigation. Are these the only two classes of reproductive public works which the State undertakes in India?—Practically they are. There are certain collieries which belong to Government, but their receipts and charges are included in the Railway Revenue Account, because, I suppose, they are generally worked in connection with some railway; they are, however, shown separately in the Railway Account.

7701. They are part of the State railway management, I suppose?—Yes, they are under the same management. There are also some petroleum operations in Baluchistan, but they are comparatively small.

7702. Practically then the railways and the irrigation works are the only two classes of reproductive works?—Yes.

7703. (*Mr. Jackson.*) You referred to collieries; is that an important item?—No; it is quite a minor item. There are only a few collieries that are managed by the State.

7704. They are worked in connexion, I understand, with some of the railways, and managed by the State?—Yes, they are.

7705. And owned by the State?—Yes.

7706. (*Chairman.*) Is the coal raised sold generally, or is it merely worked for the purpose of the State railways?—No, it is sold to the other railway companies, and, I believe, to the public also.

7707. As a matter of fact, are the coal fields in India widely spread, or are they confined to that part near Calcutta, where there are coal mines?—No; there is coal in other parts of India. The coal mines that the Government owns are in the Central Provinces.

7708. The Indian Government promotes railways in India does it not, partly by itself undertaking the construction and working of railways, and partly by assisting private companies?—Yes.

7709. Can you tell us the course of policy with regard to railways which the Indian Government has pursued? Did it begin by assisting private companies, and, if so, when?—Yes, it began by assisting private companies. The first guaranteed railway company was formed in 1849-50, and for some years no other mode of constructing railways in India was adopted by the Government.

7710. But later the Government took to constructing railways itself. Can you tell us when that change of policy was adopted?—Practically it was in 1868-69, that the Government of India began to construct railways itself. A very small amount had been spent on direct railway construction before that.

7711. That date may be taken as marking the change of policy?—Yes.

7712. And from that time did the system of guaranteeing new railways cease?—No, in one sense the practice of guaranteeing the interest on capital did not cease, but no more additions to what are technically called guaranteed railways were made after that.

7713. You mean by that that any new railways started after that time were not considered eligible for guarantees?—Yes, they have been given guarantees, but not in the same form as those which were given to the original guaranteed companies.

7714. Are those the railroads you call subsidised companies?—No, they are included among the State lines, but, as a matter of fact, part of the capital has been raised by companies on the guarantee of interest by the Government of India.

7715. How would you make the distinction between the old form of guarantee and this new form of guarantee, which, you say, is given in a different manner?—The agreements differ in many minor particulars, but the main difference is, I think, that, while the older guaranteed lines are the property of the companies, the new lines generally are the property of Government from the first, and they may be looked upon merely as leased for a certain number of years to the companies that work them.

7716. But have not all the railroad companies got a clause in the Act which incorporates them, which enables the Government to buy them up at a given time if it pleases?—Yes; the old guaranteed companies can be purchased by Government at certain fixed periods, but in their case the Government pays the full market value; under the later guarantees the railways are from the first the property of the Government; though they have to repay to the companies their capital at par on terminating the agreements.

7717. These railroads are organised in the same way as I think the French railroads are, they have a lease for a considerable number of years, and then they pass over to the hands of the Government without any payment?—There was a clause in the agreements of the old guaranteed railways which provided for their becoming the property of Government without any payment on the expiration of the periods for which the agreements were made; but another clause providing for surrender by the company at any time on due notice, which would entitle it to repayment of its capital, apparently neutralises the first-named provision. The later railways, in connection with the raising of the capital for which a guarantee has been given, are from the first the property of Government, but are leased to the companies for a term, on the expiration of which the Government is generally bound to repay the capital.

7718. Are the leases long ones?—The leases of the new railways are for various terms extending in one case for 99 years; but generally they are for shorter periods (25 and 30 years), and if not then terminated may be determined by notices at intervals of about 10 years.

7719. (*Sir James Peile.*) And the rate of interest guaranteed is lower than the old rate of interest?—Yes, considerably lower, and the terms upon which surplus profits are divisible are generally much more favourable to the Government than under the old contracts.

7720. (*Chairman.*) Then may we take the policy of the Government of India in regard to railways to be divided in this manner: that first of all there was an absolute guarantee given to a number of lines with power to the Government to buy up those lines on terms agreed upon; that next, in 1868-69, the Government adopted the policy of making railroads for itself, but at that time or some time after, by the side of that policy it adopted a policy of allowing railroad companies to construct railroads for various periods up to 99 years?—The agreements with the old guaranteed companies were for fixed periods (99 years in every case), but the agreements were terminable at earlier periods. It was some time after Government began constructing railways on their own account—about 10 or 12 years after, in 1880-81, I think—that they adopted the policy of allowing railways to be constructed by companies on a guarantee of interest, but on somewhat modified terms.

7721. Am I right in thinking that that was the policy initiated by Lord Hartington on becoming Secretary of State, when he was endeavouring to induce private enterprise to come forward in India?—I think so. I think it was the result of the report of a Parliamentary Committee on Railways; in 1879, I think.

7722. (*Mr. Caine.*) Could Mr. Jacob indicate a typical railway of each kind?—The railways which are classed as guaranteed railways are the Bombay and Baroda, the Great Indian Peninsula, and the Madras Railway. Those are the only remaining guaranteed railways.

7723. (*Mr. Jackson.*) That is the old form of guarantee?—That is the old form. Then the railways in the new form are those which are classified in the railway report as State lines worked by companies, such as the Bengal-Nagpur, and the Indian Midland.

7724. (*Mr. Caine.*) Are those on the lease system?—Yes.

7725. With a guarantee as well?—Yes.

7726. (*Mr. Jackson.*) The guarantee covering, in some cases part, and, in some cases the whole of the capital?—Yes, in some cases the Government advanced part of the capital itself.

7727. And guaranteed the balance?—And guaranteed the balance.

7728. And they were practically lines constructed at the cost of the State, and leased for a period for working?—The companies raised a considerable amount of the capital for the purpose of constructing the railways.

7729. Is not the capital guaranteed by the Government?—Yes, the capital raised by the companies is guaranteed by the Government, and inasmuch as the Government is liable for the whole of the interest, it may be said that the lines were practically constructed at the cost of the State.

7730. The whole of the capital is practically guaranteed, is it not?—It is either borrowed direct by Government or raised through the companies on a guarantee.

7731. If the Government advances money for the construction and does not charge interest, that is equivalent to the guarantee?—It generally does charge interest upon the capital it advances.

7732. That is to say, if there is a surplus?

7733. (*Mr. Caine.*) If it is earned they get it?—Yes.

7734. If it is not earned they do not get it; it is not cumulative, is it?—In some cases it has been, I believe, cumulative, but not as against the guaranteed interest.

7735. (*Chairman.*) As a matter of fact they have not got interest in most cases on the amount they have advanced?—In some cases they have.

7736. (*Mr. Caine.*) They paid on the first three guaranteed lines for years; there has been no guarantee paid on the Bombay and Baroda for many years?—The total guaranteed interest has not been covered by the Government share of the earnings.

7737. I thought it had run off. The Great Indian Peninsula has of course run off?—There is no interest outstanding against that line.

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7738. Is there any outstanding against the Bombay and Baroda?—Against the Bombay and Baroda, no.

7739. The Madras?—Yes, it does not even now pay the guaranteed interest.

7740. But the other two are quite clear?—I am not sure about the Great Indian Peninsula at present.

7741. Oh, I think it is clear; it has been paying $1\frac{1}{2}$ and 2 per cent. over the guarantee for many years?—Yes, in the past it has, but I am not sure as to the present.

7742. I should think with the 100*l.* shares at 186*l.* there would not be much due to the Government of India?—I am afraid I have misunderstood your previous questions. There is nothing due to the Government of India in any of these cases in respect of past arrears. There is no cumulative claim on account of them. The surplus profits are calculated with reference to the net earnings for each half year. I find on reference to the accounts that the Government share of the earnings has not wiped out the excess interest paid in the past in the case of either the Great Indian Peninsula or the Bombay-Baroda Railway. That does not, however, affect the companies' share of the net profits. The companies are all the same entitled to half the net profits after deducting the guaranteed interest for the half-year.

7743-5. (*Chairman.*) With reference to what Mr. Caine says, it appears from a table in the memorandum which you have given me that the guaranteed interest of the Bombay-Baroda Company in 1893-94 was practically 418,000*l.*; that is to say, 417,517*l.* in England and Rx. 424 in India The surplus profits were Rx. 266,000?—Yes.

7746. Therefore should I be right in supposing that the State was at the cost of the difference between Rx. 266,000 and 418,000*l.*?—No, the former is a payment to the company in addition to the 418,000*l.*

7747. (*Mr. Caine.*) That 418,000*l.* has been set aside?—Yes.

7748. (*Chairman.*) The Rx. 266,000 remains after the 418,000*l.* has been set aside?—Yes.

7749. That would go to the company?—Yes.

(*Mr. Jackson.*) That is to say, in this case the 418,000*l.* would not be called upon?

(*Mr. Caine.*) No, that is it; they earned the guarantee and did not call upon the Government for it.

7750-2. (*Chairman.*) Yes, quite so?—That was the case with both the Bombay-Baroda and the Great Indian Peninsula in 1893-94; but the conditions applicable to both the lines are such that the payment of the surplus profits does not show necessarily that there is a profit to Government even for a half-year for which such surplus profits are paid, because for the purpose of calculating the surplus profits the guaranteed interest is converted into rupees at the rate of 1*s.* 10*d.*

7753. (*Mr. Jackson.*) But would you put it so high as this, that in any case where there was a surplus profit shown, there had been no call on the Government guarantee?—No, I should not say that.

7754. That there might be a surplus shown notwithstanding the fact that the whole of the Government interest had not been provided?—Yes, at the current rate of exchange. The interest is converted at 1*s.* 10*d.* to the rupee in calculating the surplus profits, so that unless the surplus exceeds the difference between the equivalent in rupees at the actual rate of exchange and at 1*s.* 10*d.*, there might still be a loss to Government.

7755. Ah! a loss to Government; but so far as the working of the line was concerned there would be no surplus until they had carried out their engagement to Government?—The surplus is calculated merely as a matter of account in the following way. The 5 per cent. sterling interest is converted into rupees at 1*s.* 10*d.* to the rupee, and the amount so calculated deducted from the total net receipts in India; the balance gives the surplus profits which are divisible between the Government and the company in moieties.

7756. And, therefore, if there was any loss to the Government it would be by what you call loss by exchange?—It would be due to the fall of the exchange value of the rupee below 1*s.* 10*d.*

7757. (*Chairman.*) But now, on page 1 of your memorandum, we have the heading of guaranteed railways' interest, surplus profits, land, &c. There are the charges in India, England, and exchange, making a total—I am taking 1893-94—of Rx. 4,162,750, and the guaranteed railways net receipts were Rx. 3,383,812, leaving a deficit under the heading of guaranteed railroads of about Rx. 800,000?—Yes.

7758. That means, does it not, that the Rx. 800,000 had to be paid by the Government of India?—Yes.

7759. Now, if you will take the Bombay and Baroda again, does not that mean that the 265,000 Rx. profits are to be deducted from the 418,000*l.* before you get at the real cost, because if you look at that column of 1893-94 you will see that for the guaranteed interest the payment was 2,154,720*l.*?—Yes.

7760. Which is the same figure as appears in this first table, which gives the whole of the charge, and in that sum of 2,154,720*l.* is included the 417,517*l.*, being the charge of the Bombay and Baroda?—Yes.

7761. If you turn to the receipts you will see that the guaranteed railway net receipts are 3,383,812 Rx., being the same figure as appears in Table I.?—Yes.

7762. And just now I asked you whether the general result of the guaranteed railroads would not be this, that the charges were 4,162,750*l.*, the receipts 3,383,812 Rx., and the difference between those two sums would be a charge upon the Government of India, I understood you to say yes; but, if that is the case, I am rather puzzled to make out how the Bombay and Baroda can be said to show a profit which I gathered you to say just now. I am quite aware that we must bear in mind that that 4,162,750*l.* includes exchange?—You have left out the India charge on page 1 of 607,753 Rx. under guaranteed railways. That includes the charge for the Company's share of the surplus profits.

7763. No, I beg your pardon, I have read you the sums that make up the 4,162,750*l.*; they are: India, 607,753 Rx.; England, 2,154,720*l.*; Exchange, 1,400,277 Rx.; total, 4,162,750*l.* That is the total of the charges?—Yes, but I mean on the subsequent page; the 2,154,720*l.* includes only the total of the English charge.

7764. Quite so, of the English charge?—And it is in the Indian charge that the payment of surplus profits to the Company is included.

7765. Oh. However, we may come again to that question; but as it stands now, we have got these three kinds of Government assistance to railroads, the guarantee with a right of purchase, the guarantee on lease, and the State-made railway?—Yes. There is also another class, the subsidised railways.

7766. (*Mr. Jackson.*) Is not this the real explanation, that the surplus is the surplus on the working of the railway calculated at a certain rate of exchange?—Yes.

7767. The loss to which the Chairman refers is a loss by exchange which the Government makes in carrying out its contract of paying a certain guarantee at a certain rate, and only getting for that a less rate?—Yes.

7768. (*Mr. Mowbray.*) I should like to ask what is the object of this intermediate calculation, if I may call it so, at 1*s.* 10*d.*?—The object is to find out what the company is entitled to as surplus profits.

7769. Yes, but you pay, not at the rate of 1*s.* 10*d.*, but at the rate of the day of course?—We pay the surplus profits upon what is virtually a fictitious calculation that the interest that we have paid in England can be remitted at 1*s.* 10*d.*

7770. The surplus is a fictitious surplus then?—Yes, entirely a fictitious surplus.

7771. And does the company get the benefit of that?—Yes, it gets its share of that fictitious surplus.

7772. (*Mr. Jackson.*) So that it gets the benefit of the higher range of exchange which the Government guarantees, and it also gets the benefit of the surplus which is the result of the fall in exchange?—I do not think it can be said that the surplus is the result of the fall in exchange.

7773. Well, which is calculated at a fictitious rate?—Yes, it is the result of a fictitious calculation.

7774. Which is only another way of saying that it is calculated at a higher rate than the actual rate?—Yes; practically the contract assumes that we can remit the whole of the net earnings to England at 1*s.* 10*d.*, or, at any rate, so much of them as will meet the guaranteed interest.

7775. (*Mr. Mowbray.*) And, as a matter of fact, you have to remit them at the exchange of the day?—Yes, at about 1*s.* 2*d.* now. The actual figures of the Great Indian Peninsula Railway for 1893–94 sufficiently illustrate what I have been saying about the fictitious nature of the surplus profits as far as Government is concerned. The net receipts of that railway amounted to Rx. 1,875,000; the interest paid by Government, including the exchange on interest paid in England, amounted to Rx. 1,988,000, so that there was a net loss on the interest alone of Rx. 113,000; yet, converting the interest into rupees at the fictitious value of 1*s.* 10*d.* to the rupee, it was calculated that surplus profits had been earned, the company's moiety of which amounted to about Rx. 300,000. The net loss to Government, therefore, was considerably over Rx. 400,000, and this was due entirely to the difference in exchange calculated at 1*s.* 10*d.*, the assumed rate, and 1*s.* 2$\frac{1}{2}$*d.*, the actual rate, on an interest payment of 1,200,000*l.*

7776. (*Chairman.*) Can you give us the amount of capital guaranteed, first, in 1875–76, and second, in 1894–95 or 1895–96?—The capital of the railways, classed as guaranteed up to 31st March 1875, was 92,100,000*l.*

7777. We are talking now only of the guaranteed capital?—Yes. On the 31st March 1895 it was 45,900,000*l.*

7778. You gave us three classes, and you added another, subsidised railways. Can you tell us the difference between a subsidised railway and the two classes of guaranteed railways?

7779. (*Mr. Jackson.*) May I just say this; you gave us first the guaranteed, illustrated by the Bombay and Baroda?—Yes.

7780. Then you gave us what you called the State railways, which, I take it, are the lines constructed by the State practically, and worked and leased by companies?—Yes.

7781. Then I think there was another class?—Yes, the subsidised.

7782. (*Chairman.*) Wait one moment. As I understand it, there are three classes before we get to subsidised. There are first of all the old guaranteed, of which the Bombay and Baroda is the type, then come the State constructed railways leased to companies and the State railways, which are worked by companies?—The State railways are not all worked by companies; there are some worked by the State.

7783. Leased by the State?—Worked by the State.

7784. (*Mr. Mowbray.*) Might we have an instance?—The North-Western Railway; of course that was originally guaranteed though; I will give you one that has been made by the State and worked by the State all through—say, the Burma State Railway.

7785. (*Mr. Jackson.*) That was a line that was made by the State and is worked by the State?—Yes. That is a line which was constructed by the State and has hitherto been worked by the State without the intervention of a company.

7786. Then there was no private capital in that, I take it?—No, none at all.

7787. (*Chairman.*) Then we come to the second kind of guarantee, in which the State guarantees the interest or advances the money, the line being simply leased to the company for a term of years?—Yes.

7788. Now give us a sample of that?—That I gave before; the Bengal-Nagpur, and the Indian Midland.

7789. And then, fourthly, we come to the subsidised company, do we not?—Yes.

7790. And wherein does that subsidised company differ from those other guaranteed companies?—The interest on their capital is not directly guaranteed, the subsidy is given in some other form.

7791. (*Mr. Jackson.*) Is it a subsidy to revenue or a subsidy to capital?—The subsidy may be to either capital or revenue, or both. In some cases the subsidy is given in the shape of the free supply by Government of land or timber required for the railway, but in one or two cases a money subsidy is paid every year.

7792. So much a year?—Yes.

7793. A fixed sum per annum?—Yes.

7794–5. (*Chairman.*) Whatever the profits of the company, so that as long as the arrangement continues, if the company were paying 10 per cent., the Government would still have to continue the payment of this liability?—I am not sure if there are any cases of that kind. I know that in most of these cases the Government has made an arrangement that it shall share in the earnings after a certain amount of profit has been made.

7796. (*Mr. Jackson.*) There is more incentive to develop the company if they get the whole, I suppose?—On referring to the Finance and Revenue accounts I find that in the only instances in which at present a money subsidy is paid, it is paid when required to make up a specified rate of interest on the capital, and is limited to a fixed maximum. We have hitherto paid the maximum subsidy each year because the net earnings of these lines have fallen short of the specified rate of profit by an amount not less than this maximum. There are very few companies that are merely subsidised companies; the Bengal and North-Western is the most important.

7797. And the subsidy may be in the form of a gift of land which you would call in aid of capital, or it may be in the form of a yearly payment towards revenue?—Yes, and in some instances aid is given in other forms, as in the free gift of fuel.

7798. (*Mr. Mowbray.*) Are those terminable arrangements or permanent?—All of them are terminable.

7799. The agreements with the subsidised lines are all for fixed terms?—Yes.

7800. (*Chairman.*) You have given us the amount of guaranteed capital in 1875–76 at 92,000,000*l.*, and in 1895–96 at 46,000,000*l.*?—At 31st March 1895, about 46,000,000*l.*

7801. Does that cover the whole of the liability of the State on railways other than the State railways?—No.

7802. It does not cover the subsidised railways?—I do not think the State has incurred any present capital liability in respect of the subsidised railways. It is liable in certain cases for the payment of an annual sum to the subsidised companies, but there is no capital liability.

7803. There is no capital liability in the case of the subsidised railway?—No present capital liability, though a liability may arise in future out of the agreements as to the terms on which these railways may be taken over by the Government.

7804. Therefore, that sum of 46,000,000*l.* represents the whole of the State liability under the head of guaranteed railways?—Yes, if under State railways are included those lines which belong to the Government, though they are at present leased to companies.

7805. The liability on their account does not come into this 46,000,000*l.*?—No.

7806. Quite so. Now have these guaranteed companies of which we have been speaking any capital which is not guaranteed?—Only the premium on issue of shares, and such small items as that. The unguaranteed capital is under Rx. 100,000 altogether.

7807. That is to say, they were never under any contract to accept a guarantee for a certain amount of capital with a liability to complete the line, if they exceeded that amount, on their own security?—I think the arrangements always provided for a guarantee on the capital of the old companies. The interest has not always been guaranteed at 5 per cent., but the greater part of the capital was guaranteed at that rate.

7808. And for what period would those guarantees run, as a rule?—They run for about 99 years.

7809. Therefore, the State is bound to pay 5 per cent. on the guaranteed capital for the whole of that period?—It has the option of purchasing at certain intervals—25 and 50 years from the beginning of the contract—and it is under that option that the number of guaranteed railways has been reduced now to three, the other guaranteed railways having been purchased by the State.

7810. Under no circumstances, therefore, can a further liability be imposed upon the State in respect of these railways beyond this 46,000,000*l.*?—No; that, or somewhere about that, is the whole of the sanctioned capital at present.

7811. What would happen if a guaranteed railway ceased to work the line; is it a guarantee on working?—Yes, there is provision for the State taking the line and working it itself, if it is not worked satisfactorily.

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In that case, the Government would have to pay off the actual expenditure on the line.

7812. But, in order to do that, the Government must work the line? — That is the arrangement in the contract.

7813. There is no possibility of a line being left derelict because it does not pay?—No.

7814. (*Mr. Caine.*) I suppose if the Government paid the companies off, and chose to leave the line derelict, it could?—I suppose so.

7815. There is no obligation to continue working the line?—No.

7816. (*Chairman.*) Are there any railways constructed and worked by private companies without any aid from the Government? — I do not think there are any in British India that do not receive at least free land from Government.

7817. And the policy of giving assistance in land or the like, if I understand you, originated about 1880 or 1881?— The construction of lines which were the property of the State, and were leased to companies for a certain number of years, was introduced in 1880 or 1881. This policy came in somewhere about the same time, or, if anything, a little earlier.

7818. (*Mr. Jackson.*) It comes rather under your category of subsidised railways, does it not?—Yes, they receive land free of charge.

7819. (*Mr. Nuoroji.*) Did the guaranteed companies pay anything for the land, or was it given to them also free?—No, it was given to them free also.

7820. (*Mr. Caine.*) Is there any provision made for payment for the land in the event of brilliant success or getting biggish dividends early? For instance, the Great Indian Peninsula keep their land and never pay anything for it, although they are making large dividends?—No, they do not pay for the land.

7821. (*Chairman.*) Passing now to the railways constructed by the State, can you tell us the amount expended on these railways in 1875–76, and in 1894–95 or 1895–96?—The total expenditure up to the end of 1875–76 was Rx. 12,361,000, and up to the end of 1893–94, Rx. 114,701,000.

7822. The difference being the difference between Rx. 12,000,000 and Rx. 114,000,000?— Yes, but that does not include the State lines leased to companies.

7823. No, I was going to ask you about that. What do those figures include?—It includes the actual expenditure incurred directly by the State on the construction of railways and the amount of capital charge involved in the purchase or in the redemption of the liabilities of companies whose lines have been taken over by the State.

7824. And those figures are divided into Rx. 80,000,000, is it not? for actual construction of line, and Rx. 33,000,000 for purchase? — Yes, between Rx. 33,000,000 and Rx. 34,000,000.

7825–7. Now could you add to that any sums advanced by the State on account of these leased lines?—Perhaps I ought to explain, before going on to that, that this capital liability for purchase, &c. only includes the capital liability involved to Government by incurring a specific amount of debt for the purpose; it does not, therefore, show any liability on account of the annuities which were created in purchasing any of the guaranteed lines; so that it does not really state the full amount of that liability, if the capital amount included in the annuities is taken into account.

7828. (*Mr. Jackson.*) That is to say it does not state the full amount of the capital expenditure?—It does not state the full amount of the capital expenditure.

7829. It does state, as I understand you, the full amount of the liability of Government?—Only if you consider that there is no capital liability included in the annuities. That liability, whatever it is, is, of course, being gradually paid off by a certain portion of the annual payment.

7830. (*Chairman.*) May I put it in this way. The purchase of the railroads probably cost, we will say, 60,000,000*l.*?—We may take that figure for the purpose of explaining the point, but I think the actual cost exceeded that.

7831. You have given 33,000,000*l.* as the actual liability?—Yes.

7832. But, in addition to that, there are 27,000,000*l.* which are represented by a terminable annuity?—Yes, on the assumed cost as above.

7833. I was just asking you about what additional amount would represent advances made to these leased guaranteed lines?—I suppose, in the capital, you would include the capital which the companies themselves have raised, because we are liable for that capital.

7834. You have given a guarantee upon it?—Yes.

7835–6. Yes, certainly?—The total capital liability involved on that account at the end of 1893–4 is 25,143,000*l.* sterling.

7837. It is a liability in England, is it not?—Yes.

7838. Would you, turning to page 1 of your memorandum, show me where the interest on that 25,000,000*l.* would appear?—It is included there in the first item of interest and annuities, in the interest paid in England in 1893–4, which was 3,589,593*l.*

7839. Therefore, if you want to find out what the average interest upon the Government advances was, we will say, in 1893–4, there is very nearly 7,000,000 in Rx. and pounds in India and England?—Yes.

7840–1. And if you were to take that 25,000,000*l.* advanced to the leased lines and the 114,000,000*l.* representing the expenditure on State lines, that would give you 139,000,000*l.*; call it 140,000,000*l.* That is the capital sum upon which this 7,000,000*l.* is paid?—No, that 7,000,000*l.* also includes the annuities.

7842. In that case you would have to add perhaps another 25,000,000*l.* of capital on?—Yes; you would have to add whatever the capital value of the annuities is.

7843. But at all events taking the capital value of the annuities, and the 25,000,000*l.* due upon the leased lines and the 114,000,000*l.* spent in actual construction, those three sums put together represent the capital sum upon which this 7,000,000*l.* is paid?—Yes.

7844. That is the liability that India has in respect of advances to Indian railroads?—Yes.

7845. (*Mr. Jackson.*) But that does not represent the total amount of capital expenditure?—No.

7846. (*Chairman.*) That, I think, is about 246,000,000*l.* is it not?—That is the total amount of capital outlay on railways in India to the end of 1894; but that figure includes the expenditure in certain Native States.

7847. The 246,000,000*l.*, to meet Mr. Jackson's question, throws a sheet over the whole of the railway expenditure in India, does it not?—Yes.

7848. Now, of this 114,000,000*l.* which was laid out on the construction of railways, was the whole met out of borrowed money, or was it in part supplied out of surplus of revenue which has swelled the cash balance to an extent which enabled part to be devoted to capital works?—For the whole period from 1876–7 to 1894–5 both inclusive, there has been a net deficit of Rx. 3,345,000, so that it cannot be said that any of the expenditure on railways during that period has been met from the surplus of revenue over expenditure.

7849. That is to say that although in the interval there may have been several years of surplus in which case part of the sum advanced to the Indian railways was met without borrowing, yet in other years, especially in such years as the Afghan War, when the expenditure was very heavy, the amount borrowed by India for the necessities of Government would have more than counterbalanced the surpluses in the years in which advances were made to railways; and, therefore, you conclude from that that the proper method of stating the account is to take it for the whole period, and finding there is a deficit of revenue, to show that the full amount of the railway expenditure has been borrowed?—I think that the conclusion is that the whole of the expenditure shown as so met has been met from borrowed money, including in that term the Savings Bank receipts. Of course, in any individual year a surplus would be applied to reducing the borrowing for that year.

7850. Quite so, but that is more than counterbalanced by the deficits in other years which necessitated borrowing?—Yes, I have a statement here showing the surplus and deficit for each year of the period. There were surpluses in ten years and deficits in nine years. The total of the surpluses was Rx. 15,960,000 and the total of the deficits Rx. 19,305,000, so that the net deficit is Rx. 3,345,000.

7851. That includes all the period of the Afghan War, does it not?—Yes it does, as well as the great famine of 1877-78.

7852. (*Mr. Jackson.*) In the case of the State railways that are owned and worked by the State, is the transport of troops and of material and so on paid for as it would be if the line were conducted by any company?—Yes, they are worked purely as commercial concerns.

7853. Therefore the accounts of the line are credited with the ordinary rate charged for carrying that traffic?—Yes, we pay it to them either in cash or by a transfer.

7854. (*Chairman.*) And do you include in these State railways those which are constructed for purely military purposes?—We include those lines which are undertaken chiefly for military purposes, and are generally called frontier lines.

7855. The 114,000,000*l.* includes them?—Yes.

7856. I thought there had been a separate arrangement made for those frontier railways?—No, they are included in the capital expenditure.

7857. And those railways are an absolute loss, are they not; they were never constructed with a view to profit?—Yes they certainly are a loss. The greater part of them are mixed up with the North-Western Railway, so that I cannot give any separate account of the results of their working, but they certainly are the least paying part of that railway.

7858. (*Mr. Jackson.*) Do they come into the deficit in the general account?—Do you mean are they charged to borrowed money?

7859. No, I mean, are they included in the total number of State Railways, or under the heading of liability of the State on account of the railways, in arriving at what you call the loss on the whole transaction?—Yes; they are treated in our accounts exactly in the same way as the commercial railways.

7860. (*Chairman.*) That is to say, taking page 1 of your memorandum, their charge comes into that total of 9,281,000 Rx. stated as the charge of the State Railways, and their receipts come into the total of 8,615,000 Rx. which is given as the net receipt?—Yes.

7861. Was there not some arrangement made by which the Government of India provided the funds for, at all events, a part of those frontier railways, out of taxation?—Yes, for a time the charge for them was provided out of revenue, but that charge has now been included in the debt charged against the railways.

7862. And they are provided by borrowing, just like a productive railway?—Yes.

7863. In fact they are mixed up with the productive railways?—Yes.

7864. And you cannot give us a separate account of the productive railways and the military railways which are not constructed for the purpose of being re-productive?—I can give you the total capital expenditure incurred on military railways at the end of 1893-94.

7865-6. Would you do so?—The total is Rx. 14,062,000 to the end of 1893-4.

7867. Therefore, if you take that off the Rx. 114,000,000 expended on State railways, it would leave Rx. 100,000,000 on productive railways and 14,000,000*l.* on what we may call unproductive?—The Rx. 100,000,000 includes also protective railways.

7868. (*Mr. Jackson.*) Would it be possible to show the loss on working those railways as well as the capital expenditure on them?—I think not, because they are generally worked as part of another system. For instance, the principal part of this Rx. 14,000,000—Rx. 12,000,000—was incurred on account of what is called the military section of the North-Western Railway, but that section is worked merely as a part of the North-Western Railway.

7869. (*Sir James Peile.*) I think we can get a separate account; we have returns of the results of the railway for each year, in which the result for each part of it is given separately?—A return for the railway is prepared?

7870. And it gives the results of each part. Some parts show a deficit and some a surplus, and then there is the general result. I think you can get it from the office here?—I was not aware of that, but I think possibly I may be able to get it from the Director-General's annual report.

7871-2. (*Chairman.*) It would be rather interesting if we could get the result of the working of these railways as well as the capital expenditure. You have given us the capital expenditure. Perhaps you would consider if you could give us an account?—Yes.

7873. If it is very short and you have it there you might put it in answer to the question; if it wants any statement perhaps you would put in a short account?—Yes, I will.

7874. (*Mr. Jackson.*) The real object would be to show to what extent the result of working the commercial railways is watered down by these military railways?—Yes. I see they do give an account for the military section, separately, in the administration report. I have the figures here: I can give you them at once if you wish.

7875. (*Chairman.*) Perhaps you will give us them?—The railway administration report is drawn up for the Calendar year. I find the gross earnings of the North-Western Railway for 1894 were Rx. 3,231,410; and the gross working expenses Rx. 1,948,892, leaving net earnings of Rx. 1,282,518. Then the gross earnings are distributed between the commercial section and the military section; the commercial section Rx. 2,898,354, and the military section Rx. 333,056, and the working expenses commercial section Rx. 1,539,412 and the military section Rx. 409,480, so that the commercial section shows a net return of Rx. 1,358,942, and the military section a loss of Rx. 76,424.

7876. That, however, would not include the whole of the frontier railways?—Practically that includes the whole of the open lines of frontier railways. The Mushkaf-Bolan Railway and the Mari-Attock Railway, the capital expenditure on which is included in the Rx. 14,000,000, are still shown among the unopened lines.

7877. That would be the cash result of the expenditure of Rx. 14,000,000, would it?—Yes, at present.

7878. (*Mr. Caine.*) Does it include the Quetta Railway?—That is included under the North-Western Railway; and, as far as it is considered a military railway, its results would be included in the figures I have just given.

7879. The North-Western goes down to Kurrachee, does it not?—Yes.

7880. (*Chairman.*) Would you say it is quite sound finance to group these military railroads with the productive railroads in the method of providing funds? What I mean is, would you not think that the original method pursued by the Indian Government was more correct than the later one?—I think, as a matter of provision of funds, that it is justifiable to provide the military railways out of borrowed money.

7881. Without any sinking fund?—Yes.

7882. Would you really approve of a system of finance which made a permanent charge of a simple military work?—They are not, in my opinion, simple military works; though the principal object of them may be military.

7883. They are railroads which probably would not have been made had it not been for military exigency?—That was the principal cause for their being made, but, as a matter of fact, they are worked as commercial lines, and not merely for military purposes.

7884. (*Mr. Caine.*) Is there any hope that they will ever pay as commercial lines?—The deficit now is not very large.

7885. What is the deficit on the Quetta line, for instance; can you give me the commercial and the military figures of the Quetta line?—They are included in the totals I have given.

7886. They are not separated?—No, they are not shown separately.

7887. (*Sir James Peile.*) If the Ameer changed his policy as to the traffic with Afghanistan, the Quetta line might come to pay?—It might, I think, certainly more than cover its working expenses.

7888. (*Mr. Caine.*) It is part of a great commercial system into Russia, is it not—the first step?

7889. (*Chairman.*) But at the present moment, when you say the deficit is not very large, it is of importance to note that the military lines do not pay working expenses?—That is so; but the deficit is under 1 per cent.

Mr. S. Jacob, C.S.I.

29 April 1896.

Railways.

7890. Not only is there no interest paid, but they do not pay working expenses?—Yes, but the deficit is less than 1 per cent. on the capital expenditure.

7891. (*Mr. Caine.*) On the Quetta Railway?—On the whole of the military section of the North-Western Railway.

7892. (*Chairman.*) Wait a moment. The working expenses, as I understand, are Rx. 409,000?—Yes.

7893. The gross earnings are Rx. 333,000?—Yes.

7894. Very well then; first of all, there is a loss of 1 per cent. upon the working, we will say. I think you called it 1 per cent. just now?—I said it was less than 1 per cent.; it is more accurately ·63 per cent.

7895. And, in addition to that, there is the interest on construction, because this is only a comparison of the working expenses and the receipts?—Yes.

7896. And therefore you have got to add to the ·63 per cent. the interest on construction?—Yes, that is so.

7897. That makes the deficit very large?—Yes, if you include the interest.

7898. (*Mr. Jackson.*) That is to say, the working expenses do not include any payment of interest on capital?—No, they do not.

7899. (*Mr. Caine.*) Could you say how much of the income is paid by the State for military services, and how much is earned by commercial traffic? You have Rx. 330,000 of income and receipts: where do they come from?—I could not say that offhand.

7900. (*Chairman.*) They are receipts from that portion of the railroad which is used for military purposes——?

7901. (*Mr. Caine.*) Surely some portion of them is for carrying troops. It would be very interesting if you could find out. Taking that Rx. 330,000, how much was really freight, and how much was paid by the State for military services?—I will see if I can find that out; but I do not think any return exists, which would show such receipts separately.*

7902. (*Chairman.*) Would you just tell us what the original arrangement was with regard to these frontier railways as to the provision of funds?—They were charged against revenue and to a separate head of account.

7903. And was any revenue particularly raised for the purpose, or was it a charge upon the general revenues?—It was merely a charge against the general revenues.

7904. How long was it before the change was made which transferred those railroads to the list of productive railways?—The expenditure charged separately was Rx. 4,215,000 from 1879–80 to 1883–84.

7905. (*Mr. Jackson.*) Does that mean Rx. 4,000,000 out of Rx. 14,000,000?—Yes.

7906. And Rx. 10,000,000 was provided out of revenue?—No, Rx. 4,000,000 was provided out of revenue.

7907. (*Chairman.*) Then if that is the case we must only take Rx. 10,000,000 off the Rx. 114,000,000?—In calculating the capital expenditure on railways and irrigation works, upon which interest is charged, we do not make any distinction between the expenditure incurred from revenue and from borrowed money. A great deal of the capital has actually been charged against revenue, but as a matter of account between the Public Works Department and the Government it is all charged as capital expenditure of the railways and irrigation works.

7908–9. But pardon me, a little while ago I asked whether you could make a distinction between that amount of the railway debt to the State, that was provided by the State out of borrowed money, and that amount which the State had advanced; and you said, and I think with a considerable amount of reason, that whatever might have been done in the years of surplus, taking the period with which we are dealing, the 20 years 1875–6 to 1895–6, upon the whole range there had been a deficit, and therefore it was fair to consider that the whole of the sum required for railroads had been borrowed?—Yes.

7910. But in this case part of the railroad advances were actually made out of revenue?—In answering the previous questions, I had in my mind the expenditure shown as incurred from borrowed money, and the question whether any of the expenditure so shown could be said to be provided from surpluses. Certain of the capital expenditure on both railways and irrigation has been charged against revenue from time to time, as a matter of fact, in the accounts, but the whole of the expenditure is included in the debt chargeable against the public works.

7911. That is to say, as between the railroad and the State, the amount is Rx. 114,000,000 of which Rx. 14,000,000 is due to these military railroads?—Yes.

7912. But when you come to the actual borrowing that has taken place, if it is a question of how the State had provided that money, you could show that Rx. 100,000,000 had been provided by loan and Rx. 14,000,000 or something of that kind out of revenue. Would that be putting the account into two sides?—The Rx. 14,000,000 spent on military railways has not all been provided out of revenue. The amount to the end of 1893–4 charged against revenue was Rx. 22,000,000, but that is for railways and irrigation taken together.

7913. (*Mr. Jackson.*) Is that in the one year?—No, that is the total expenditure then incurred.

7914. Up to that time?—Yes, and the amount shown as not charged against revenue is Rx. 88,000,000.

7915. (*Chairman.*) Out of that Rx. 114,000,000?—No. The figures I have given include both irrigation and railways. The amount spent out of revenue for irrigation is Rx. 8,000,000, and for railways, Rx. 14,000,000.

7916. Therefore you do not think it would be a desirable thing to provide that these unproductive military works should be, at all events, terminable loans. I call your attention to the matter because it seems to me a different policy to that which is adopted in this country, under which, I think, all military and naval works are defrayed out of yearly votes, that is, out of revenue, or are made the subject of at least a short loan, and provision is made for paying off the capital out of revenue within a comparatively short number of years. I think, Sir Edward, there is no exception to that. Do you know of any exception to it?—

(*Sir Edward Hamilton.*) No.

(*Chairman.*) The fact of borrowing for military and naval works is questionable finance. I do not say it is not justifiable; but it is more than questionable to borrow on permanent loan for them.

(*Sir Edward Hamilton.*) Certainly.

(*Sir James Peile.*) Are there any railways among the military works in this country?

(*Sir Edward Hamilton.*) We do not provide funds for them?—The distinction is rather in that. For all other military works we do provide absolutely out of revenue, and not out of loan at all.

7917. You look upon these as absolutely permanent works?—I think there is a clear distinction between them and ordinary military works, such as barracks or even roads.

7918. (*Mr. Jackson.*) In fact the military and naval works in India are maintained out of the revenue which they bring in?—That seems to me to make a distinction. I do not suppose that any revenue comes in from the ordinary military or naval works for which the Home Government provides; in this case there is a revenue coming in.

7919. (*Chairman.*) But I am afraid from your account the result is something less than revenue. (*Mr. Jackson.*) There is a receipt?—There is a receipt.

7920. (*Sir James Peile.*) Which is increasing?—Which is, I believe, increasing.

7921. (*Chairman.*) Barracks and works of that kind do not involve working expenses, so we are only put to loss of interest on the outlay in these cases. In the case of railways there is not only loss of interest but loss of working expenses?—There may be loss of working expenses.

7922. (*Sir Edward Hamilton.*) But you would hold that it is not wholly unproductive expenditure?—It is not, in my opinion.

7923. Whereas ordinary military work is wholly unproductive expenditure?

7924. (*Chairman.*) Are you not somewhat sanguine, because the position of the account is a much worse one than would be the account of a loan for barracks or a dock or anything of that kind? In that case we

* *See* Question 9631.

only lose the interest on the money expended; whereas in the case of railways you not only lose the interest on the money expended, but you are obliged to work the railroad at a loss, which clearly makes the expense greater, and, therefore, there is all the more reason, I should put it to you, why the expenditure should be treated at all events as a terminable loan?—I have not at hand the correspondence regarding the introduction of this policy, but I will send for it, and I shall then be able to give the grounds, which at the time induced the Government of India to adopt the policy. All I can say at present is, that it must always be borne in mind, that we are borrowing every year, and not paying off debt as you are in England, and there would be no great advantage in borrowing with one hand to pay off with the other. Also it is possible that such lines might make a sufficient profit to more than cover the working expenses.

7925. Do you seriously think that there is a prospect of profit on them?

7926. (*Mr. Jackson.*) Is the loss on working diminishing? I mean this receipt of Rx. 333,000 against expenditure of Rx. 409,000; is the Rx. 409,000 a diminishing quantity?—I cannot be sure, but I will put in a statement showing the figures for the last few years.*

7927. (*Chairman.*) We may now make up an account of the whole railway capital expenditure of India under the different heads. First of all there are the productive railways constructed by the State of which the cost has been Rx. 114,000,000, is it not?—Yes.

7928. Then we come to the amount of capital expenditure in the case of guaranteed lines under the new system?—Yes.

7929. That you have put at Rx. 25,000,000, have you not?—Yes.

7930. Then before we leave the State railways we ought to put the present capital value of the annuities, which represent part of the purchase money?—Yes.

7931. You do not happen to have that, have you?—I have here a statement, which is drawn up with the intention of including that, and the total expenditure for State railways is there shown, as Rx. 155,000,000. That includes the Rx. 114,000,000.

7932. That includes the Rx. 114,000,000 and the Rx. 25,000,000?—No, not the Rx. 25,000,000.

7933. Therefore the annuities would represent at that rate Rx. 41,000,000?—Rx. 41,000,000. That is the additional amount included in this account, but I do not think it is due solely to the inclusion of the capital amount of the annuities.

7934. I suppose we may put that figure down may we not?—Well there is a doubt as to about Rx. 8,000,000 of that. Excluding that, the additional liabilities would be really about Rx. 30,000,000 to Rx. 32,000,000.

7935. What is the nature of the doubt?—I think the Rx. 8,000,000 ought to be included; but the question is whether you should show as the charge against the capital, the actual capital expenditure incurred by the companies, or the cost to Government of purchasing the lines.

7936. That is to say, it costs the Government more or less than the actual expenditure?—It cost the Government more to purchase the lines than the actual capital expenditure incurred in the construction of the lines.

7937. But if you did not count in that excess, where would you put the Rx. 8,000,000?—It must be counted in estimating the cost of the lines to Government.

7938. But where would those who think differently from you put it? In what part of their capital account would it appear?—It would have to appear somewhere against the Government, but I think the object in excluding it is to show more fairly the return from the railways. The railway administrators think that it is not fair to the Railways to show this larger capital against the return from the railways. That Rx. 246,000,000 that your lordship mentioned just now as the total capital expenditure on all railways in India excludes the Rx. 8,000,000. The total, including that sum, comes to about Rx. 255,000,000.

7939. Then the object of excluding it is to show what has been the actual expenditure on railways?—Yes, the actual outlay on construction.

7940. Leaving out of view what I may call the premiums paid for buying them?—Yes, that is so.

7941. (*Mr. Jackson.*) In fact, you have got something for the premium; in addition to the railway constructed, you have got a revenue which has been growing during a period of time?—We were bound to pay the premium, as it has been called, by the terms of our contract; but the railway administrators, I understand, object to that being charged as capital when calculating the net return from the railways.

7942. (*Chairman.*) If you take the cost to the Government, that premium must of course be included?—Yes.

7943. If on the other hand you only take what has been the cost of construction, it is excluded?—Yes, that is the distinction. The sum of Rx. 155,000,000 includes that Rx. 8,000,000.

7944. Quite so, we have got that; and those three sums will cover the whole of the expenditure on State railways?—Yes.

7945. Including therein those railways which belong to the State but which are at present leased out to companies?—Yes.

7946. Then we come to the guaranteed capital of companies that constructed their own roads?—Yes, that is Rx. 45,713,000.

7947. Then we come to the capital of the subsidised companies?—Yes, their total capital is Rx. 6,296,000, but that sum includes an amount advanced to one of the subsidised companies by the Secretary of State.

7948. (*Mr. Jackson.*) Is that the amount of expenditure on the construction?—Yes.

7949. (*Mr. Mowbray.*) Is that pounds or Rx.?—It is given as Rx., but in the case of sterling liabilities the pounds are converted either at 10 rupees to the pound or at rates fixed by the contracts with the companies.

7950. (*Chairman.*) Now I carry this up, including the Rx. 8,000,000 to Rx. 232,000,000; and if I exclude the Rx. 8,000,000, it is Rx. 224,000,000, but the statement which you have given us of the total railway debt of India is Rx. 246,000,000?—Yes, that is stated in Rx. The capital of the State lines leased to companies, is converted at an artificial rate which is provided for in their agreements.

7951. Which companies are these?—These are the State lines leased to Companies, 25,000,000*l.*, and that is taken at Rx. 31,000,000.

7952. That carries us up to Rx. 230,000,000; that still leaves Rx. 16,000,000?—Then the capital of the guaranteed railways, is converted at 1*s.* 10*d.*, which makes it Rx. 50,000,000.

7953. We get up then to something like Rx. 235,000,000—Rx. 234,000,000?—Then there are the Native State railways.

7954. Oh, Native States. You have not mentioned them as yet; would you describe the conditions under which there is a liability on account of those railways?—I do not mean that there is a liability on account of them.

7955. (*Mr. Jackson.*) This is a question of capital?—They must be included if you want to get the whole capital expenditure on railways in India.

7956. (*Chairman.*) Exactly?—The subsidised railways generally do not involve us in any direct capital liability unless and until we take over their lines under their agreements.

7957. Has any assistance been given to the railways by the State in any other form except in railway construction?—I think none of any importance except what I have mentioned.

7958. Land?—I have mentioned land.

7959. But is the value of the land included in these different sums?—I should suppose not. It is not included in the direct capital expenditure.

7960. That would be an additional assistance, would it not?—It is an additional assistance, but it is not an additional liability.

7961. No, but if on the one side you are showing what the total expenditure on the railroad has been, and if you excluded the premium paid on the purchase of the railway in order to show the true cost of the railway, on the other hand you ought to include in the cost of the railway land given gratis, ought you not?—Yes, and I now find that the charge for land is included in the total figure of Rx. 255,000,000.

* *See* Appendices 26 and 27.

Mr. S. Jacob, C.S.I.

29 April 1896.

Railways.

7962. In what form is the guarantee given to guaranteed railways? Does the railway apply its net receipts, as far as they will go, to payment of interest on the guaranteed capital and draw on the Government for the balance?—No, the whole of the receipts of the railway are paid into the Government treasury, and the Government pays the interest here in London in sterling.

7963. The whole of the net receipts?—The whole of the gross receipts are paid into, and the expenditure is drawn from, the Government treasury.

7964. Then how are the working expenses paid?—By drawing on the Government treasury; the railway account is treated as a drawing account with Government.

7965. (*Mr. Naoroji.*) Does the Government keep a separate account of what is spent in that manner in keeping the accounts of the railway income and expenditure?—Yes.

7966. Is that included in the railway accounts?—Yes.

7967. Or does it go into the Government revenue accounts?—It is not always charged against the railway concerned, but the total charge is shown against the railway revenue account.

7968. In fact it is from the revenue of the country that this is paid and not deducted from the revenue of the railways?—It is shown against the railway revenue, but is not always charged against the revenue of the particular railway.

7969. (*Chairman.*) In a guaranteed railway is there any provision that the Government shares the profits if they exceed the sums necessary to pay the guaranteed interest?—Yes; the conditions vary, but there is, I believe, a condition in every case, in which the Government has given a guarantee, that the Government shall have a certain share of the surplus profits, if any are earned. An abstract in tabular form of the chief conditions laid down by the contracts with the various railway companies has been drawn up in the India Office, a copy of which I put in.*

7970. And this has come into force once or twice; did it not come into force in the case of the East Indian?—Yes, it has come into force frequently. It comes into force now every year in the case of the Bombay and Baroda railway on the fictitious method of calculation, which I have described above.

7971. Is there any provision for the creation of sinking funds in case the net receipts show a surplus over the interest?—Of the guaranteed railways?

7972. Of the guaranteed railways?—No.

7973. I suppose the contract for the guarantee has always been that the payment is in sterling?—Yes. As regards some of the railways, there is a very small amount that is shown as rupee capital, but it is quite inappreciable.

7974. In fact, the companies, which made the guaranteed railways, raised the whole of their money in England, and did not attempt to raise it in India?—That is the case.

7975. In regard to the subsidised companies, in what form is the subsidy paid to them?—Where there is a lump sum to be paid, it is paid annually to the railway company by Government, and the land is provided free.

7976. (*Mr. Jackson.*) When you say a lump sum, do you mean a defined sum?—A defined sum. Yes. The only payments that we make now are Rx. 10,000, which we pay to the Assam Railway Company, and Rx. 4,000 to the Rohilkund and Kumaon. These are the maximum sums payable in each of these cases, but we pay the full amount for the reasons already explained.

7977. Those are the only amounts that you are now paying annually?—Yes. We have also to bear the cost of the land which we provide for these subsidised companies.

7978. In the case of the subsidised companies, where you pay an annual sum for a period of years, does that come out of income or out of capital?—It is charged against revenue.

7979. (*Chairman.*) Can you give us the charge on the State on account of guaranteed companies in 1875-76, and in 1894-95 or 1895-96, together with the receipts which may be set against them?—The total charge for guaranteed railways?

* *See* Appendix 42.

7980. In those years, yes?—The total charge for interest and surplus profits of guaranteed railways in 1875-76 was Rx. 5,456,721.

7981. And against them can you give us the receipts?—The receipts were Rx. 4,281,672.

7982. Leaving a deficit of?—Rx. 1,175,000.

7983. And now for 1894 or 1895, whichever year you find it most convenient to take. Supposing we take 1895-96?—The figures in the memorandum are those of the Budget.

7984. I suppose it is close enough for all practical purposes?—Yes, except that the rate of exchange has varied slightly.

7985-6. But in favour of India, has it not?—Yes, I can give you the revised, figures, which will be nearer the actuals. The total charge is Rx. 4,403,800 in 1895-96.

7987. And the receipts?—And the receipts Rx. 3,233,000.

7988. Therefore, the guaranteed railway account shows in 1875-76 a deficit of Rx. 1,175,000, and in 1895-96 of Rx. 1,170,000?—Yes.

7989. But if we could put the cost of exchange on the same footing in 1895-96 as it was in 1875-76, would there not be a substantial surplus?—Yes, there would.

7990. That is, the cost of exchange in 1875-76 was represented by one-ninth of the whole sum paid in England, was it not?—One-ninth of the sterling amount represented roughly the exchange.

7991. If we were to apply the same rule to 1895-96, the charge for exchange would be about Rx. 240,000, would it not?—Yes.

7992. The actual cost of exchange is put down for 1895-96 at Rx. 1,600,000?—That is in the Budget. The figure in the Revised Estimate is Rx. 1,611,000.

7993. Therefore, the increased rate of exchange as between 1875-76, and 1895-96, though the sum to be paid in England is halved, or more than halved, is Rx. 1,371,000?—Yes.

7994. And therefore if the rate of exchange had remained in 1895-96 the same as it was in 1875-76, the *bonâ fide* surplus would have been over Rx. 300,000, would it not?—Yes, somewhere about Rx. 300,000; and that is after paying interest at 5 per cent. upon a large part of the capital.

7995. I think that method of statement brings out very fairly what has been the inconvenience to India in the fall of exchange since 1875-76?—Yes, undoubtedly, if the rate of exchange had remained what it was in the fifties, there would have been a profit.

7996. There would have been a substantial surplus on the guaranteed railways?—There would have been a substantial surplus on the guaranteed railways account.

7997. (*Mr. Buchanan.*) Was the exchange falling; had it begun to fall at the time that these guaranteed railways were first constructed?—No, not at the time they were constructed. They began to be constructed in 1849-50—the East Indian Railway was the first.

7998. (*Chairman.*) Now can you give us the same figures with regard to subsidised companies, that is to say, comparing them between 1875-76, and 1895-96?—In 1875-76 there was nothing paid on account of subsidised companies. They were not in existence then.

7,999. And in 1895-96?—In 1895-96 the charge is estimated at Rx. 25,500 and the receipt at Rx. 29,200.

8000. Therefore the net receipt was?—Rx. 3,700.

8001. You mentioned certain miscellaneous charges such as surveys, central establishment and so on, can you give us any description of them?—They are for the most part the charges for preliminary surveys of railways, which are not yet being constructed.

8002. (*Mr. Jackson.*) Are they charged to capital?—They are eventually, if the lines are constructed, charged to capital. This head of charge also includes certain charges for the general management of railways such as the cost of the Director-General's establishment and the Port Storekeeper's establishment and certain other miscellaneous establishment charges which cannot be charged to any particular railway.

8003. (*Chairman.*) I have got here the headings of these charges as you have given them to me. They are

under four headings, surveys, establishment, and miscellaneous, an insignificant sum, share of Director-General's establishment, Port Storekeeper's establishment, &c., which come to from Rx. 16,000 to Rx. 20,000. Are those salaries charged to capital?—They are not all charged to capital; the survey charges are charged to capital under the conditions stated in the previous answer.

8004. Then the chief charges for surveys range from Rx. 70,000 to Rx. 80,000, and they are eventually charged to capital?—Yes, if the lines are constructed.

8005. Therefore it would not be quite correct to say that the whole of the miscellaneous charges go to capital. so far as they represent establishment?—I may say that the share of the Director-General's establishment charged under this head forms only a very small portion of his establishment. As far as possible the cost of his establishment is distributed over the various railways, the administration of which he supervises, but certain of the railways are not under their contracts liable for a share of his establishment and their share is brought to account here.

8006. And they are not eventually charged to capital?—No they are charged to revenue. A portion of the Director-General's establishment is, I believe, charged to capital, because he supervises the construction, as well as the revenue administration, of railways, but not this portion.

8007. Now trying to establish the same comparison with regard to exchange as we have established in the case of the guaranteed railroads would you give us the figures of the expenditure on the State railways leading up to the same comparison?—The State railway charges in 1875–76?

8008. (*Mr. Jackson.*) This is the second category?—This includes all the rest of the State railways.

8009. You mean the subsidised?—No not the subsidised, but it includes those lines which are leased to companies.

8010. (*Chairman.*) In 1875–76?—In 1875–76, Rx. 433,534 was the charge and the net receipts, that is to say, the gross receipts minus the working expenses, were Rx. 96,601.

8011. And there was no exchange then was there, in that?—No.

8012. All the money had been raised in India?—Yes.

8013. That therefore left in 1875–76 Rx. 337,000?—Yes.

8014–5. Then comes 1895-6?—The total charge for interest and annuities for State railways according to the revised estimate for 1895–96, was Rx. 9,996,000.

8016. Perhaps for our purposes you would take the Budget unrevised because we have to analyse afterwards?—Yes, the Budget figure was taken at Rx. 10,225,000.

8017. And the receipts?—The net receipts Rx. 9,304,900.

8018. Showing a deficit of?—Rx. 970,000.

8019. But now in that Budget estimate, the sum payable in England was Rx. 3,585,000, was it not?—Yes.

8020–1. Applying the rule which we applied to the guaranteed railroads, by which we saw that exchange in 1875–76 was equivalent to one-ninth of the sum remitted, one-ninth on Rx. 3,584,000 would be. Rx. 400,000 would it not?—Yes, roughly.

8022. Therefore, if exchange had remained as in 1875–76, the cost of exchange would have been Rx. 2,600,000 less than it was?—Yes.

8023. There is a deficit of Rx. 970,000 you have just shown us?—Yes.

8024. Deducting that deficit of Rx. 970,000, which for our purpose we will roughly call Rx. 1,000,000, as we only want to indicate results, if exchange had remained as in 1875–76, there would have been a surplus of Rx. 1,600,000?—Yes.

8025. And we already found out in the guaranteed railroads, that on the same method of calculation, there would have been a surplus of Rx. 300,000, would there not?—Yes.

8026. Therefore, if exchange had remained the same as in 1875–76, upon the State railways and the guaranteed railways, there would have been in the year 1895–96 a surplus of very nearly Rx. 2,000,000?—Yes. I may say that I have prepared a statement here for the whole period; I did not apply the rate of exchange for 1875–76, because that would have involved calculations for every intermediate year, but I have given each year from 1875–76 to 1896–97, and shown the result as on our actual accounts, and then deducting the exchange, I have shown the result, and for the last 14 years the amount shows a surplus, deducting the exchange.

8027. It is not quite fair to deduct the exchange altogether, because at all times you would have to pay something, under that head, and the reason for taking the basis of 1875–76, is that that is the year from which our comparison starts?—But the liabilities were incurred, many of them at least, before the Rupee began to fall.

8028. Quite so; but in a comparison with 1875–76, we get on a level with 1875–76, by putting the exchange at the same rate?—Yes, that shows the difference between the two years.

8029. May we understand that, with an insignificant exception, the capital required for construction was raised in India, and the capital for purchase in England?—Yes, that has been generally the case with respect to capital raised directly by Government.

8030. And in the latter case the companies would have to be paid in England, and, therefore, you thought it desirable to raise the required sum in England?—Yes.

8031. I suppose with regard to that, there can be no great question as to whether that money would be cheaper raised in India or in England?—It would have been quite impossible to raise in India the amounts required for the purchase of the guaranteed lines.

8032. It would appear that the amounts payable to guaranteed railways are diminished proportionately as those railways are bought up by the State. I gather from your paper, that the interest on railways bought from the guaranteed companies, was *nil* in 1875–76 and Rx. 2,686,000 in 1895–96?—Yes, that is the amount of the interest and annuities payable in connexion with guaranteed lines purchased by the Government of India.

8033. The guaranteed interest payable in England in 1875–76 was 4,607,000*l.*, and in 1895–96 it was 2,161,000*l.*, showing a decrease of 2,446,000*l.* Apart from facts not shown on the face of the account, it looks as if the purchase had resulted in an increase of burthen?—Yes, that is the case; the burthen of the annual payment has been slightly increased.

8034. Can you tell us how and why that occurred?—I could take one railway as an example—the East Indian Railway. By the contract with the East Indian Railway Company, the Government could purchase the main line on the 1st of January 1880, and the Jubbulpore branch four years afterwards. As it was important to secure the branch at the same time as the main line, and also to obtain the co-operation of the Company in the subsequent management, a proposal was made to purchase the whole line by an annuity running from January 1st, 1880 to February 14th, 1953; calculated on a rate of interest of 4*l.* 6*s.* per cent., on a commuted price of 125*l.* per 100*l.* of capital stock, giving 5*l.* 7*s.* 6*d.* per 100*l.* of stock so commuted, to which was added 5*s.* per cent. for redemption of capital, making 5*l.* 12*s.* 6*d.* per 100*l.*, so that the charge there shown as interest includes also a portion of the repayment of capital.

8035. And how much do you say that amounted to?—In the case of the East Indian Railway it was 5*s.* per cent.

8036–7. What would be the sum that that would amount to?—The total capital that had been raised was 26,200,000*l.*

8038. Five shillings would be 65,000*l.*?—Yes, 65,000*l.*

8039. 65,000*l.* about represents the sinking fund?—For one railway.

8040. But the cost of that railway was a biggish amount?—Yes, but the normal capital was also increased; it was taken as 125*l.* for every 100*l.* of stock.

8041. Where was the corresponding advantage? Because, of course, so far as the sinking fund goes, you may put that aside; but what was the advantage that made the Indian Government think it desirable to take some extra charge upon itself for the purpose of buying the railroad?—Well, the East Indian Railway Company had under its previous agreement a right to a much larger share of the surplus profits than under the agree-

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ment effected on purchase, and the line was already making a profit at the time it was taken over.

8042. And have those profits increased since it has been taken over?—They have been very large.

8043. Is there any minute of the Government of India which lays down the policy of constructing railways and irrigation works by means of borrowed money?—There have been several declarations of policy. The main one is that which was laid down in a despatch from the Secretary of State dated January 1881, after the report of the Parliamentary Committee of 1879-80.

8044. And is that in force now?—The amount which was to be spent on works outside of revenue was then more restricted, but otherwise the general principles remain in force.

8045. How was the amount to be borrowed regulated? There was no free hand as to the amount to be borrowed, but there was an amount laid down for each year, was there not?—Yes; the amount laid down in this despatch of 1881 was fixed with reference to the report of the Parliamentary Committee.

8046. And what did that say was the amount that should be yearly spent; or perhaps you would go further back. There was a Committee in 1878-79, was there not?—Yes.

8047. And they made recommendations as to the amount to be laid out yearly on productive works by borrowed capital?—Yes.

8048. What did they put it at?—They put it at 2,500,000*l.*

8049. And that was independent of the amount provided by companies or supplied by the Government from revenue?—Yes.

8050. Well now, dating from that time, 1878-79, the amount that might have been provided out of revenue up to the present time would have been considerable, would it not? The surpluses have very much exceeded the deficits, have they not?—They have exceeded the deficits, but not by very much, I think.

8051. When we take 1875-76 as our basis, that includes the heavy deficit of the Afghan war?—Yes, as well as the great famine of 1877-78.

8052. Therefore during the remainder of the time from 1880, there were a great many years of prosperity, and should we not find that the balance of surplus was considerable?—There is a net surplus on those years.

8053. And therefore during that time, without actually going into the figures, a considerable amount of revenue possibly had been applied as advanced to railway companies?—The amounts spent from revenue were considerable, but I do not think it can be said that there were considerable advances out of the surpluses of revenue during that period.

8054. Out of balances?—The expenditure outside the revenue account was incurred almost entirely out of borrowed money. Out of borrowed money the advance is made.

8055. You say in this memorandum which I have before me: "This amount of 2,500,000*l.* every year "might be borrowed independently of the amount pro- "vided by companies or supplied by the Government "revenue;" and that led me to ask whether that amount of 2,500,000*l.* was fixed after the close of the Afghan war. Should we not find that it was supplemented, in the intervening time, when there were a good many years of surplus, considerably by the amounts advanced from revenue?—No, I do not think so.

8056. Well, you were so good as to quote from a return of surpluses intervening in various times; have you got it there?—Yes.

8057. Will you look at the years?—I do not mean that there is not an excess of surplus from that time, but I mean that there has not been a large expenditure out of those surpluses.

8058. You think that they have not been applied to that purpose?—Not to any large extent.

8059. The memorandum points to that as a means of supplementing the 2,500,000*l.*?—The intention was that the amount should be provided, if the Government thought fit, from revenue and the application of surpluses was subsequently permitted; but taking the whole period from 1880 onwards, I do not think it can be said that the application of surpluses has considerably increased the expenditure charged otherwise than against revenue, for the total net surplus for that period amounts to only about Rx. 2,500,000.

8060. That was followed in 1884 by another Select Committee, was it not?—Yes.

8061. And what did that Committee recommend?—They thought that the limit might be enlarged for outlay on railways, and the Secretary of State thereupon fixed the maximum allotment chargeable against borrowed money in any year at 3,500,000*l.*, for both railways and irrigation works.

8062. And that allowed 2,750,000*l.* to 2,950,000*l.* for railroads?—Yes, about that.

8063. Did the 2,500,000*l.* fixed in 1878-79 relate to railways and irrigation or to railways alone?—To both of them.

8064. Well, that was a considerable advance in the amount that might be provided?—Yes.

8065. Then after that came the great scheme of railways for the defence of the frontier?—Yes.

8066. And the limit of 3,500,000*l.* was sometimes exceeded?—Yes.

8067. Was any further allotment made in consequence of these sums of 2,950,000*l.*, 2,500,000*l.*, and so forth?—Yes, the capital expenditure on railways was increased during certain years.

8068. And was the limit made larger?—Yes.

8069. Now, I observe you give us a table of the amount so allotted in the Budget and the amount expended as it appears in the accounts, and, with very few exceptions, in the earliest years the sums expended have been very much smaller than the amounts allotted. Can you give us the reason for such discrepancy, because in this case, where the money had to be provided by means of loan, there was not the usual objective reason for economy at work?—There were special reasons in each year for the difference between the allotments and the actual expenditure. Sometimes the actual expenditure exceeded the allotments, and sometimes it was less. In 1885-86 the allotment was specially large, and was largely exceeded by the actual charge. There were special allotments of 340,000 Rx. for the East Indian and 483,000 Rx. for the Eastern Bengal Railway, and a contribution of 70,000 Rx. from North-West Provinces provincial balances; and there was large expenditure on frontier railways, sanctioned after the Budget allotment was made.

8070. There was a large expenditure on frontier railways in 1886-87?—Yes.

8071. And also in 1885-86?—Yes.

8072. Then would those frontier railways account for the excess over the ordinary allotment in those two years?—No, not for the whole of it. A large part of it was due, as I said, to special allotments for the East Indian and Eastern Bengal Railways in 1885-86.

8073. Well, then, we come to six years in which the amount always fell below the allotment?—The apparent deficiency in the actual charge in the first two years is largely a matter of account; considerable amounts were brought to credit of Government on the transfer of certain Government lines to Companies, and these credits were brought to account by deduction from the charge. For instance, in 1887-88, 1,390,000 Rx. was brought to credit by the transfer of lines to the Bengal-Nagpur Railway, and in 1888-9, 1,406,656 Rx. by transfer of lines to that railway and to the Indian Midland Railway.

8074. But how would that diminish the allotment?—It did not diminish the allotment. The allotment remained at 4,294,000 Rx., but the actual expenditure brought to account in the accounts of the year was diminished by these credits from the Railway Companies on account of past expenditure by Government on lines transferred to them.

8075. I do not quite understand?—We received in those years, I think, 2,800,000 Rx. from the Bengal Nagpur Railway, and from the Indian Midland Railway for railways which had been constructed out of State money.

8076. Why did they repay the State?—Because they took over our railways.

8077. You mean that it came about in this way, that during that year you spent, whatever the sum might be, 1,390,000 Rx., and then immediately handed that railroad so built over to the Bengal-Nagpur Railway Company, who paid you for the 1,390,000 Rx.?—No; we had incurred the expenditure in previous years, but the Companies repaid us in 1887-88 and

1888–89; and, as the repayment was brought to credit by deduction from the charge in those years, it is obvious that the expenditure actually incurred in those years was very much larger than that shown on the accounts.

8078. They paid you that money, and you employed that money instead of borrowing?—Yes, it was really merely a transfer of account. We transferred the charge for the capital of these railways from the capital charged to borrowed money to the capital charged to those railways, and that, of course, reduced the charge during the year on the accounts.

8079. Therefore, to come to the main result, these deficits on the expenditure below the allotment do not mean that the money was not spent, but that the amount brought to account appears smaller on account of adjustments of account?—I was speaking before of the years 1887–8 and 1888–9. In these years the greatest part of the deficiency was due to that cause. As regards the four years, from 1889–90 to 1892–93, I think the deficits were chiefly due to the fact that the Public Works Department did not spend up to the allotments. And this cause also accounts for part of the deficiency in 1887–8 and 1888–9.

8080. You speak in one place of money being laid out in redemption of liabilities, of money spent in construction, of money spent in purchase of railways and in redemption of liabilities. What do you mean by "redemption of liabilities" in that case, as apart from purchase?—We take over the liabilities of the various companies existing at the time of the purchase, such, for instance, as their debentures. In some cases those debentures still exist; in other cases we have converted them into our own stock; it is the amount of liability which we have incurred on that account that we include under this head. And also we have redeemed some of the annuities.

8081. Oh, you have?—Yes; and in those cases I may say that we maintain a sinking fund, as required by the law, to replace the capital amount within a certain specified time.

8082. I now come to the table explaining the charge arising out of railways purchased by the State. How does the difference arise between the sum of liability which the State contracted towards the railroads and the amount of capital debt incurred? I see that the purchase money, for which the Secretary of State became liable, amounted to 59,384,000*l.*—Yes.

8083. That is to say, the sum is 32,750,000*l.* for the East Indian Railway, 3,391,917*l.* for the Eastern Bengal Railway, 14,009,124*l.* for the Scinde, Punjab and Delhi Railway, 5,036,049*l.* for the Oude and Rohilkund Railway, and 4,197,557*l.* for the South Indian Railway. That makes up 59,384,000*l.*; but the sum that you have told us was laid out in the purchase of these companies in capital money was 33,000,000*l.* out of the 114,000,000*l.*?—That was the amount of the debt incurred in, or created for, the purchase of the lines.

8084. Debt incurred?—Yes, by the actual creation of stock or otherwise.

8085. That leaves a difference of 26,000,000*l.*, and that we understand was defrayed by means of an annuity?—The figures you have quoted above include only the purchase-money payable in redemption of capital; the debentures taken over are shown lower down in the table before you, and amount to just over 12,000,000*l.* more; so that the total purchase-money, including liabilities assumed on purchase, would be about 71,000,000*l.* That leaves a balance of 38,000,000*l.*, which, however, includes 1.000,000*l.* on account of the South Indian Railway, the liability for which has been deferred, so that the amount of the purchase-money defrayed by annuities may be taken at about 37,000,000*l.*

8086. Can you tell us any particulars of the annuities, or did they all run generally upon the same lines?—The amount of interest, that we had to allow, differed in the case of the different lines. On taking over the East Indian Railway, we made a new contract for working the line for 50 years from January 1st, 1880, terminable in 1900, and in each succeeding fifth year; the holders of one-fifth of the capital were allowed, in lieu of the annuity, to receive interest at 4 per cent. on the commuted value, together with one-fifth of the surplus profits, reverting to their deferred annuity whenever the new contract should be terminated. This arrangement was sanctioned by 42 & 43 Vict. Cap. ccvi. As certain shareholders were unable or unwilling to accept an annuity, power was given by 42 & 43 Vict. c. 43, to the Secretary of State to issue 4 per cent. stock at the rate of 125*l.* stock for each 5*l.* 12*s.* 6*d.* of annuity. The total capital that had been raised was 26,200,000*l.*, on which 5*l.* 12*s.* 6*d.* per cent. gave an annuity of 1,473,750*l.*; of this one-fifth was deferred—*i.e.*, 294,750*l.*,—so that the annuity payable during the new contract was 1,179,000*l.* Conversion into stock has, however, been accepted by holders of portions of the annuity amounting to 328,462*l.*, leaving a balance of 850,538*l.*, which represents the annuity still payable.

8087. How does that agree? In this paper before me I have got annuity payable 1,473,750*l.*?—That is the amount which I stated as the total annuity, including the deferred annuity.

8088. Then was the annuity 5*l.* 12*s.* 6*d.* for 73 years, so much, on every 100*l.* stock of the capital of the company?—Yes.

8089. Well, of that 4*l.* was the interest according to what you say?—The interest was 4*l.* 6*s.* per cent.

8090. The interest to which the stockholder was entitled on taking the annuity?—Yes, and we were bound to give him that rate per cent. upon 125*l.*

8091. 125*l.*?—That was taken as the price we had to pay for each 100*l.* of capital stock.

8092. How much then represents the sinking fund?—The amount payable for interest, apart from the sinking fund was 4*l.* 6*s.* per cent. on a commuted price of 125*l.* per 100*l.* of capital stock.

8093. What did that come to?—5*l.* 7*s.* 6*d.* per 100*l.* of stock so commuted.

8094. And is the sinking fund 5*s.*?—5*s.*

8095–6. And 5*s.*, at 4·6 per cent., extinguishes the loan in 73 years, does it?—Yes.

8097. But the general upshot of the matter is that out of this sum of 71,000,000*l.*, which is the price to be paid for the railways, 37,000,000*l.* or thereabouts was put into the form of an annuity?—Yes.

8098. 33,000,000*l.* being met by the ordinary loan capital?—Yes; or by the assumption of the existing liabilities of the companies; and the assumption of liability for 1,000,000*l.* was deferred.

8099. A considerable portion, therefore, took the form of an annuity?—Yes.

8100. But, so far as it did not take the form of an annuity, we should find that portion represented in the 33,000,000*l.* of debt which formed part of the 114,000,000*l.* spent by the State on railways?—Yes. As far as the annuities were concerned, the terms arranged with the other companies were much the same, except that the rates of interest allowed differed.

8101. Quite so. Perhaps you would tell me, in that case, why there was a difference in the case of the Eastern Bengal, because there is a very large amount of difference between 5*l.* 12*s.* 6*d.* and 6*l.* 3*s.* 4*d.*?—The difference arose out of the terms of the original contracts, under which we were entitled to take over the railways. We were bound, if we took them over, to pay the equivalent of the average market value of the shares for the preceding three years. In the case of the East Indian Railway this was taken at 125*l.*; but in the case of the Eastern Bengal Railway the price of the stock was higher, and we had to pay just over 150*l.* for every 100*l.* of stock.

8102 How many guaranteed companies were there?—Eight.

8103. That is the total number that have been guaranteed?—Yes.

8104. Upon the old system, I suppose?—Upon the old system, yes.

8105. And of those how many have been purchased?—Five have been purchased.

8106. Namely?—The East Indian, the Eastern Bengal, the Oude and Rohilkund, the Scinde, Punjab and Delhi, and the South Indian.

8107. Leaving still liable to the guarantee?—Three companies, the Bombay Baroda and Central India, the Great Indian Peninsula, and the Madras Railway.

8108. Is it probable that those will be bought up at some time, or is that not a thing in contemplation now?—The three remaining guaranteed lines fall in for purchase in 1899, 1905, and 1907 respectively; and the question of purchase will have to be considered in each case. The quotation for the stock of one of these lines,

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however, the Bombay and Baroda, which rules the price we have to pay on purchase of the line, is very high. This stock is now quoted at 230*l.* to 240*l.*

8109. But still if you do not buy it up you are liable to pay this guarantee for ever, are you not?—Till the termination of the contract we are bound to pay the guarantee; that would be till 1954 in the case of this line. If taken over about that time the maximum amount payable for the line would be the actual capital of the company; but, if taken over in 1905, we shall have to pay the average market value of the stock for the preceding three years.

8110. Does that railroad show a surplus or have we to pay a guarantee upon it; is there an actual charge?—There is a small net gain.

8111. That railroad has?—Yes, it pays a small sum to Government over and above the guaranteed interest.

8112. What is the railroad you have mentioned?—The Bombay and Baroda.

8113. Yes; that was the one we were looking at before?—Yes.

8114. That shows a charge upon the State, does it not?—It shows a small gain in 1893–94.

8115. Therefore, if things go on as now, it does not inflict any charge upon the taxpayer?—It did not in that year.

8116. (*Sir James Peile.*) May it not inflict a charge in one half of the year?—For the whole year there was in 1893–94 a small net gain to Government. It does sometimes impose a charge, and I find there was a small net charge in 1894–95.

8117. (*Mr. Buchanan.*) Is each half-year taken separately in the Bombay and Baroda?—The surplus profits payable to the Company are calculated independently for each half year. The net gain or charge to Government in the preceding answers is calculated for the whole year, after payment of guaranteed interest (with the exchange upon it), the Company's surplus profits, and charges for land and supervision.

8118. (*Chairman.*) Then how many subsidised railways are there?—The Companies assisted in 1884–85 were the Bengal Central (which has since become a guaranteed company, though the line is classed with those belonging to the State and leased to companies), Tarkessur, Bengal and North Western, Rohilkund and Kumaon, and Assam Railways and Trading (now called the Dibru-Sadiya Railway Company). In 1893–94 and the subsequent years they are the Bengal and North-Western, Rohilkund and Kumaon, Delhi - Umballa-Kalka, Dooars, Nilgiri. and Dibru-Sadiya.

8119. But the subsidies to those railroads are not very large in amount?—No, they are not very large. They mostly consist of land, a grant of free land.

8120. Then the land would stand outside these subsidies. Would the land be covered by these figures which you give here; compensation for land taken up for railways 1884–85, Rx. 33,749, and in 1895–96 Rx. 20,000. Is that the value of the land?—Yes, I think in the case of these railways it is charged against revenue.

8121. The land is?—The cost of the land is, yes.

8122. And that is really in addition to the cost of the railways?—Yes.

8123. Perhaps, in conclusion to the questions which I shall have to ask you on this subject, you would give us a resumé of the mileage, the capital outlay, the gross earnings, the working expenses, and the net earnings in the years 1876 and 1894, beginning with the open mileage?—In 1876 the open mileage was 6,862; and in 1894 it was 18,841; in 1876 the capital outlay to date was Rx. 112,000,000, and in 1894 it was Rx. 246,880,000; in 1876 the gross earnings were Rx. 8,794,000, and in 1894 Rx. 25,510,000; in 1876 the working expenses were Rx. 4,229,000, and in 1894 they were Rx. 13,530,000. In 1876 the net earnings were Rx. 4,565,000, and in 1894 they were Rx. 11,980,000.

8124. That is a summary of the condition of railroads in 1894 in India?—Yes.

8125. The Rx. 246,880,000 practically covers all capital expenditure?—Except that Rx. 8,000,000, which I mentioned before.

8126. Which, at all events, it is open to argument that it ought to be included?—Yes.

8127. That Rx. 11,980,000, or in round figures that Rx. 12,000,000 represents the return on an outlay of about Rx. 247,000,000, or something like 4·85 per cent. in earnings?—Yes.

8128. And the net earnings on the whole system of railroads are 47 per cent.; 53 per cent. representing the working expenses; is not that the result?—Yes.

8129–30. Generally speaking, in the railway world people are generally very fairly contented if the working expenses do not very much exceed 50 per cent. are they not?—Yes, I think what they aim at is to keep them below 50 per cent.

8131. At all events a big railroad system that presents that result, that pays net very nearly 5 per cent., and in which the working expenses exceed by very little 50 per cent., is a very fair account to have to show, is it not?—Yes, of course, in modification of that result it must be remembered that we are liable for interest on some of the capital outlay in sterling; at the present rate of exchange we suffer a loss upon that.

8132. That is in bringing it over here—I am looking at it now as earned in the currency of India?—It is actual expenditure which we have to incur.

8133. That of course is a point to take into consideration as it affects the outlay. For the moment I am only confining myself to the general result of the working of the railway system?—Yes.

8134. You have to consider the cost of sending it over here?—Yes, as regards a portion of the interest which is guaranteed in sterling.

8135. On one side that return would be rather affected by these two circumstances, that, if you put on the Rx. 246,000,000, the liability for sterling, that percentage of 4·85 would be lowered?—It would generally work out to a loss.

8136. On the other hand if, as I think you might reasonably do, you put aside your military railroads and confined yourselves in this account to those railroads which are avowedly productive, the result would be improved. In fact on the balance, if you take out that Rx. 14,000,000 you laid out on non-productive railroads, you would probably find that the result was five per cent.?—Yes, in rupees.

8137. And the percentage of working expenditure would be rather less?—Yes.

8138. You think yourself that it would be a fair thing to put productive railways by themselves, stating the military railways outside?—Administratively that is desirable, and it is done; but, as far as our Finance Accounts are concerned, I think that there are advantages in maintaining no distinction between the accounts of productive and unproductive railways. The Parliamentary Committee of 1884 expressed the opinion that the technical distinction hitherto made between one class of unproductive lines—namely, the protective lines—and productive lines could not be maintained; and I think that the arguments then used would apply to this class of lines also.

8139. One of the most important objects we have before us is to see what is the effectiveness, if I may so call it, of Indian administration. The State in India takes a great many duties which in many other countries are left to private enterprise and of course it is an important thing to see in what manner they are carried out. When you take account of these railroads, the greater part of which have been made to open up the country for commercial purposes, do you not think it is fairer on the whole to judge them by themselves rather than put in with them a certain number of railroads made simply to protect the frontier? The finance of military railroads stands by itself. They may be necessary for the security of the Empire, but when we are looking at the question purely as an economic question, do you think it right to mix up these railways with the others?—For certain purposes it may be perfectly legitimate to separate off the results of the various classes of railways, and to show the return from the commercial railways distinctly from the results obtained in the case of non-productive railways, such as military and protective railways. But I do not see the necessity for such separation in the case of our general finance accounts. I think that our plan of including in one general account the results of all the railways of every kind, helps to increase our financial check upon the construction of unproductive railways. It enlists on the side of financial control the influence of the Public Works Department, who are interested in

showing as good a general result as possible; and it gives a concise general view of the total burden we have to bear on account of the railways.

8140. I venture to think in matters of finance it is a very good thing to keep like to like if you want to see how things are working, and that it is a mistake to mix up a system of purely military works with commercial undertakings?—Certainly purely military works; but these are not, I venture to think, purely military works; we provide for all the purely military works out of revenue.

8141. They are so much worse than an ordinary military work, as I put before you before, that not only have you to pay the interest upon them but a great portion of the working expenses?—Yes, but they are used for the public and not merely for the military. I may add that I find from the correspondence (which has now reached me) which took place at the time the change of procedure in respect of the construction of frontier railways was introduced, that the Secretary of State recognised in the orders which he passed the distinction between these military railways and other military works, such as roads. The Government of India proposed to construct not only military railways but certain military roads from borrowed money, but the Secretary of State, while sanctioning the construction of the railways from borrowed money, said that he could not admit the propriety of so treating the outlay on the roads. He did not state his reasons, but I would submit that they may be found in the distinction drawn by the Government of India between the two classes of works. "The outlay," it said, "is a burden, entirely "so in the case of roads or fortifications, to a greater "or less degree so in that of railways according to the "estimate of their net earnings." This correspondence, I may add, gives in detail the views of the Secretary of State which led him to sanction the change of procedure, regarding which some previous questions were put, and I may refer the Commission to that correspondence, which has been printed as a Parliamentary Paper on 12th June 1885. At present I need only say that the Secretary of State decided that the frontier railways were so urgent that they must be completed with the utmost speed consistent with economy, and that, while their cost should, as far as possible, be provided from revenue, yet when the revenue available after meeting other essential charges of administration was exhausted the Government of India should not allow the works to be retarded but should prosecute them with borrowed money, and the limit of borrowing was accordingly raised to 350 lakhs in any one year, which was to cover all the expenditure from borrowed money "whether "for ordinary railways and irrigation, open lines, "arrears of previous grants, protective works, frontier "communications or any other purposes," while it was enjoined as regards all these purposes that "no resort "must be had to borrowing unless the amount cannot "be provided from revenue." The Government of India recognised, as I have said, the permanent burden which these works would impose upon the revenues, and to meet any objection on this ground they proposed to raise special loans for the frontier communications, with provision for a sinking fund, or preferably to raise the money by means of terminable annuities. The Secretary of State set aside this part of the proposal on the ground that when the Government was borrowing every year, it was less wasteful to lessen the amount of fresh borrowing, than to add to the new debt in order to pay off a portion of the old and special debt. He also doubted the practicability of raising the required amount by means of terminable annuities on any reasonable terms.

8142. (*Mr. Buchanan.*) With reference to the last point, whilst you can show that on railways there has been a return in rupees of about 4¾ per cent. on the amount of rupees spent on railway construction, has the construction of railways by the Government of India been a source of profit to the Exchequer as a whole?—No, it has been a loss upon the whole.

8143. It has been upon the whole a loss?—Yes, I mean leaving out all indirect advantages, and looking merely at the actual direct result upon the finances.

8144. Financially it has been a loss?—Yes.

8145. Mainly due to the fall in exchange?—Yes, and the high rates of sterling guaranteed interest.

8146. And all these high rates were given at a period nearly 50 years ago?—Not all of them.

8147. When was the last railroad constructed under the original guaranteed system?—It was before any serious fall in exchange took place.

8148. Putting the guaranteed railroads out of account can you tell us whether the railway construction since that period has been a source of profit or not to the Indian Government?—I have not made out a statement showing that. I will endeavour to do so if you would like to have it. It must be remembered, however, that even though we have got rid of the old contracts in some cases, in taking over the railways the terms carried on from the old contracts were so onerous that we still are liable for very much larger sterling interest, even on some of our State railways than we should have been if we had constructed them directly from borrowed money in rupees.

8149. What I was rather driving at was this, whether the loss that has been entailed upon the exchequer has been almost exclusively due to these original contracts with guaranteed railways; whether one could say that the railway construction of the Indian Government since the old system of guarantees ceased, has been less unprofitable or rather balanced?—I have not prepared any statement over a series of years; but I can give the results for 1893–4 in a form which will, I think, serve to show that the loss on State Railways does not occur on the railways which have been constructed directly by Government. The net loss on them, after paying interest on capital, works out to Rx. 666,180, which is made up thus:—

	Rx.
Old guaranteed lines, purchased by Government and now become State Railways with large sterling liabilities:—	
Loss	231,120
Lines on the new guarantee system:—	
Loss	813,418
Deduct:—	
Other lines:—	
Gain over and above interest	378,358
Total *loss*	666,180

As regards the guaranteed lines, it must be borne in mind that the loss on the old lines is calculated after including annuities, which involve the part repayment of capital, and that the new guaranteed lines include three protective lines (Southern Mahratta, Indian Midland, and Bengal-Nagpur), and one—the Assam-Bengal—still under construction.

8150. And with regard to the future, is the Government of India likely further to develop this system of building railways?—At present it is spending very largely upon railways. The amount provided for expenditure in the Budget which is just out is very considerable. In 1895–96 we have provided for a capital expenditure on railways of Rx. 4,157,000 out of borrowed money, and in the Budget of 1896–97 of Rx. 5,980,000 on railways, in addition to Rx. 750,000 on irrigation, making a total of Rx. 6,756,000; that is on railways and irrigation together.

8151. Do the Indian Financial Authorities consider themselves justified in going on with this expenditure in the hope that no further loss will be entailed upon them?—The new commercial railways that are being constructed are expected to bring in fully the amount of interest due from them. As long as we are constructing railways, and there are railways still under construction which are not producing any revenue, that, of course, adds to the burden and involves a certain excess of expenditure over income. We do not charge the interest during construction in the case of our railways to capital, but we charge it against the railway revenue account; so that a large portion of the capital expenditure, on which interest is charged, is not producing any revenue at all. I have taken out for the last eight years the amounts of capital expenditure on lines under construction or surveyed and unopened lines. The balance remaining at the end of the year on such lines in 1886–87 was Rx. 3,000,000; in 1887–88 Rx. 1,500,000; in 1888–89 Rx. 1,000,000; in 1889–90 Rx. 500,000; in 1890–91 Rx. 1,500,000; in 1891–92 Rx. 4,000,000; in 1892–3 Rx. 6,500,000; in 1893–4 Rx. 9,000,000; and in 1894–5 Rx. 11,000,000: so that there is a burden of Rx. 11,000,000 of capital, which at present is producing either no revenue at all or very little revenue.

8152. And from these figures that sum is increasing?—Yes.

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Railways.

8153. Then you are really embarking further in the policy of railway extension?—Yes, and we are constructing some large railways, which only gradually come into working.

8154. And has the Government satisfied itself that there is a fair prospect that these will not throw an increased financial burden upon the exchequer?—In the case of every individual railway, except in the case of those which are constructed as military or protective lines, the Government does ascertain, before construction is commenced, that there is a reasonable prospect of the railway producing a net return of at least 4 per cent. upon the capital expenditure.

8155-6. But they believe that these railways which are included in their present programme and the programme of their immediate future are likely to be productive, or at any rate to pay their expenses?—Yes; and in proof of this I need only quote the following extract from a speech by Sir James Westland in the course of the debate on the last Budget, which has reached England only by this week's mail. He said: "Another matter "which was referred to in the Hon. Mr Bhuskute's "address, was his declaration that the vigorous "prosecution of railways has caused us heavy loss, and "in the same way the Hon. Rai Ananda Charlu says "that we are imposing a new and unnecessary burden, "because we are raising four crores of rupees during "the current year for the construction of railways. I "can only say that the vigorous prosecution of railways "during the last ten years has not caused loss of "revenue. Our railways have produced more than "the interest on the loans raised for the purpose of "construction, and as regards these four crores of "rupees that we are to raise this year, every single "railway project has been separately investigated and "the greater part of them will produce a great deal more "than the amount we will have to pay as interest on the "loan. At the present moment the whole of our loss "on railway transactions is about two crores of rupees, "that is to say, we have constructed and we are "running 19,000 or 20,000 miles of railway, part of "them constructed on military grounds and without "reference to commercial returns; part of them "constructed for protective purposes—protection "against famine; and most of them constructed for "commercial purposes. Taking the whole of them, "the charge to Government is only two crores of rupees. "I would ask, simply as a question of policy, whether "the possession of these 20,000 miles of railway is not "worth, to the people of India, two crores of rupees. "There is not a soul in the room who would not admit "that India would be better for these railways, even if "the people had to pay ten crores a year instead of two. "With reference to these two crores of rupees, I have "also to state that the loss which we have to bear, "mostly arises upon railways constructed on the "guaranteed system. The loss a few years ago was "only 70 lakhs of rupees. It has since mounted to "two crores mainly because we have to bear a "heavy loss of exchange upon the sterling debt "connected with the older railways. But it is obvious "that this heavy loss has nothing to do with the "present construction of railways. We would have to "bear this loss, even if we were not constructing any "railways during the last ten or twenty years. The "later construction and expansion of railways has "therefore been, on the whole, a financial gain."

8157. Then we need not apprehend in the immediate future that there will be any increased charge put upon the Indian Exchequer from railway construction?—I should think that, apart from any further fall in exchange, there is very little chance of the net charge increasing materially, notwithstanding the large scheme of construction now in hand. And, of course, if exchange rises to any considerable extent, the burden will be considerably diminished. Further, I wish to take this opportunity of saying that, in estimating the value of railways to India, one has to take into consideration, not only the indirect benefits mentioned by Sir J. Westland, which are derived by the country generally from railway construction, but also the indirect financial gain to the Government itself. In the case of irrigation we attribute a certain amount of land revenue to irrigation, and we actually credit it to the head of irrigation. We could not do that in the case of railways, nor do I wish it to be understood that I at all advocate any such plan; but at the same time it is an undoubted fact that the railways have, in many districts, served to increase our land revenue by opening fresh markets for the produce of the land, and thus raising the value of that produce and consequently the assessable value of the land. Further, in some parts the railways have removed all fear of any serious distress from famine.

8158. Do you ever raise any amount now for railway construction on the guarantee principle?—We do sometimes guarantee a sterling interest, but it is at a very much lower rate than that guaranteed to the old companies.

8159. (*Chairman.*) You were speaking of a certain amount of the capital expenditure not being productive at present, but which would be productive hereafter?—Yes.

8160. That in one sense makes the return of which we have been speaking rather more satisfactory, does it not?—It does.

8161. (*Mr. Naoroji.*) Is there any portion of the railway capital held by the Indians of British India, do you know?—Some small portions certainly are. The shares in the Tarkessur railway in Bengal, I believe, are held chiefly by natives, and there are a few provincial lines in the North-West Provinces, shares in which are held by natives of India.

8162. I am talking of the capital which we are speaking of as having been spent, the 246,000,000*l.*?—Yes.

8163. And can you say what the amount is?—No, I could not say. I do not know how much is held in railways other than those I have just mentioned.

9164. Are you able to distinguish how much of this capital invested by natives, belongs to natives of Native States, and how much to natives of British India?—No.

8165. You have no means of saying?—No, I have no means of ascertaining.

8166. According to a return given here, we have got something like Rs. 1,16,00,000 paid in salaries to servants on railways. This is a Parliamentary return of salaries above 1,000 rupees per annum paid to servants on railways, and you have a total of nearly Rs. 1,16,00,000, and out of this more than 80½ lakhs, or nearly three-quarters, are paid to Europeans. In that case the Indians do not get the benefit of the amount spent in India so far as the *employés* are concerned?—I should not say that they do not get the benefit of it.

8167. As employed by them, and having so much paid to Europeans, and not having the same employment which the Europeans occupy, if Indians were employed in this place they would receive all this benefit of money expended in the country for the railways as in any other country?—Yes, if they were employed instead of Europeans; or rather, if they could be so employed, they would receive the amount.

8168. They would receive the amount, and so that amount is lost both in amount as well as in employment to the Indians themselves?—I should not describe it in that way.

8169. I am asking it as a mere fact that there is so much money paid to the Europeans?—There is no question as to that fact.

8170. Take for instance this country, or the United States, whatever is spent in connexion with railways is earned by the people of the country, and it goes every year to their benefit, although it may be borrowed money or their own revenue spent?—Yes.

8171. And that is nearly three-fourths; then there is also 54,000*l.* spent in this country in some shape or other, such as directors and their offices and other expenses?—Yes.

8172. So it is nearly one crore of rupees which the people have to find which does not return to them, but goes to Europeans—as matter of fact?—That amount is paid to Europeans. Of that there is no doubt.

8173. Now there is something like 200,000,000 of rupees paid in the various different services in India to Europeans. I mention that as a fact from this return?—I have not got the return, but I should not have thought the amount was so large.

8174. And were Indians largely employed, and if even half of that had been saved to the Indians, would they not have been able to produce or supply more capital than they are at present able to do? They would have so much capital to invest in various ways, and during the time of the railway existence—all this money which has been paid to Europeans—had even

half of it been paid to natives or saved to the Indians as their capital, they would have been able to supply a large portion of the capital required for the railways?—I really cannot say; it involves so many considerations.

8175. There would have been so much more capital available in the country?—Not, perhaps, if the Europeans had not been there.

8176. I say if the Europeans had not been there so far, and Indians had earned all that instead of 200,000,000, say 100,000,000 Indians had earned instead of all that going to Europeans who use it there and take it away from the country also?—If the Europeans had not been there, it is possible that the natives would not have been in a position to earn these amounts.

8177. I beg your pardon; what is it?—The premise, as I understand it, is that the Europeans are not there to earn the money.

8178. So many less employed, instead of to the extent to which they are. If that was done, and if the Act of 1833 were fairly carried out, without distinction of race or creed in the employment of the Government services, so that more Indians would have been employed than Europeans are, and they would have been able, therefore, to save so much capital to the country itself, would not then Indians have been able to supply more capital than they are at present?—Possibly they might be. But this assumes that they could be employed in the place of the Europeans—that they could do the work.

8179. At present, owing to this drain, there is much scarcity of capital in British India, and consequently the Indian capitalists can command a greater return for their little capital than they would otherwise do?—The ordinary rate of interest is certainly high.

8180. The Native States have built mostly their own railways from their own revenue, have they not? Can you give any idea of what railways have been built by different Native States, how much by borrowed money, and how much from their own revenue?—I can give you the amounts expended by Native States on railways, but several of our main lines run through the Native States—the Rajputana-Malwa, for instance.

8181. Yes, but they are your own railways; I mean special railways built by Native States for their own territory?—There are such railways; the Nizam's State Railway, the Gaekwar's railways, the Kashmir and the Rajpura-Bhatinda Railways, and several other smaller lines.

8182. And are all these railways built entirely from their revenue, or is any portion built by borrowed money?—Some of these have certainly been constructed from borrowed money; but I cannot state in every case the exact proportion of the capital which has been supplied from revenue and from borrowed money.

8183. Well, I can just give a few figures with regard to one Native State. I have not been able to look into the railways of Hyderabad-i-Nizam, but I have got some figures of Mysore given by the Diwan last year, and it appears that they were able to raise a local railway loan, as it was described, of 20 lakhs of rupees, and they borrowed from the English Government a crore and 63 lakhs of rupees for railway purposes?—Yes.

8184. Out of that they have already a sinking fund of 27 lakhs 81,000 for the loan from the English Government. They have themselves now from their own revenue spent 1 crore and 48 lakhs on the Mysore-Harikar Railway, and they have on other railways also invested 41 lakhs from their revenue only, and they have not spent nearly 16 lakhs from the loan which they have received from the British Government. The position thus stands that out of the loan from the British Government they have 27 lakhs of sinking fund, and they have 15 lakhs in hand which they have not employed, so that we see that a large portion of the railway is built from their own revenue, and they are in a fair way of repaying the whole of the loan in this Native State. We in British India do not appear to have any chance of coming to that condition of affairs?—I have no information about those figures.

8185. Then in addition, on account of this guarantee to the loss that accrues from the necessity of paying up to the guaranteed interest, we have, as has been already explained, the additional loss of exchange on account of having these loans in sterling. We have a double loss; we have to make up the guarantee, which is in sterling, and then to pay in sterling; whatever may be the earnings in rupees, we must make it up in pounds, which is not earned, and, as it is called, a fictitious amount which we have to pay, which has already been discussed?—There is a double loss; first, in the payment of the sterling interest; and, secondly, in the fictitious rate of exchange which is applied in the calculation of surplus profits.

8186. Then the question was put to you, I do not remember by whom, that taking the whole result of the railway expenditure and earnings up to this time, how much remains as a deficit to the Indian revenues which they have filled up, up to this time and which must be earned hereafter as a balance against us in favour of railways?—There is a net balance against the railways.

8187. And how much do you think it is, taking the result from the beginning to the end of revenue?—I cannot state the amount offhand, but I will put in a table showing the net results of the railways as far back as possible.*

8188. The extent of railways now in India is about 20,000 miles, is it not?—Up to the end of 1894 it was 19,000 miles; I daresay it is 20,000 miles now.

8189. Have you any idea what is the extent of railways built in the United States about this time?—I have not any idea of the exact amount.

8190. Then in the working of those railways, do you not think the Government, having direct or indirect control over it, should compel or insist upon the railways to adopt the most economical plan and therefore employ largely Indians, and save as much as possible from the heavy expenditure. Would not that go a great way towards making the railways more profitable than they are at present?—I believe the policy followed both by the State Railways and the Companies is that they employ natives wherever they think they possibly can do so with due regard to both efficiency and economy.

8191. Still, where you have three-fourths of the salaries paid to Europeans, as it is at present—within three or four years this return—there is large room for Government as trustees of the revenues of the people to do their utmost to see that the railways are made really more profitable?—I think that the Companies certainly look more to their profits than to the employment of Europeans, and that they would employ natives wherever they thought it more profitable to do so.

8192. Yes, that is more reasonable, it would appear; but with the exception of the Baroda railway, where there is a good manager who tries to make use of as large a native element as possible, they are not carried out. The Great Indian Peninsula has different ideas, I cannot mention them. Therefore we have no capital invested by the subjects in British India, and if the large amount that is paid in salaries to Europeans continues, and the indirect benefit that non-officials derive from the trade, and from all that they do there because the British Indians are not able to compete with them, there seems to be very little chance that the Indians will ever be able to help themselves, and become owners of those railways, or to pay their debts, if this drain continues as it is at present?—Some of the capital is owned by natives of British India.

8193. Natives of British India?—Yes.

8194. Because I know natives of Native States and even Princes of Native States hold very largely, such as, I think, the Maharaja of Gwalior is lending a large amount of money to the British Government. Is it about a crore?—More than that.

8195. Three crores?—The Gwalior loan of 1887 was 3½ crores of rupees, and there is also a loan from Maharaja Sindia for State Railways of 1½ crores.

8196. The Maharaja of Holkar has also lent?—Yes, a crore for the Indore State Railway.

8197. Therefore we are in the position of borrowing from every quarter; when will we be in the position of Native States of taking from their own revenue and from their own capacity? As long as this drain continues there does not seem to be much chance?—Some of the capital of the railways is held by natives of British India.

8198. Can you give us any idea of how much is held by them?—No I cannot state how much. The amount is not considerable for the reason you have already mentioned, viz., that the rate of interest in India, on good security is much higher than that obtainable even on railway loans.

* *See* Appendices 27 and 28.

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Railways.

8199. (*Sir James Peile.*) There are no limitations on the employment of natives on railways in India except their fitness I suppose?—That is all I know of.

8200. And they would be cheaper than Europeans, if fit, and they naturally would be employed?—I should think so.

8201. (*Mr. Naoroji.*) If they are properly trained and if there is full fair opening left to the Indians; do you mean to say that the Indians—out of 300,000,000 of people in India, that you will not find a sufficient supply to do all this work as efficiently as any European?—I do not pretend to give any opinion on that point myself. I should judge from the action of the railway companies, and railway managers in employing Europeans for certain posts, that that is the view that they take.

8202. The guaranteed railways companies take very good care that as long as they get their guarantee and any benefit they do not care whether the Indians derive any benefit from the expenditure or not. It is an idea of patriotism among them to employ Europeans instead of Indians. You cannot say that the Indians will not be found competent to undertake the work if encouragement were offered, and if the proper class of men were drawn.

8203. (*Sir James Peile.*) India has been developed by railways since about the middle of the century has it not?—Yes.

8204. During that time the opening of the railways has enormously increased the trade?—Yes.

8205. India being an exporter of raw produce it has been particularly beneficial in opening up the country?—Yes, the railways have produced an enormous effect in that way.

8206. Now during the development of the railway system have the natives taken any part in promoting undertakings such as railways?—Only, as far as I know, in the case of very petty undertakings. There is the Tarkessur railway in Bengal, which, I think, is mainly a native undertaking, and there are one or two tramways, I believe. But I cannot speak on this point with any authority.

8207. Yes but generally speaking they did not come forward and take a leading part in developing India by railways?—No.

8208. Besides the frontier protective railways there is another class, I think, of protective railways, is there not?—Yes.

8209. That is?—For protection from famine.

8210. Those railways are not designed so much for paying as for another purpose — for protecting the people?—Yes that is the main object of them.

8211. They are not expected to be as profitable as what we should call the commercial lines?—No, but generally they do produce a certain amount of revenue in excess of the working expenses.

8212. Yes but still they are not expected to be as profitable as lines made entirely as avenues of trade?—No. They are not expected to produce 4 per cent.

8213. Those were all in the programme laid down by the Famine Commission I think in 1880?—Yes, they were all included in that.

8214. And they have now almost entirely been carried out?—Yes those that were mentioned by the Famine Commission have, I think, been completed, or are approaching completion.

8215. So that that least productive class of railways will now cease to be constructed because it has been completed?—I believe that is the case. The East Coast Railway, which is a protective railway, is still under construction, and a considerable amount of money may still be spent on that railway. The Secretary of State has also sanctioned the classification as protective of certain additions to the South Indian Railway. It is considered protective.

8216. But future railways may be expected to be of a more profitable class?—I should say so.

8217. Therefore the prospect is a good one for large profit in future from railways?—I should say that, apart from a serious fall in Exchange, there is a good prospect of an improvement in the financial outcome of our Railway Revenue Account.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

(For the 17th Day's Evidence, *see* page 441.)

At the India Office.

EIGHTEENTH DAY.

Wednesday, 13th May 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. W. T. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor-General to the Government of India, re-called and further examined.

Mr. S. Jacob, C.S.I.

13 May 1896.

Railways.

Irrigation.

8718. (*Chairman.*) Mr. Jacob, we will take up to-day the irrigation branch of our inquiry, which properly follows the railway branch, as forming part of the productive works which the Indian Government undertakes?—Yes.

8718*a*. But before I ask you any questions on that subject, I will ask you one question with regard to railways. I see in the Statistical Abstract that there are certain railways charged to the Famine Relief Fund (page 110); was that expenditure before us, and did you include that expenditure in the figures which you gave in your answers upon the subject of railway expenditure?—Yes.

8719. Would you tell us the form that that expenditure takes, when it is charged to the relief fund?—The charge is for protective railways and is taken directly against the revenue.

8720. And, therefore, that is capital expenditure which is charged against the railways, but which is not represented by any corresponding addition to debt?—Yes, that is so. I mentioned, I think, in the course of my examination last time, that some of the capital expenditure was charged directly against the revenue.

8721. Do you know at all what the total amount devoted to railways out of the Famine Fund amounts to?—Yes, the total for railways charged against famine insurance up to the end of 1894–95 is 5,934,000*l.*

8722. And, without entering at present upon the nature of the Famine Relief Fund, we may take that amount as charged against revenue?—Yes.

8723. But we should find it included in the total sum charged against railways?—Yes.

8724. Would you tell us in what form the irrigation works are undertaken?—Irrigation works, that is canals and tanks, are, for financial purposes, divided into two main classes. The first class consists of major works, and includes all the works which have been undertaken from loan funds in the expectation that they would be sufficiently productive to cover the interest charges on the sums spent on their construction; and also the works classed as famine protective, which are constructed not from borrowed funds but out of the annual grant from revenue for famine relief and insurance. The second class consists of minor works, the cost of constructing which is met from the ordinary revenues, though for a great part of this class of works, distinct capital and revenue accounts are not kept.

8725. Who administer these works?—Officers of the Public Works Department administer them immediately; under the general control of the Provincial Governments.

8726. Do the officers of the Public Works Department belong to the Provincial Governments, or are they part of the central administration?—They are under the Provincial Governments.

8727. Is there a Central Public Works Department at Calcutta?—Yes, there is a Public Works Department of the Government of India at Calcutta or Simla. Special officers of the Irrigation Department administer the works; they generally have no other work to do except the irrigation work.

8728. Is there any minute or report which describes the irrigation policy generally?—Yes, there must be such; I have not brought any such with me.

8729. I think it would be useful for the purposes of the Commission if you could refer us to some report or minute (so long as it is of moderate length) which would tell us what the general policy of the Indian Government in respect of these works is?—As regards the construction of the major works, the policy is that works are undertaken as productive works, if there is a reasonable prospect of their producing 4 per cent. within 10 years after their construction, and protective works are undertaken upon satisfactory proof that they are required for the protection of the country from famine. But I will endeavour to get any minute there may be on the subject, and put it in.*

8730. Then who would be the person or persons who would decide upon the adoption of a work of any magnitude?—It depends entirely upon the magnitude of the work. The powers of the Provincial Governments vary, but any work which is estimated to cost over $2\frac{1}{2}$ lakhs requires the sanction of the Government of India, and over $12\frac{1}{2}$ lakhs of the Secretary of State. No work may be undertaken as a productive or protective work without the Secretary of State's sanction.

8731. But I mean upon whose recommendation would the Secretary of State decide?—The initiative would be taken by the Provincial Government which would report to the Government of India, and the Government of India would report to the Secretary of State.

8732. And who would be the person who would move the Provincial Government to undertake such a work?—There is a Chief Engineer for the Irrigation Department in every province in which irrigation works exist, and it would be part of his duty to consider what irrigation works were required.

8733. In fact, the initiative lies with him?—Generally, yes.

8734. (*Sir Andrew Scoble.*) Or with the district officer, does it not?—Any district officer can make a representation to the Chief Engineer, but the professional estimate would be made by, or under the control of, the Chief Engineer.

8735. (*Chairman.*) But practically the Chief Engineer is the responsible person to the Provincial Government?—He would be the professional adviser of the Provincial Government in such matters.

8736. The work would not be undertaken except upon his recommendation?—It would certainly not be undertaken, except after inquiry by him, and generally, I should suppose, his recommendation would be accepted.

8737. Would the Provincial Government ever initiate a work of this kind and propose it themselves, referring it merely to the Chief Engineer to report to them as to its desirability?—Local inquiry would always be made as to the desirability of any such work, and as to the probable return from it.

8738. Then is any sum set apart every year for irrigation works out of that sum which you have told us is provided or sanctioned for public works?—Yes. It is not an absolutely fixed sum, but now about Rx. 700,000 to Rx. 750,000 are generally granted out of borrowed money for capital expenditure on irrigation works, besides whatever sum can be spared from the Famine Insurance Grant.

8739. And what sort of sum is provided out of the Famine Insurance Grant?—In 1894–5 it was Rx. 43,000; in 1893–94, 56,000: in 1892–93, 61,000; in 1891–92, 78,000.

8740. Then you may say, on the whole, speaking in round figures, about Rx. 800,000 is voted every year for irrigation works?—Yes, that is about the amount granted at present for capital expenditure on irrigation works.

8741. And that covers all, major and minor?—No, that is for major works.

8742. Minor works being provided out of revenue?—Yes. The capital expenditure on minor works is shown under the head of Irrigation.

8743. Is there any limit to the sums which may be devoted to minor works?—No, there is no limit. For the most part the minor works are provincial, and the Provincial Government can assign such portion of its revenue as it thinks fit for expenditure upon them.

8744. Is not the approval of the Central Government necessary for these works?—Not unless the work is of a magnitude which requires the sanction of the Government of India.

8745. (*Mr. Jackson.*) Is there any contribution by the locality in any of these cases to the irrigation works?—There are a few cases in which there are small local charges, but they are very petty indeed; as a rule there is no local contribution.

8746. (*Sir Ralph Knox.*) About what proportion does that form of the total famine fund expenditure?—A very small proportion.

8747. (*Chairman.*) Less than one-tenth?—Yes, considerably less than that. In 1894–95, the amount granted for Famine Insurance was reduced to Rx. 1,000,000; out of this total the amount charged directly to Famine Insurance was 610,000, of which 43,000 was for irrigation, 557,000 for protective railways, and 10,000 for direct famine relief. The balance of Rx. 390,000 was made up of the net charge on the Revenues on account of protective railways constructed through the agency of companies.

8748. (*Sir Ralph Knox.*) But would the other years follow that very much?—No, the amount in 1893–94 was Rx. 56,000 out of 1,118,000 charged directly to Famine Relief and Insurance.

8749. (*Chairman.*) But that was a year in which there was an unusually large sum devoted out of the famine relief fund, was it not?—In 1892–93 there was also over a million charged directly to this head; in these two years the amount so charged was specially large.

8750. But if you look a year or two previous, the amount is very small?—Yes, the famine relief grant was not devoted in those years to capital expenditure on protective railways; and in some of those years the grant for protective irrigation works was larger than the sums mentioned just now.

8751. Take, first, the case of the major works, do I understand aright, that they are treated in the same way as State railways, that their capital and revenue accounts are kept entirely separate, and that interest on

* No such minute was discovered.

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Irrigation.

the cost of construction is charged against the revenue account of the works?—That is the case. The cost of construction is now charged either to loan funds, *i.e.*, to the head of "Expenditure not charged to Revenue," or to "Famine Relief and Insurance." The Revenue Account is kept under the head of "Irrigation," and on the charge side is included 4 per cent on the total capital cost of the works included under this head.

8752. (*Mr. Jackson.*) Has the charge for interest during construction risen; has there been any change in the system?—No, not as far as our Finance and Revenue accounts are concerned.

8753. It has always been the case that you have charged interest on capital during construction?—We do not add the interest during the construction to the capital.

8753*a*. Oh, I thought that was the question.

8754. (*Chairman.*) No; the question was as to interest during construction charged against revenue?—It is charged against revenue.

8755. And, therefore, during construction there is no interest charged against the work?—Interest is charged to the revenue account under the head of Irrigation, but it is not added to capital as far as our Finance and Revenue accounts are concerned. The Public Works Department, however, keep their capital account on rather a different method; they add any interest which is not met by the net receipts from the works to the capital account, and they deduct from the capital account any excess interest which is recovered from those receipts.

8756. But in the accounts to which reference is usually made the interest charged during construction is not brought to account?—The 4 per cent. which we charge against the revenue account of the works in our published Finance Accounts is calculated on a capital account which does not include the interest during construction.

8757. Can you tell us what is the total capital outlay on irrigation works for the period we have usually taken, namely, 1874–75, 1875–76, and 1892–93, or 1893–94, whichever year is convenient?—The total capital expenditure has increased from Rx. 12,897,901 at the beginning of 1875–76, to Rx. 30,343,404 at the end of 1894–95. The total capital expenditure incurred up to the end of 1896–97 is estimated at Rx. 31,921,000; that includes estimates for 1895–96 and 1896–97.

8758. (*Mr. Jackson.*) For what period is that?—That is the total capital expenditure up to date.

8759. 31,000,000*l.*?—Rx. 31,921,000.

8760. The amount of Rx. 12,897,000 which you gave us, then, was the amount expended up to the period of 1875–76?—That was the total expenditure incurred at the beginning of 1875–76.

8761. (*Chairman.*) How long before that year, 1875–6, had there been capital outlay upon irrigation?—I do not remember when first capital expenditure was incurred, but it was certainly before 1859.

8762. Am I not right in thinking that Colonel Cotton's work was considerably anterior to the Mutiny?—It must have been.

8763. And, therefore, irrigation works have been carried on over a long period, though they were not charged to capital in the early days in this form? or would the 12,897,000 include such capital expenditure as was made by Colonel Cotton?—It would include any expenditure by Government on those works which are classed as major works, at whatever period it had been incurred. When the present system was introduced the account was carried back to include all past capital expenditure.

8764. And may we take it that that Rx. 12,897,000, which we will call 13,000,000, really includes all anterior expenditure on major works?—Yes, all the expenditure which had been incurred by Government. At that time there were companies in the field.

8765. Which have since been bought up?—Yes, at least there was a company, I should say.

8766. Can you tell us how much of these sums of 12,897,000 and of 30,343,404 are represented by loans borrowed either in England or in India?—Of the Rx. 30,343,404, about Rx. 22,000,000 have been incurred from loan funds.

8767. And 8,000,000 would represent about the amount advanced out of revenue?—Yes; that includes the old expenditure which was incurred entirely from revenue. The expenditure which was first brought to account when the present system was introduced was Rx. 5,293,000*l.*; when we first began to keep separate capital accounts, Rx. 5,293,000, which had been incurred out of revenue previous to 1867–68, was brought to account against the capital.

8768. Up to that time there had been no borrowing for the purpose?—No.

8769. Then, in reality, the amount advanced of late years out of revenue has been comparatively small?—Yes.

8770. Not above three millons?—That is all.

8771. And all the rest has been borrowed?—Yes.

8772. (*Mr. Jackson.*) Is there any sinking fund, or any provision for repaying the borrowed money?—No, there is no sinking fund.

8773. (*Chairman.*) As we have understood from your evidence on the subject of the debt, the settled policy of India, inasmuch as it is a constantly borrowing power, is not to set any sinking fund against the debt?—Yes. There have been proposals at various times to have sinking funds for certain portions of the debt, but they have invariably been disallowed, upon that principle, that, as long as we are borrowing, we should merely borrow a larger amount with one hand, in order to create a sinking fund to pay off other debt with the other.

8774. But in the case of irrigation works, do they last for all time?—Charges for maintenance are, of course, incurred every year.

8775. They are maintained out of revenue, I presume?—Yes.

8776–7. Supposing damage occurred to any of them involving a large expenditure, how would that be charged? Have there been such cases?—Yes, there have been such cases. As far as I recollect, the repairs have always been charged to revenue.

8778. (*Mr. Jackson.*) I am speaking of extraordinary repairs due to flood or some disaster, where the works, say, were all washed away?—The general rule is that renewals and replacements are charged to Revenue unless they exceed the cost of the original work, in which case a charge to capital may sometimes be made.

8779. (*Sir Ralph Knox.*) There is no charge for depreciation of any kind to the famine fund?—No, we charge the 4 per cent. upon the full amount of the actual capital expenditure.

8780. (*Chairman.*) But then, it is only supposed to be interest, is it not, on actual expenditure?—Yes.

(*Sir Ralph Knox.*) On the capital amount borrowed?

8781. (*Chairman.*) No, on the total amount expended, is it not?—On the total amount expended.

8782. Four per cent. is charged on the whole amount of 30,000,000*l.*, but of that, as we have heard, 8,000,000*l.* is advanced out of revenue. Then it has been the settled policy, has it not, that the money required for these irrigation works should be borrowed in India?—Yes.

8783. I see that out of this total amount of outlay on construction, which amounted to 29,000,000*l.* in 1892–93, 3,045,000*l.* is charged as outlay in England?—Yes, that was for the purchase of the works of two companies, the East India Irrigation and Canal Company, and the Madras Irrigation and Canal Company.

8784. Which were bought up?—Yes. The former surrendered its works to the Government in 1869–70, the Orissa undertaking for 1,043,698*l.*, and the Sone works for 48,711*l.*; and 1,404,154*l.* was paid to the Madras Company for the purchase of the Canal which has since been called the Kurnool Canal, an unrecovered loan from Government of 358,428*l.* being also written off.

8785–6. Those sums altogether make up a total amount of about 2,853,000*l.* or 2,854,000*l.*, and a certain difference is left between that sum and 3,045,000*l.*, which is stated as the outlay in England; do you know how that difference is accounted for? If you look at the outlay on construction in the year 1892–93, it is stated as 3,045,525?—Yes.

8787. And if you add up those sums which you say were paid in England or written off, they would amount to 2,853,000*l.*, or rather, I think we must not take the sum written off; the outlay in England was

2,400,000, very nearly 2,500,000?—You would have to include the amount written off.

8788. How does that come to be outlay in England?—Because the money was advanced in England, and, when written off, it was charged in England.

8789. Those sums together make up 2,853,000 or 2,854,000?—Yes.

8790. That leaves a difference between them and the sum stated as outlay in England of 192,000?—Yes, this balance is made up of small sums spent for stores required for the capital expenditure and obtained from England; these sums are shown against the English account; they are very small amounts in each year; they are all shown in detail in the statement at pages 194 and 195 of the Finance and Revenue accounts for 1893-94.

8791. Very well. This sum of 3,045,000 laid out in England was, as far as the larger part of it is concerned, capital paid over to these companies, was it?—Yes.

8792. And it was, I suppose, raised in England, therefore?—Yes, it must have been raised in England.

8793. Then can you explain how, if the money was raised in England and paid over in England, there came to be an exchange charge of Rx. 471,000?—There must be an exchange charge in bringing it to account in India. We have converted the liability into Rx. for the purpose of determining the amount upon which four per cent. interest is to be charged in Rx., and we have, therefore, included the actual exchange at the time when the capital sum was paid.

8794. But you did not pay that exchange?—In one sense I think we may say that we did pay it.

8795. If you raise the money over here; supposing there is a company working one of these canals, and you buy it, and you pay the money in sterling here?—Yes.

8796. You do not then pay exchange, do you?—In my opinion you incur a charge for exchange just as much if you raise the capital here, as if you remit it from India.

8797. You do not actually pay it?—You incur a liability for it.

8798. Do you?—Your pound, when the exchange rate is 12 rupees to the pound, is worth 12 rupees; and if you have to convert a sterling liability, and bring it into a rupee account, it seems to me that you must take each pound as equivalent to Rs. 12, whether you have actually to remit the money, or whether you raise the money here.

8799. (*Sir James Peile.*) You enter the gold payment in your accounts as a payment in India in rupees at the exchange rate of the day?—Yes.

8800. (*Chairman.*) I am trying to make out whether that is quite an intelligible transaction, I mean as far as actual loss goes. I understand that, if you have to remit money over here to pay a charge, you have to raise so many rupees—17 rupees for a pound where you used to raise 12 or 13—and when we compare, we will say, 1875-76 with 1893-94, the difference in the sum of rupees that you have actually to raise in order to remit a given sum is evident to everybody. But when you liquidate a purely English debt, in which no remittance takes place, is it quite clear that in that case a loss by exchange occurs?—I do not say that a loss by exchange occurs; but I do say that there is an exchange charge which must be brought to account, if you convert a sterling liability into a rupee liability.

8801. At all events, that is a sum upon which you charge the four per cent?—Yes. The sterling payment or liability was brought to account at the exchange rate of the year in which it was incurred.

Does that seem quite clear to you, Mr. Jackson?

(*Mr. Jackson.*) It is more or less a system of book-keeping.

(*Chairman.*) That I understand, but we are trying to make out why in this case there should be a charge for exchange.

(*Mr. Jackson.*) Ten rupees to the sovereign—the difference between that and the sum actually paid is a——

8802. (*Sir James Peile.*) It is not a payment certainly?—We do not actually pay the amount we enter in the exchange column when we receive money in sterling in England to meet an English payment; but I do not see how that affects the fact that the pound paid is the equivalent of so many rupees at the rate of exchange of the time.

8803. No, but you have to pay the pound?—We have to pay the pounds, and, if they are received or raised in England, we remit so much less from India. But that does not affect the fact that all the pounds we pay at the same time are of the same value.

8804. (*Chairman.*) My puzzle is, you get a certain number of sovereigns over here and you pay off a debt here without there being any question of remittance. Whereas it is a loss to you when you have to remit from India here on account of the fall in exchange, when you borrow over here is it not a converse proceeding because you get a benefit from the transaction?—I demur altogether to that view. I do not see what benefit we get. If we raise in England, say, 1,000,000*l.*, where the rate is Rs. 12 to the pound, and 750,000*l.* when the rate is Rs. 16 to the pound, our liability is, in the latter case, stated in a less number of pounds, but it must be stated in exactly the same number of rupees.

8805. You mean that if ever you had to pay that debt off, you would have to pay it off by rupees raised in India at that rate?—Yes. As a matter of fact this system charges to the Irrigation Department less than would be charged, if we treated the liability as a sterling liability in England, and charged the Department with the actual payment of the sterling interest upon that liability plus the exchange.

8806. It is right to represent the view in that way, but you have got this sterling liability; if ever you paid it off, you would have to raise the additional number of rupees, namely, 17 to the pound?—Yes, at the present rates of exchange.

8807. (*Mr. Jackson.*) But it is only in the same way, is it not, as, if you were in France, you would enter the debt according to the Indian system, not in pounds but in francs?—Yes, and you would enter it at the equivalent exchange or an average equivalent exchange. If you incurred expenditure in England, and the exchange rate was 25 francs to the pound, you would enter every pound paid in England as 25 francs in your French accounts.

8808. (*Chairman.*) I am not demurring; I am not raising any question about the book-keeping. I am only anxious to distinguish what is real loss by exchange, and I may be wrong in putting it so, from what appears to me fictitious loss by exchange?—I venture to say that our accounts do not pretend to show what the loss by exchange is. They are, as I said before, a statement of fact; they show the equivalent number of rupees for any sterling payment that we make in England. If it is desired to find out what the loss by exchange is, separate calculations must be made for that purpose; our accounts do not profess to show what it is.

8809. We must be careful when we speak of the loss by exchange to understand that it really is loss by exchange, to separate that part which may be attributable merely to book-keeping from that part which may be really and properly put as inflicting the necessity upon India of raising an additional number of rupees?—There is, I think, a very clear distinction between the amount shown as "exchange" in our accounts, and the loss by exchange which we actually suffer.

8810. Does irrigation, on the whole, work out to a net charge, or to a net receipt?—As a whole, taking major and minor works together, the result of the irrigation receipts and charges, as shown in our Finance and Revenue Accounts, is a net charge. But the major works taken separately produce a small net revenue, over and above the interest at 4 per cent. on capital expenditure which is charged against them.

8811. Then, taking the major works, will you give us their results for some recent year?—I think it will be well for me to give the figures for the last four or five years, because the Canal Revenue is necessarily of a very fluctuating character, being largely dependent on the seasons, and this is somewhat strikingly illustrated by the results actual or anticipated of these years. The total revenue in 1892-93 was Rx. 2,233,036; the expenditure Rx. 1,932,337; leaving a net revenue of Rx. 300,699. The total revenue in 1893-94 was Rx. 2,096,611, the expenditure Rx. 1,954,515; leaving a net revenue of Rx. 142,096. The total revenue in 1894-95 was Rx. 2,146,726, the expenditure Rx. 1,993,874;

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leaving a net revenue of Rx. 152,852. The total revenue in 1895–96 was, according to the Revised Estimate, Rx. 2,121,300, the expenditure Rx. 2,014,000; leaving a net revenue of Rx. 107,300. The total revenue for 1896–97, according to the Budget Estimate, is expected to be Rx. 2,673,600, the expenditure Rx. 2,074,800; leaving a net revenue of Rx. 598,800.

8812. What is the cause of that very large increase in the Budget of 1896–97?—It is entirely due to the season. The poor result in 1895–96 is owing to the heavy rainfall of the cold weather of 1894–95, in the North-West Provinces, having reduced the need of irrigation to such an extent as to diminish the receipts there by nearly Rx. 200,000. On the other hand, to the failure of these rains in the same Province, and in the Punjab in the present year (which is responsible for a large reduction of revenue under another head—land revenue) is attributed the large increase under this head, which is anticipated in 1896–97.

8813. (*Sir Ralph Knox.*) Is there a corresponding increase of land revenue in a year of heavy rainfall?—No, there would not be any increase in the land revenue. We cannot increase the land revenue when there is a good year, but we may be obliged to suspend revenue or remit it, when there is a bad year.

8814. (*Mr. Jackson.*) Then really an increase in the net revenue of irrigation works is rather an indication of distress?—It may be so; but I would rather say that the irrigation revenue prospers when some other heads of revenue fail.

8815. (*Chairman.*) Then perhaps you would explain to us now in what form the irrigation revenue is raised; is it, so to say, a voluntary contribution, or a voluntary payment, made by the cultivators, who buy the water more largely in bad seasons than in good?—To a certain extent it is so. The revenue is made up of direct receipts paid for the supply of water for irrigation purposes. That is a voluntary payment in one sense, but it is levied under an Act of the Legislature.

8816. Oh, quite so. The occupier, if he wants water, buys it; that is what it comes to?—Yes, he buys it.

8817. (*Mr. Jackson.*) But is he charged a rate if he does not buy it? Is there a rate levied upon him for irrigation purposes whether he takes the water or whether he does not?—As a rule there is no such rate levied. In some parts, for instance, in Madras, there is what may, perhaps, be called an irrigation cess; it is not collected separately, but forms part of the land revenue; irrigated lands pay a higher rate of land revenue than unirrigated lands.

8818. Yes, but really in the main it is the result of sales of water?—The direct receipts are; but there is another class of receipts credited to irrigation under the title of "Land Revenue due to Irrigation." The true financial result of the irrigation works would not be shown, unless a portion of the land revenue were credited to them. I have already referred to the case of Madras, where direct water rates are not imposed, but the irrigation revenue is collected with, and for the most part consolidated with the land revenue. It is in that province that the bulk of the revenue credited under this head comes in. The irrigation revenue is assessed and collected in the same way in Sind; in some parts of that province cultivation is entirely dependent on irrigation, and there 90 per cent. of the land revenue is credited to irrigation and only 10 per cent. to the land revenue. In the North-Western Provinces and the Punjab also there are some credits under this head. In those Provinces the irrigation revenue is assessed separately in the shape of occupiers' rates and owners' rates, but in addition to this it is estimated that the value of the land for the purposes of the assessment of land revenue is raised by the canals, and when a fresh assessment of irrigated or irrigable land is made, a certain portion of the increase is assigned to irrigation and is credited to this head.

8819. Then really, in the case where you gave us the figures of 90 per cent. and 10 per cent, ——?—That is in Sind.

8820. Is that another way of saying that, except for the irrigation, probably the land revenue would only have been 10, and that it has been increased by 90 by the fact of the irrigation works having been provided?—The fact probably is that there would have been no land revenue at all except for the irrigation.

8821. (*Chairman.*) Then may I take it that in this account, which you have laid before us, the direct receipts may be said to represent what I call the voluntary payments?—Yes; they include also the owners' rate, which I have already mentioned, but they consist mainly of the voluntary payments.

8822. The water-bought?—Yes.

8822*a*. Well, those receipts run in this way: 1892–93, 1,500,000; 1893–94, 1,350,000; 1894–95, 1,370,000; 1895–96, 1,260,000; and 1896–97, Budget, 1,750,000. I am putting them in round figures.

(*Mr. Jackson.*) About 60 per cent. of the whole.

(*Chairman.*) But you see what an enormous increase is expected in 1896–97 in receipts from the buyers of water.

(*Mr. Jackson.*) Quite so.

8823. (*Chairman.*) Then we come to land revenue due to irrigation, and I am not sure whether I gather from you rightly, that that really means land revenue due to irrigation? I thought at first you put it as if it was a rate levied upon the landowner, very much like that in our drainage districts down in the eastern counties, where the people, who are supposed to be benefitted by the drainage of the fens, pay a heavy rate?—Yes.

8824. And may we take it that the land revenue due to irrigation is in reality a rate levied on the landowner or the occupiers in consideration of the benefit which is attributed to the work?—It is not assessed as a separate rate; it is merely assessed as an addition to the land revenue. The revenue officers determine that so much of that additional assessment is due to the fact that the land is irrigated or irrigable, and that is credited first of all to land revenue and then transferred to the head of irrigation at the end of the year.

8825. That is to say, supposing a man is paying now 10 rupees, we will say, for a certain area of land, and irrigation work is carried out in the neighbourhood, the land revenue officers say that that irrigation work has made that land worth so much more; instead of being worth 10 rupees it is now worth 20 rupees; the assessment is raised to 20 rupees, of which 10 are attributed to the irrigation?—Yes. Of course I must explain that in some parts of India the land is held under fixed settlements for longer or shorter terms, and it is only when the land comes under re-settlement, that the land revenue can be re-assessed.

8826. Quite so, and therefore in cases where that permanent settlement, or a settlement under contract for a long period of years, is in force, these irrigation works, if they are carried out, simply go to the benefit of the landowner or cultivator who pays nothing in respect of it to the State?—There is an owners' rate, as I have already mentioned, which is levied in the North-Western Provinces and in the Punjab. That is levied under the Irrigation Act, and is not mixed up with the land revenue. The amount of it is not large. Owners' rates in the Punjab and the North-Western Provinces produced Rx. 73,550 in 1894–95.

8827. Therefore, as a rule, you may say that there is no additional rate levied as a matter of course upon land improved by irrigation if the land is improved; as long as the settlement is in force, the cultivator gets the benefit of the irrigation without any payment, but at the end of the time a re-assessment takes place, and the revenue officer takes into consideration that a certain portion of the increased value of the land is due to this irrigation and raises the assessment accordingly?—The cultivator in Northern India has to pay as soon as he uses the water; the owner's assessment of land revenue cannot be raised until the land revenue can be re-settled; but in Northern India, he might be brought under the owners' rate as soon as he derives any benefit from the fact of his lands being irrigated.

(*Chairman.*) But I thought I had understood from you before, that in some cases the cultivator was not charged for the use of the water?

(*Mr. Jackson.*) I think you are not distinguishing between the cultivator and the owner.

(*Chairman.*) No. I have not been distinguishing, I am taking them both now.

(*Mr. Jackson.*) I think that is where the witness differs from you.

8828. (*Chairman.*) Then is it always the case that the cultivator, if he uses the water, has to pay?—He has to pay either in the shape of a special rate, in which shape the charge is levied in the North-Western Provinces and the Punjab, or in the shape of additional land revenue, in which shape it is assessed in Madras.

8829. You see I do not quite follow the case; I thought I understood you to say that in some cases the water is bought direct; here are the direct receipts when the men use the water, but in other cases, and here perhaps I am under a misapprehension, no charge is made for the water?—In every case a charge is made to the cultivator, in some shape or other, for the water.

8830. That is to say, to the cultivator?—To the cultivator; but you can get at the landowner in Northern India, if the value of his land is improved, either through the owners' rate or by an additional assessment when the land comes under re-settlement.

8831. But then how do you avoid in that case two men making a double payment for the same service? Supposing the cultivator buys the water and pays you a proper sum for it, and afterwards, when a re-settlement of the land takes place, the owner is made to pay a higher amount because of the benefit given by the irrigation. how do you avoid in that case there being a double payment?—The land revenue is merely assessed with reference to the rent, and if we do assess any additional payment for the land revenue it is because the landowner has already derived a benefit from the fact of his lands being irrigable, and has in fact charged a higher rent, which is paid by the cultivator in addition to the payment made to Government.

8832. That is to say, the benefit that the cultivator gets when he buys the water is so much greater than the sum he pays for it, that he is able to pay a larger rent?—Yes.

8833. (*Sir James Peile.*) But the case where the cultivator buys the water by the gallon is not the case in which you credit a portion to land revenue due to irrigation?—You do in some cases even where the occupier's rate is levied: in the North-Western Provinces and the Punjab there is a credit to land revenue due to irrigation in addition to the direct receipts. For instance, in the North-Western Provinces land revenue due to irrigation in 1894–95 was taken at Rx. 117,498, and in the Punjab at Rx. 30,758.

8834. Does that deal with the same cases in which the cultivator buys his water?—Yes.

8835. (*Chairman.*) Then may we understand that, when the Government comes to re-assess the land tax upon land which has been benefited by irrigation, they re-assess it upon the rent actually received; and, therefore, any portion of that which they attribute to irrigation is arbitrary?—That is, I believe, the case.

8836. It is not an exact calculation?—I should not suppose it would be possible to make an exact calculation in such a matter.

8837. (*Mr. Jackson.*) But though it is an arbitrary sum which is fixed arbitrarily, it is probably fixed by experts who can, more or less, appreciate the relative proportions?—Yes. It is fixed by the revenue authorities, who are more interested in seeing the land revenue as high as possible than in the irrigation revenue.

8838. Though arbitrary, it may be approximately correct?—Yes.

8839. (*Sir Ralph Knox.*) In that year, in which there was an increased yield for irrigation, what was the corresponding loss to land revenue; was it anything of the same amount?—You refer, I think, to 1896–97. We have not yet realised that revenue; the figure I gave you is the revenue which is expected to be realized in that year.

8840. (*Chairman.*) I think, in answer to Mr. Jackson's questions, it would be interesting if you would read the amount of land revenue due to irrigation in those different years. I read out to you just now the direct receipts, showing a variation from Rx. 1,500,000 to Rx. 1,265,000 up to 1895–96, and then the enormous increase, of 1,750,000, pretty nearly, in 1896–97; but what is interesting is that in the same year there was a very considerable increase in land revenue due to irrigation; perhaps you would read that column?—The Land Revenue due to Irrigation was, in 1892–93, Rx. 722,306; in 1893–94, Rx. 746,926; in 1894–95, Rx. 776,139; in 1895–96, Rx. 856,100; in 1896–97 the Budget estimate is Rx. 929,900.

8841. (*Mr. Jackson.*) The last being an estimate?—Yes.

8842. (*Sir Ralph Knox.*) Practically an estimate for the land revenue?—That is only the land revenue due to irrigation. The total land revenue, excluding that due to irrigation, was estimated in 1895–96 at Rx. 26,369,000, and the estimate in 1896–97 is Rx. 26,093,000; that is a reduction of Rx. 276,000.

(*Chairman.*) Although the land revenue due to irrigation shows a considerable increase—Rx. 80,000.

(*Mr. Jackson.*) As I said before, a bad season causes more water to be used, but produces less land revenue; it is an indication of distress.

(*Chairman.*) No; look at this. In that year the payment for water is expected to be very great indeed—Rx. 1,750,000—and yet the land revenue due to irrigation rises too.

(*Mr. Jackson.*) I thought the land revenue was less in a bad season, and the land revenue due to irrigation was greater?—That is often the case.

8843. (*Chairman.*) And when there is a fall it is no doubt due to a bad season?—Yes.

8844. (*Sir Ralph Knox.*) And there was a net loss?—Yes. The fall in the land revenue proper largely exceeds the rise in the land revenue due to irrigation. And I may add that the land revenue is ordinarily increasing year by year, so that if we get considerably less revenue in one year than in the preceding year, the probability is that we lose more than the actual amount of the difference between the revenue of the two years.

8845. (*Mr. Jackson.*) Besides, it would follow that in a bad season the proportion of revenue attributed to irrigation would be larger than it would in a season when water was not so necessary?—It might be so.

8846. It would necessarily follow, would it not?—I am doubtful whether it would, according to the principle which is followed in determining the account of such revenue. But I have not at hand the detailed rules regarding that matter.

8847. The value of it certainly would be increased?—The value of the land would be increased by the irrigation, but the landowner might not derive any immediate benefit from such increase.

8848. (*Chairman.*) You have given us the total revenue received—the total working expenses and interest, and the net revenue; now would you tell us what has been the progress of the working expenses in relation to the revenue. As far as I can see, roughly, the working expenses represent, in the first and last year, about one-third, do they not?—About one-third of the direct receipts?

8849. About one-third of the total receipts?—Yes.

8850. First of all, there is some Rx. 800,000 as against Rx. 2,233,000; in the last year there is Rx. 820,000 against Rx. 2,673,000; that means that the working expenses are rather falling, are they not, in proportion?—Yes, they do not seem to increase in the same proportion as the revenue.

8851. Exactly; the revenue is rather outstripping the working expenses?—Yes, that is the case comparing the first and last years.

8852–3. For instance, in the Budget of 1896–97 the working expenses would be perceptibly less than one-third—Rx. 820,000 to Rx. 2,670,000?—Yes.

8854. Whereas in the first year, 1892–93, they are more than one-third?—They are rather more than one-third.

(*Mr. Jackson.*) Practically it is a larger output from the same fixed expenditure; that is the principle.

(*Chairman.*) That is it, but it is satisfactory to see that the working expenses do not increase in quite the same ratio as the revenue.

8855. (*Mr. Jackson.*) It is dividing the fixed expenditure over a larger out-put?—Exactly. And where there is a fall, they do not fall in quite the same proportion.

8856. (*Chairman.*) Then we come to the interest charge. The interest charge in 1875–76 appears to have been Rx. 595,000, rising gradually to the estimate for 1895–96 of Rx. 1,222,000?—Yes, and Rx. 1,254,000 in the Budget of 1896–97.

8857. And the whole of that is in India?—Yes.

8858–9. How comes it that nothing is charged in England as against that sum of 3,045,000*l.* which you have told us was outlay in England?—We transferred those amounts to India in the year in which they were incurred, and that is the reason, as I have already explained, that the exchange charge comes into the

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capital account. From that time we treat them as rupee expenditure, and charge 4 per cent. upon the rupee equivalent.

8860. Well, I suppose that really is fair, is it not? Because, when you come to pay the interest upon that sum of 3,000,000*l.*, in England, you have to pay a larger sum in rupees in order to meet that interest?—Yes. If we had retained the liability as a sterling liability, then even 3 per cent. in sterling on the 3,000,000*l.* would come to more than 4 per cent. does on the rupee equivalent.

8861-2. Yes, that appears to be intelligible. Therefore, we have got a rise from Rx. 600,000 to a sum which, I think, in 1896-97, is approaching Rx. 1,300,000?—Yes, Rx. 1,254,000.

8863. But in 1875-76 the revenue was so small that there was a very large deficit, was there not?—Yes.

8864. However, I notice that in 1875-76 there is no attribution of any portion of the receipts under land revenue to irrigation?—That is the case.

8865. And, therefore, 1875-76 is not quite a fair year to take, is it?—No, it would not be fair to compare the results of 1875-76 with those of 1895-96.

8866. The deficit upon this basis of comparison is unduly large?—Yes.

8867. Therefore we will take 1884-85. In that year the net receipts were Rx. 37,000, were they not?—Yes.

8868. Which had risen in 1895-96 to Rx. 244,000 in the Budget?—Yes, but it is now expected that the actuals will be much below that; Rx. 107,000 only are taken in the Revised Estimate.

8869. But for the year 1896-97 you anticipate Rx. 600,000?—Yes.

8870. Is that a safe estimate, do you think?—I should suppose so; it was stated in the Financial Statement that it was believed to be a perfectly accurate estimate.

8871. But, according to what you have told us before, that would not be a normal estimate, because in this particular year the receipts are expected to be abnormally large?—Yes. Sir James Westland said in his Financial Statement:—"The Irrigation Revenue will be "unprecedently high in the North-Western Provinces "and Oudh and in the Punjab. Though the increase is "so large, Rx. 160,000 in the former, and Rx. 233,700 in "the latter Province, it is confidently anticipated that "it will be realised, as the very magnitude of the "estimates proposed by the local authorities led to a "careful scrutiny of them before they were accepted."

8872-3. Still we could not take that as a normal or anything like a normal net receipt, could we?—No. I have taken out the net receipts for every year from 1884-85 onwards, and they show that while the revenue fluctuates very much from year to year, there is a considerable gradual improvement. The net revenue in 1884-85, which was a somewhat exceptional year, was Rx. 37,000; then from 1885-86 to 1888-89 there were still deficits; 130,000 in 1885-86; 112,000 in 1886-87; 142,000 in 1887-88; and 29,000 in 1888-89. From that time there has been no deficits, they have all been surpluses; 1889-90, 34,000; 1890-91, 153,000; 1891-92, 206,000; 1892-93, 300,000; 1893-94, 142,000; 1894-95, 152,000; 1895-96, 107,000; and 1896-97 the estimate is 598,000.

8874. Then would you be disposed to put the average or normal surplus at Rx. 200,000, or would that be low?—Yes, between Rx. 200,000 and 300,000 I should think.

8875. And that fairly represents, according to the official view, the result of the working of the irrigation system after charging everything that ought to be charged against the works? Does it include the four per cent. charged against the works, or only the actual interest paid?—That includes the 4 per cent.

8876. That is to say, you charge against the whole expenditure, say of Rx. 30,000,000, 4 per cent. for interest, which is included in these sums of interest mentioned here?—Yes, the surpluses I have given are calculated after payment of that interest.

8877. Therefore you may say that on your major works you get 4 per cent. and still there is a surplus getting on to 1 per cent?—Yes.

8878. Not quite 1 per cent., 13*s.* or 14*s.*?—The net return including the 4 per cent. was 5·04 per cent. in 1892-93; 4·48 in 1893-94: and 4·51 in 1894-95; it will be somewhere about 4·35 for 1895-96; and (if the estimate is realised) nearly 6 per cent. for 1896-97.

8879. (*Sir Ralph Knox.*) Was that due to the heavier expenditure in the earlier years? Is the rate of expenditure on the maintenance of these works less now in consequence of the heavier expenditure in the earlier years? I mean, how is it you get the increased advantage in recent years?—By the increased revenue from old works and by the new works that produce revenue.

8880. (*Mr. Jackson.*) Really your net revenue depends upon your gross receipts?—Yes.

8881. I mean, if the total receipts are increased—from whatever cause, from dry season or whatever cause—then your net receipts are increased, because your net working expenses remain about the same?—Yes, that is so.

8882. (*Sir Ralph Knox.*) There is a greater sale for the same expenditure?—Yes, and of course new works are opened from time to time, and these works take some time to produce their full revenue. That is why ten years are allowed as the period within which an irrigation work must be expected to produce 4 per cent.

8883. How does the growth come about?—People have to see the use of it practically, before they take to it universally.

8884. In fact it wants advertising?—Yes. I may observe also that some of the expenditure which we have included in that capital charge of 31 millions is not yet producing any revenue at all.

8885. (*Mr. Jackson.*) Do you think there is a tendency on the part of the cultivator, to make larger use of the irrigation works?—Oh, yes, I think there is.

8886. Has the extension of railways, and, therefore, presumably the better access to markets, had any effect in that direction?—Yes, I think it has had a very decided effect; I think the railways have had a good deal to do with increasing the land revenue, just as irrigation has.

8887. Better access to markets of course increases the value of the article at the point of output?—Yes.

8888-9. (*Chairman.*) But if that surplus, after charging this 4 per cent. upon the outlay on the works, amounted to Rx. 300,000, it would be exactly another 1 per cent.?—Yes.

8890. And on that assumption I suppose you may take it that the return upon the major irrigation works is something like 5 per cent?—Yes, something approaching that on the average. I must say, however, that some of the works are not productive; they vary in their productiveness, though the general result is that which I have stated.

8891. (*Mr. Mowbray.*) Is it expected that they will all be productive in time, or are there some which you consider will never be productive?—Some of them are constructed simply as protective works, and it is not expected that they will be productive. And I suppose the works which we took over from the companies will never be productive; they are among the most expensive of our irrigation works, and they produce a very small revenue.

8892. So that, on those, which you really intended to be productive, you make more than 5 per cent.?—We do; on some of them we make very large amounts indeed.

8893. Were those works constructed by the companies expensively constructed? And is the fact that they are not paying works due to their having been not so well engineered as they might have been?—I have no doubt that they were expensively constructed; but the return from them is very small. For instance, the capital charge for the Orissa project is taken at Rx. 2,566,000, and it does not even cover its working expenses.

8894. (*Sir James Peile.*) I think that work wants developing by distributaries, does it not?—I suppose it does.

8895. Measures are now being taken to enlarge its use?— I believe that is the case; but I do not suppose it would ever do much more than cover the working expenses. Then the Kurnool Canal in Madras, which we took over from the Madras Irrigation Company the capital expenditure on which is shown as Rx. 2,169,000, also does not cover its working expenses.

8896. That is in a part of the country where irrigation is not appreciated?—Yes, and I have heard that it is not really required.

8897. It is not used by the cultivators in ordinary seasons?— No. The gross revenue is very small indeed.

8898. (*Mr. Jackson.*) Is that due to the kind of crops grown in the district, or is it due to want of appreciation (as it is put) of the benefits? To put it in another way, would not the value of irrigation depend upon the kind of soil, and the kind of crop which can be produced from that soil, in a particular district?—Yes, it would to a very large extent.

8899. Some crops produce more revenue than others?—Yes, certainly. It must be largely due in this case to a miscalculation. The nature of the soil is, I believe, such that irrigation is very little used indeed; with that two millions odd of expenditure we get a revenue of only Rx. 11,000 or Rx. 12,000.

8900. Then practically it is not used at all?—Practically it is not used at all.

8901. (*Sir James Peile.*) There is no continuous demand for irrigation there; that is a fact?—Yes.

8902. (*Mr. Jackson.*) Is that a district which is covered by railways?—There are railways in the district.

8903. And do you happen to know what crops are produced there?—No, I do not know, but I believe a great part of the soil is what is called black cotton soil, for which irrigation is seldom useful.

8904. (*Sir Ralph Knox.*) The demand for irrigation hardly ever comes from the people themselves, does it, it is done as a sort of paternal work?—The works are undertaken largely with the view of protecting them from the fearful results of famine.

8905. But the demand does not come from the people themselves? They are not alive to the advantages to be derived from it?—I do not suppose the original demand would ever come from them.

8906. (*Chairman.*) When you speak of protective works, do you mean protective works against famine, or are some of these works protective works against inundations?—There are some works which are protective against inundations, such as embankments, but the technical term "protective works" means protective against famine.

8907. So far as they are mere protective works against inundations, that outlay would not be remunerative, would it? It would be remunerative, of course, in one sense, in that it would save the cultivators from great loss, but it would not be directly remunerative to revenue?—A rate is chargeable in such cases under the Northern India Canals and Drainage Act (viii. of 1873), but I cannot find any credit of such receipts in the accounts. All such expenditure is, however, charged to minor works; there are no major works of that nature.

8908. (*Mr. Jackson.*) Would they be charged to irrigation works?—Yes.

8909. Even though they are protective works to prevent inundation?—Yes.

8910. (*Chairman.*) One more question upon this return upon the outlay. We have come to the conclusion that on an average probably 5 per cent. is being made upon good and bad alike; that is the general return upon the outlay that has been made?—Yes, nearly 5 per cent. at present.

8911. But in reality the account of the revenue of India of the present year is somewhat better than that, because the 4 per cent. is charged upon the whole of the outlay; in reality the debt which has been incurred on account of these irrigation works has amounted to considerably less, something like 22 millions?—That is the amount of the expenditure which has been charged outside the revenue account.

8912. And, therefore, may we not say in addition to that, that as far as the actual revenue for the present years is concerned, the construction of these works is represented by a debt amounting to about 22 millions, probably or possibly carrying 3¼ per cent. interest, shall we say?—More than 3½.

8913. Yes; but, supposing we only take it as 3¼ per cent., that would represent something like Rx. 770,000, would it not?—Yes.

8913*a*. On the other hand, we get 1,200,000 plus 1 per cent.——

(*Mr. Jackson.*) The return is 6 per cent. on the 22 millions.

8914. (*Chairman.*) Yes, exactly; and therefore, in reality, as far as the revenue of India is concerned, the State is paying about 770,000, while she is getting this 1,200,000 plus 300,000, that is, 1,500,000?—That is correct as far as the figures are concerned; but I should say that, while the distinction between the expenditure from borrowed money and from revenue is observed in our accounts, yet, as far as the Public Works themselves are concerned, we treat the whole of the charge as a charge which should produce revenue.

8915. But it does not give quite an exhaustive view of the financial situation to confine ourselves merely to the effect upon the Public Works Budget. As I have stated it, the result is more favourable, as far as the revenue generally of India is concerned, than that which is represented by the calculations that the Public Works Department make?—It may be considered so from one point of view.

8916. You have told us the method in which the land revenue due to irrigation is calculated, and you have given us the provinces in which such revenue is credited as raised from land revenue: are those the only provinces in which irrigation revenue occurs?—In Bengal also there are major works, but the revenue there only comes in from direct receipts, not from land revenue due to irrigation.

8917. That is where there is a permanent settlement, is it not?—Yes.

8918. And they will never be able to get any addition to land revenue there, will they?—Not in the permanently settled districts.

8919. (*Mr. Jackson.*) Does that quite go the whole length of the case? I thought you said that you had some power under an Act to levy a rate?—In the North-West Provinces and the Punjab we have.

8920. (*Chairman.*) Not in Bengal?—Not in Bengal.

8921. (*Mr. Jackson.*) But, supposing you were going to provide additional irrigation works in Bengal, would it not be within your power by a special Act to make special charges?—I should say it would be within the power of the Legislature to make permanently settled lands liable to an irrigation cess.

8922. And to make such charges practically a condition of providing them?—Yes, it certainly might be made a condition of providing the work.

8923. But that has not been done in the past?—Not in Bengal.

8924. (*Chairman.*) And have there been great irrigation works in Bengal?—Yes, the Orissa and the Sone projects, each of which cost about Rx. 2,600,000, are in Bengal.

8925. And, though the cultivator there buys the water, to whatever extent the result of that irrigation benefits the land and enables the landowner to get more rent from the cultivator, that goes and will go for ever entirely into the pocket of the landowner?—There is no provision in the Bengal Irrigation Act for any rate on the owner.

8926. Ought there not in such cases as that to be some stipulation that a special rate should be paid?—I am hardly prepared to give an opinion upon that point without further consideration.

8927. (*Sir Ralph Knox.*) But does it not a great deal depend upon whether these people ask for the water or not?—On that condition I doubt whether an enhancement of the revenue would ever be agreed to.

8928. They are not sufficiently enlightened?—I doubt if they would be sufficiently convinced of the prospective advantages to agree to a possible enhancement of the revenue in order to secure them.

8929. (*Chairman.*) That is to say, that they would say: "We will go without these works"?—I think that would probably be the case. These two big works in Bengal, which I have mentioned, were works which were begun by a company and not by the Government.

8930. (*Sir Ralph Knox.*) But how did they expect to get their profits then?—That was, I believe, one of the difficulties which arose eventually, and led to the Government taking them over; the irrigation revenue is so much mixed up with land revenue that it seems almost impossible for a company to work canals in India.

8931. (*Mr. Jackson.*) Would that apply to the gentleman whom you describe as the landowner who has this permanent arrangement; would not he be alive to the advatages of irrigation works, inasmuch as it would increase his revenue?—I do not think so. They get a very large profit now from the permanent settlement.

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8932. They would be gorged, you think?—I doubt if they would be tempted much by the prospect of a possible increase due to irrigation; I may say, also, that I believe that irrigation is not called for in many parts of Bengal.

8933. (*Chairman.*) Would you say that in Bengal these works are paying you now? The only receipt is that derived from direct payments, namely, for the water that the cultivator buys, and no receipts are realised on account of improved land revenue; would not that presumably lead to the fact that no profit is made in Bengal?—That would of course affect the amount of the earnings. The provision of the Northern India Act is, that, "in addition to the occupiers' rate, a rate "to be called the 'owners' rate' may be imposed, "according to rules to be made by the Local Govern- "ment, on the owners of canal-irrigated lands, in "respect of the benefit which they derive from such "irrigation."

8934. But that is not done?—The rate is imposed in the North-West Provinces and the Punjab, but that provision is not applicable to Bengal.

8935. Could you give us what the result is of the works in Bengal, in the form in which you have given it us for India generally in this return of irrigation major works?—Yes, I can give the results for some years. I have not got them for all the years mentioned before.

8936. No; but give us them for any year?—For 1893-94 the direct receipts in Bengal were Rx. 167,000.

8937. And no land revenue, of course, from what you tell us?—No land revenue is credited to irrigation in Bengal.

8938. That is in 1893-94?—Yes; the working expenses are Rx. 145,000, which leaves a net revenue of 22,000. That does not include any charge for interest.

8939. (*Mr. Jackson.*) Is that so? The working charges do not include interest in such cases?—No.

8940. The 145,000, does not include interest?—That does not include interest.

8941. (*Chairman.*) What has been the cost of those works?—Simple interest on the capital outlay on the works comes to Rx. 246,000, so that there is a net charge of 224,000, including the interest.

8942. You say that, where the landowner is not charged at all, that is the result?—I do not think that is the sole cause; it contributes to the loss, but the direct receipts are also very low in Bengal.

8943. (*Sir James Peile.*) The works, in fact, have never been developed?—They have not been fully developed.

8944. And within the last three years money has been appropriated for developing them?—I believe that is the case. The Orissa project also was constructed largely in view of its being protective. The Orissa famine some years ago is, of course, well known.

8945. Is the profit any better lately? have you the figures of 1895-96?—No, I have not the details for 1895-96.

8946. (*Mr. Jackson.*) What was the capital in that case?—The capital outlay on all the Bengal major works is Rx. 6,180,586 to the end of 1893-94.

8947. Now, can you give us the receipts in any other district with capital outlay of about the same amount?—The capital outlay in the North-West Provinces is Rx. 7,485,000.

8948. What are the direct receipts there?—The direct receipts are Rx. 585,000.

8949. Comparing with Rx. 167,000 in the other case?—Yes.

8950. (*Chairman.*) What is the amount in the North-West Provinces of the land revenue due to irrigation?—The land revenue due to irrigation is Rx. 118,000, making a total revenue of Rx. 703,000.

8951. (*Sir James Peile.*) Could you give an instance from Madras?—Yes, I will give you Madras directly.

8952. (*Chairman.*) Before you pass to Madras would you give us the working expenses in the North-West Provinces?—They are Rx. 255,000.

8953. And the interest on the Rx. 7,485,000 is———?—Rx. 298,000; it works out to a net revenue of Rx. 150,000 after covering the interest.

8954. (*Mr. Jackson.*) The real cause, therefore, of the deficit in Bengal is the small use made of it?—Yes.

8955. (*Chairman.*) I think this comparison is rather interesting. Perhaps it would be possible for you to enlarge this return that you have given us, and which you have been explaining to us, by giving the figures for the several Provinces, for a year or a couple of years?—Yes, I could give it; it would make it rather bulky if it were given for the four or five years.

8956. It would probably do as a sample if you gave us a couple of years?—A couple of years with an interval between.

8957. Perhaps you would choose your years so as to show the result?—Yes, I will.

8958. (*Mr. Jackson.*) And that would include what Sir James Peile wanted for Madras?—Yes, I can give you the figures for Madras now. The capital charge in Madras is Rx. 6,091,000; the direct receipts are Rx. 30,000; the land revenue due to irrigation Rx. 531,000. I mentioned that the system was different there, that the irrigation revenue was derived chiefly from the share of the land revenue attributed to irrigation. The working expenses there are Rx. 117,000.

8959. (*Chairman.*) And the interest?—The interest Rx. 239,000; the net revenue, 205,000. Madras and the North-West Provinces are the two provinces in which the results are so good that they wipe out the loss in Bengal and elsewhere.

8960. (*Mr. Nauroji.*) Were some of these irrigation works originally old works upon which only a small amount was expended?—Some of them were old works.

8961-2. And the capital, that you are including, only is that which is actually expended by you?—That is so.

8963. Therefore, the interest calculated on that will not be quite fair to revenue as so much interest on the capital?—I believe that it is considered by experts that in most cases the expenditure incurred by Government on such works has been almost as great as if they had been constructed *de novo* by them. There may be some exceptions, but I understand that, as a rule, the existing works have been practically reconstructed.

8964. What I mean to say is, that the revenue is calculated simply upon actual expenditure?—Yes, simply upon the amount expended by the Government of India.

8965. All the previous preparations in olden times are used now, and for them no capital is calculated?—That is so, yes.

8966. (*Mr. Jackson.*) Except in so far that you qualify that statement, as I understand, by stating that, in the opinion of the engineers, the cost of reconstruction has been probably as large as it would have been to have constructed the works in the first instance?—Yes, I believe that to be the case.

8967. (*Mr. Nauroji.*) That is in some cases?—In most of the cases, I think, but there may be some exceptions.

8968. Some of the old canals and irrigation works in the North-Western Provinces have been brought into use and reconstructed, I may say, with the same amount of expenditure as if you had built them anew?—I cannot speak on a matter of that kind from any personal knowledge or with any authority, but I have certainly seen a statement to the effect that most of them have been reconstructed at a cost which brings a fair charge against the capital.

8969. It would be very desirable to know the facts accurately, because I have understood it differently?—I will see if I can obtain any definite information on this point. Some irrigation works, however, certainly were constructed by old Native governments.*

8970. (*Sir Ralph Knox.*) Then they were appreciated in those earlier times to some extent?—They were few in number; and they have been extended and amplified by the British Government.

8971. But still the idea of irrigation was one which was familiar to the people?—In some parts of the country it was.

8972. (*Sir Donald Stewart.*) I think the Western Jumna canal is the only one of any importance?—That, I believe, is the largest of the old works, and upon that our capital expenditure is Rx. 1,408,000, while the net return from that canal is not among the largest.

8973. (*Sir Ralph Knox.*) Where is that?—That is in the Punjab.

* *See* Q. 9645 *et seq.*

8974. (*Mr. Jackson.*) I suppose the old works would be in the main nearer the sources of supply?—Tank irrigation was well known and much used in some parts of India before the advent of the British power. But there were also a few river works.

8975–6. (*Sir James Peile.*) In Madras?—There were some river works in Madras and in the North-Western Provinces too.

8977. (*Chairman.*) Would you tell us in detail of what the direct receipts consist?—They consist chiefly of the occupiers' rates, which furnish Rx. 1,147,514 out of the total for 1894-95. Owners' rates in the Punjab and North-Western Provinces produced a further sum of Rx. 73,550, and Navigation Receipts (mostly in Bengal) Rx. 59,985. The balance is made up of various petty items, such as plantations, supply of water power, supply of water to towns, &c.

8978. Then part of this irrigation system is extension of navigation ways?—Yes. There are some receipts from navigation, especially in Bengal; the receipts in other provinces are small.

8979. At the beginning of your evidence you mentioned, as part of the irrigation works, canals, but I judge from this that the canal portion of these irrigation works is small?—No; the canals are the chief irrigation works.

8980. (*Mr. Jackson.*) But not for the purpose of navigation?—Not chiefly for the purpose of navigation.

8981. (*Chairman.*) I meant for purposes of navigation?—Some of them are used for purposes of navigation, but that is not the chief object of them.

8982. How are the occupiers' rates assessed?—The occupiers' rates are assessed under rules framed by the Provincial Government; the Provincial Government has power to fix the rates which shall be charged for the supply of water.

8983. Is that under Act?—Yes. There are different Acts for the various provinces. It is under an Act (VIII.) of 1873 for Northern India.

8984. And in those provinces you have explained to us that there is a power of enforcing a rate which, as a matter of fact, brings in over Rx. 73,000?—Yes, there is in those provinces a rate upon the owner as well.

8985. Is that looked upon as a sufficient charge? Does it fairly represent the benefit to the owners?—It is intended to do so. The rate is stated to be imposed in respect of the benefit which they derive from such irrigation, but there is a limit to the amount which may be assessed. The Act provides that: "The "owners' rate shall not exceed the sum which, under "the rules for the time being in force for the assess- "ment of land revenue, might be assessed on such "land, on account of the increase in the annual value "or produce thereof caused by the canal irrigation."

8986. Then the revenue officers may assess, as I understand by that, to the full extent of what they consider the benefit conferred upon that land?—Yes, they may, subject to the general rules regarding the assessment of land revenue.

8987. (*Mr. Mowbray.*) Does that owners' rate come under the head of direct receipts, or does it come under land revenue?—It comes under direct receipts.

8988. (*Chairman.*) That is a sum which Mr. Jacob told us is part of the Rx. 73,000. I asked the question because the Rx. 73,000 sounds a small sum?—Yes. That is because, when the land comes under assessment on re-settlement, the owners' rate becomes amalgamated with the land revenue, and forms that portion of the land revenue, which is credited to irrigation. It is provided in the Act that "no owners' rate shall be "chargeable either on the owner or occupier of land "temporarily assessed to pay land revenue at irrigation "rates during the currency of such assessment." So that if the irrigation rates are assessed at the time of settlement, no further owners' rate is applicable.

8989. Could you tell us in the Punjab and North-Western Provinces what the occupiers' rates amount to?—In the Punjab Rx. 489,000 in 1894–5.

8990. And in the North-Western Provinces?—In the North-Western Provinces, Rx. 506,000.

8991. That is Rx. 995,000 against —— ?—1,147,000.

8992. For the whole of India?—For the whole of India, yes.

8993. Therefore the bulk of the occupiers' rates are in the North-Western Provinces?—In the North-Western Provinces and the Punjab; because in Madras the revenue is levied in a different way.

8994. And this Rx. 995,000, charged on the occupiers for the water they buy, compares with a sum, directly charged to the owners, of Rx. 73,600?—Yes, plus the amount of land revenue due to irrigation.

8995. Are any of the irrigation works in India now worked by companies, or are they all the property of the Government?—They are all now the property of the Government.

8996. (*Mr. Naoroji.*) They were first started by companies, were they not?—The only irrigation companies which carried out works in India were the two which I have already mentioned, the East India Irrigation Company and the Madras Irrigation Company. But Government was constructing irrigation works before they were in the field.

8997. Those companies did not succeed in making anything out of them, and they sold them to the Government?—Yes.

8998. Can you give us the figures of the amount paid by Government, and on what principle?—I have already given the figures; they were 1,044,000*l.* for the Orissa works, and 49,000*l.* for the Sone works of the East India Canal Company, and 1,404,000*l.* plus the writing off of a debt of 358,000*l.*, to the Madras Company.

8999. And what was the market value of those works at the time when Government bought them over?—That I cannot say.

8999*a*. It would be worth while knowing what the market value of them was at the time, and what Government paid for them.

9000. (*Sir Ralph Knox.*) They were not yielding any profit at that time?—No.

9000*a*. The market value cannot have been very much.

9001. (*Mr. Naoroji.*) They were not yielding any profit at that time, but what was the price of the shares in the market?—As I said before, I think, various complications had arisen as to the method of carrying out the works, as to the raising of the further capital required for them, and, in the case of the Orissa Canal, also as to the assessment of the revenue, owing partly to the tardiness of the people in making use of the water and partly to the fact that the irrigation revenue and the land revenue are so much mixed up, that it is very difficult for an independent company to levy its rates separately in any way which would be considered fair by the Government.

9002. (*Mr. Jackson*) Was that one of the reasons for purchase?—That was one of the reasons in the case of the Orissa Canal. The papers on the subject were presented to Parliament, and printed as Parliamentary Papers.

9003. (*Chairman.*) You do not know on what principle those sums were assessed as payment to the companies?—Yes, they were really the capital of the companies.

9004. The actual capital expended?—Yes.

9005. And, although the companies were not paying, the Indian Government returned to the companies the whole amount they had expended?—Yes.

9006. (*Sir Donald Stewart.*) Was it the whole amount? are you sure about that?—I am pretty sure it was the whole. It was done under an Act of Parliament in the case of the East India Irrigation Company. Papers were presented to Parliament and the carrying out of the arrangement was effected under the authority of Parliament. In the other case the arrangement appears to have been effected under the terms of the original contract.

9007. But it was a liberal arrangement, was it not, when the companies were not paying, to give them the full amount they had expended?—I do not think so, if what I have already said is borne in mind as to the complications which had arisen, and especially that the arrangement was in part due to the difficulty of separating what was irrigation revenue from what was land revenue.

9008. (*Mr. Jackson.*) That is to say, that there was a condition of things existing under which the companies really could not get what they were entitled to?—Yes.

9009. And therefore the financial result of their operations was no guide necessarily to the value of the property?—That was the case, and, though the property does not now appear to be worth the amount which we

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paid for it, it does not follow that that was known and recognised at the time.

9010-1. (*Sir J. Peile.*) But the Government would have been unwilling to let great protective works go to ruin, if the Company had abandoned them?—The fact that the works might be of real value to Government, even though they might not be capable of being profitably worked by the companies, seems to have been recognised in the correspondence regarding the taking over of the Orissa Company. And in the other case I may add that Government had guaranteed 5 per cent. in sterling on the capital, and the conditions were such that, unless they induced the Company to make over the canal, they were bound to pay that 5 per cent. during the whole term of the contract.

9012-3. (*Chairman.*) That made a considerable difference. They were really buying up, in that case, an annuity of 5 per cent.?—Yes, that is what they were doing.

9014. That only referred to one company?—That only referred to one company; I am not sure whether the other was guaranteed.

9015. (*Sir Donald Stewart.*) Is that the Orissa Company?—The Madras Company was guaranteed 5 per cent., I know.

9016. (*Mr. Buchanan.*) The purchase was not merely a commercial one; but it was, to a certain degree, influenced by the administrative difficulties?—Yes, there were various other complications; I do not pretend to have stated all the considerations which induced Government to take over these projects. The correspondence on the subject is very voluminous, and the greater part of it has been printed by order of Parliament, and is available to the Commission as a Parliamentary Paper.*

9017. (*Chairman.*) On the whole, as far as the major works are concerned, though the results vary very much in the different provinces, taking the result in its financial aspect, I suppose you would say that it was a satisfactory result, would you not?—Yes, I consider it a most satisfactory result. I do not think the importance of irrigation to India as a protection from famine can be over-rated, and it is a matter for congratulation that the protection can in so many cases be secured on such favourable terms. At the same time, however, it must be remembered that care is necessary in selecting the works to be carried out; all the works that have been carried out are not equally productive, and the total net result is produced by disproportionately large results in some cases and by bad results in others.

9018. (*Mr. Nauroji.*) Is it true that, by the action of some of these irrigation works, a large extent of land has become sterile and cannot be cultivated any more under what is called Rhea, I think?—I believe that that has been the case in some parts of the country.

9019. Can you give us some information about it, as to what extent that effect has been produced, and which canals have produced it?—No, I have not got that information.

9020. Is it only one canal, or is it more than one?—I really have no accurate information on the point, but I believe it is only in one case that any great inconvenience has resulted.

9021. It would be better to know that accurately, because there are some strong impressions about it?—I will inquire.

9022. (*Sir James Peile.*) That is being remedied by drainage, is it not?—I believe remedial measures have already been adopted.

9023. (*Chairman.*) Would you say from your knowledge, as far as it goes, that the newer works that have been undertaken are equally productive with the older ones?—The older canals are the most productive, but some of the new works are doing remarkably well and produce a large net revenue over and above the interest; and nearly all are improving.

9024. (*Sir Ralph Knox.*) Even those erected at the cost of the Famine Fund?—No. Those are not productive. The principal of them is the Betwa Canal in the North-West Provinces, which is not at present productive.

9025. (*Chairman.*) And it was not undertaken, as a work likely to be productive, I suppose, inasmuch as it is charged to the Famine Fund?—No, it was undertaken purely as a protective work.

9026-7 (*Mr. Jackson.*) Is capital expenditure going on on these irrigation works now?—Yes, we are spending about Rx. 750,000 a year now.

9028-9. That is a good deal less than has been spent in the past?—I think it is rather more, if anything.

9030. I thought your expenditure in 20 years had been about 20 millions?—Yes, but that includes the two large payments to the companies.

9031. (*Chairman.*) The average of 20 years is about Rx. 900,000, I think, is it not?—Yes, but excluding these special payments, it would, I think, be slightly less than 700,000.

9032-3. (*Mr. Mowbray.*) Is there not a capital expenditure in keeping up the works which have been constructed?—No, the maintenance charges are taken entirely against the revenue.

9034. There is no capital expenditure on their account?—No. After a certain period the Government declares that the capital account is closed, and from that period, without special sanction for some new work, nothing is charged to capital.

9035. (*Chairman.*) If you deduct that 3,000,000 from the 18,000,000, it leaves almost exactly 750,000 as the average expenditure over the period?—Yes; but I find I was mistaken in saying the payments to both the companies came within this period of 20 years. Only the payments to the Madras Company came within the last 20 years, and, excluding it, the average yearly charge would be about 800,000. The yearly amounts, however, vary considerably, being as low as 459,000 in one year, and as high as 1,181,000 in another.

9036. (*Sir Ralph Knox.*) Then during this earlier period, during which you do not look for any profit, you do look to the revenue to pay the expenses?—No, not necessarily.

9037. Then against what do you make the charge of the deficit? against the general revenue?—We charge it against the general revenue account of irrigation.

9038. (*Chairman.*) Now let us turn to minor works, which result you told us in a small net charge, I think?—Yes, there is a small net charge on their account as far as our Finance accounts are concerned.

9039. What does it amount to?—Here is a table giving the results for the last five years also, of the minor works.*

9040. Perhaps, as in the case of the major works, you would run through those figures to the Commission?—I ought to explain that the Public Works Department keeps separate capital and revenue accounts of some of these works, and that in their administrative accounts they would show a very different result from that which we show in the Finance and Revenue accounts; but in this statement, of course, I give the results as they are given in the Finance and Revenue accounts.

9041. First of all, before you go through this table, would you explain to us the definition of the minor works?—I think that the only possible definition is that they are works which are not major works.

9042. But, I think, you told us that in certain provinces protective works against inundation came under the head of minor works?—Yes, that is so. Embankments and tanks would always, I suppose, be minor works. But I do not think minor works can be defined as including only certain classes of works. They are charged against revenue, and not against borrowed money; but I may add that, though separate capital and revenue accounts of only some of them are now kept, yet, as regards the future, the Government of India has issued an order lately that no works are to be undertaken, either as minor or major works, unless capital and revenue accounts of them are kept, so that, though they may be charged against the revenue, a separate capital account will be kept for all future minor works.

9043. But the general point is that the minor works are charged against revenue?—Yes.

9044. There is no borrowing for them?—No.

9045. And do they consist of maintenance works, and protective works against inundation, and all works in connexion with undertakings of which the capital account has been closed?—No.

9046. Or are they limited by a certain sum? For instance, if the charge is more than a certain sum is it a major work, if it is less is it a minor?—They generally

* *See* Appendix 25

* This paper was not printed as an Appendix.

are smaller works; minor work does, in some way, describe the character of the work. Any work costing a very large sum is treated as a major work; but I do not know of any fixed money limit as to that.

9047. (*Mr. Jackson.*) Who determines the category?—No work can be brought on the list of major works without the sanction of the Secretary of State.

9048-9. (*Chairman.*) But is there not any general division characteristic of these works? Take a major work; would not that usually be the construction of a new irrigation work, while a minor work would be maintenance and repairs?—Oh, no; the minor works are quite distinct from the major works; there is a very large amount of capital expenditure incurred on the minor works, and charged against revenue.

9050. Then there must be some cost limit; is it not 12 lakhs of rupees?—There are many of the major works which have not cost as much as that. I do not know of any money limit.

9051. (*Sir Donald Stewart.*) The Government of India can authorise a work up to 12 lakhs on their own authority?—Yes, up to 12½ lakhs.

9052. But they cannot exceed that without the sanction of the Secretary of State?—No, that requires the sanction of the Secretary of State; but further no work can be included as a major work without the sanction of the Secretary of State.

9053-4. (*Mr. Jackson.*) Does the initiative rest with the same authority as regards both classes of works?—Yes.

9055. Is the question of whether it be a major or whether it be a minor work, determined after expenditure or before?—Before, I think, as a rule. It is possible that occasionally a work may be transferred from minor works to major works, but as a rule it is begun as a major work from the commencement. The definition of major work, which I gave before, was that they were those of which the expectation was that they must be sufficiently productive to cover the interest charges on the sums spent on their construction; and also the works classed as famine protective, which are constructed not from borrowed funds but out of the annual grant from revenue for famine relief and insurance. Any works coming under those categories would be charged as major works.

9056. It is very much like an auditor determining as to whether an expenditure was capital expenditure or a revenue charge, is it not? Your major works are all done out of capital; your minor works are all done out of revenue, I understand?—Yes, except that some of the major works are charged against famine relief and insurance.

9057. (*Sir James Peile.*) Would you name a few specimens of minor works; perhaps that would illustrate it?—In Bombay there is the Sukkur Canal, the Gokak Canal, the Great Marak Canal, the Fuleli Canal, and a number of tanks. Of course the minor works consist largely of tanks, but there are canals included among them.

9058. (*Chairman.*) The major works cost about Rx. 750,000, do they not?—We spend about that amount of capital on them, yearly.

9059. Of which, I think, you have told us that the sum which is appropriated out of revenue to irrigation works is Rx. 50,000 or Rx. 60,000?—About that.

9060. Therefore you may say that the Rx. 50,000 or Rx. 60,000 comes out of revenue, and the Rx. 700,000 out of capital?—That is for major works, but besides that there is capital expenditure on minor works.

9060*a*. Quite so; I was only alluding to the question put by Mr. Jackson, whether the whole Rx. 750,000 was borrowed capital?—The amount spent each year is not fixed; but I think the capital expenditure not charged against revenue may be taken at about Rx. 750,000 a year at present.

9061. (*Sir Ralph Knox.*) But the capital expenditure for minor works is charged against revenue?—Yes.

9062. (*Chairman.*) But surely there must be some general definition of what you call a minor work. I do not quite follow you with regard to that. Do I understand that all maintenance is charged as a minor work?—No, maintenance of a major work is charged against revenue.

9063. From that time it becomes a minor work?—No, it is charged against the revenue account of the major work

9064. Each work has a capital and revenue account?—Each major work has a capital and revenue account, and certain of the minor works have.

9065-6. When you say the Rx. 750,000, of which you have spoken, is appropriated for major works, does that include the maintenance of these major works?—No; that is the charge for capital construction only.

9067. Then there is only an arbitrary division between major and minor works; founded, I suppose, on this principle, that there is no necessity for charging a small work to borrowed money?—Yes.

9068. And they say if this is a small work it can be done out of revenue?—Yes.

9069. But if I understood Sir Donald Stewart, he seemed to think that.

(*Sir Donald Stewart.*) Twelve lakhs is the limit which requires the sanction of the Secretary of State, or 12½ lakhs—something about that.

9069*a*. Then a work that costs less than 12 lakhs——

(*Sir Donald Stewart.*) Can be authorised by the Government of India without reference?

9070. (*Chairman.*) And may be regarded as a minor work?—I am not aware of any fixed money limit. I know that no work may be charged as a major work without the sanction of the Secretary of State.

9071. You keep the distinction of major and minor work, but it becomes a matter of convenience which the Government of India settles according to its revenue. If it is poor it charges expenditure to major works, and it is paid for out of borrowed capital; if it is rich the expenditure is charged to minor works?—I do not think that would be correct.

9072. If there is no definition, and no distinction between them, surely it comes to that?—Any large work which would produce four per cent. within 10 years would be undertaken as a major work.

9073. My puzzle rather is to understand what you mean by a large work?—Possibly there may be some definition; but I have not been able to find it. I will send for a copy of the Public Works Account Code, and read later on what is said about them there.

9074. (*Mr. Jackson.*) May I ask this question for the purpose of clearing this matter up: in the amount of revenue that you gave us and the amount of annual expenditure for these major works, would there be included the cost of maintenance?—Yes, in the working expenses.

9075. (*Chairman.*) Now, we will take your return of minor works?—The total irrigation revenue from minor works in 1892-93 was Rx. 186,000; the expenditure, 1,008,000, net charge, 822,000; in 1893-94, revenue, 200,000, expenditure, 908,000, net charge, 708,000; 1894-95, revenue, 192,000, expenditure, 959,000, net charge, 767,000; 1895-96, revised estimated, revenue, 204,000, expenditure, 1,000,000, net charge, 796,000; the budget of 1896-97, revenue, 210,000, expenditure, 1,129,000, net charge, 919,000.

9076. Therefore, as far as the minor works are concerned, they are altogether unproductive; we might say the receipts from them amount to about one-fifth of the expenditure, and the deficit upon them is a growing one?—That is the case, looking, as I said, to the revenue which we bring to account annually in the Finance and Revenue accounts; but it will be noticed that, in the statements which I have put in, I have shown separately the revenue from the works of which capital and revenue accounts are kept and from other works. The public works administrative accounts in respect of the minor works, of which capital and revenue accounts are kept, take credit for further revenue, namely, the land revenue due to irrigation; and those accounts give the gross revenue for those works as Rx. 560,866 against an expenditure of Rx. 228,781, and show that they produce a good net revenue.

9077. Then what is the distinction between works, of which capital and revenue accounts are kept, and other works?—I do not think there is any distinction in kind as regards them; and I stated just now that the Government of India had decided that, in future, capital and revenue accounts should be kept of all minor works.

9078. Then in reality there is no distinction to be made; they all belong to the same head of minor works, and they must come under that financial category?—No, I think we can draw a distinction between them. If we treated these minor works, of which capital and

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revenue accounts are kept, in the same way as we treat the major works, we should show that they produced a large revenue. Whether the others produce a revenue or not I cannot say, because we do not keep a capital and revenue account; they may produce a revenue, and I think it probable that they do.

9079. You say as regards these works, which show a very heavy deficit, that, if their accounts were kept in the same way as the major works, they would show a very different result?—Yes; for instance, the Public Works Department shows the result of these minor works, of which capital and revenue accounts are kept, for 1893-94 as follows:—Direct receipts 157,000, land revenue due to irrigation 404,000, total revenue 561,000, working expenses 229,000; net receipts 332,000.

9080. (*Sir Ralph Knox.*) Do you mean then, that, if you kept a separate capital account for these minor works, and debited them with interest and so forth, just as you do the others, then you would show a net gain in the shape of revenue?—Yes.

9081. You now charge all the capital charges against your revenue for the year?—Yes.

9082. And it is that which throws them into deficit?—Partly that, and partly the fact that we do not credit to them the land revenue due to irrigation. This 332,000 which I have shown as the net receipts for 1893-94, as against a capital expenditure of 4,821,615, gives a net return of 6·89 per cent. on the capital outlay.

9083. (*Chairman.*) Yes; I see that the expenditure includes capital expenditure?—Yes.

9084. It is a capital expenditure?—Yes; and the receipts do not include the whole of the revenue which is due to irrigation. We do not think it worth while, in the case of the minor works, to make the transfer in our Finance and Revenue accounts.

9085. Then it is very necessary that you should bring out the distinction between these two classes of works, namely, that the expenditure on the major works is provided out of borrowed capital; on the minor works it is provided out of revenue?—Yes.

9086. Therefore one cannot expect, so long as these works are going on, that the receipts will balance the expenditure?—No, and, even apart from that, you cannot get at the true net result, inasmuch as we do not credit to them the amount of land revenue which is really due to irrigation.

9087. And, as I understand you, that is going to be done, is it?—Separate capital and revenue accounts are to be kept for all future works; and as regards some of these works this is already done.

9088. (*Mr. Mowbray.*) You will credit them with the land revenue which arises from them?—Not in the Finance and Revenue accounts; but in the Public Works accounts.

9089. (*Sir Ralph Knox.*) This land revenue is a calculated sum?—Yes. I may say that the figures for 1893-4 were rather higher than usual, but for 1892-93 and 1891-92 the results produced respectively 6.48 per cent. and 3.02 per cent.

9090. (*Chairman.*) Can you give us an instance of one of these "other works," which apparently show a heavy deficit?—You mean of those for which capital and revenue accounts are kept.

9091. No; one of the "other works"?—There is the Fuleli Canal, in Bombay.

9092. I should like to see a sample of the expenditure in any one year upon one of these "other works"?—The expenditure I can give; I have that.

9093. And the revenue with which, at all events, you have credited it?—Yes, the Fuleli Canal; we show as direct receipts in 1893-4 Rx. 3,326, and as expenditure Rx. 17,168.

9094. But that is the total expenditure on the work?—Yes.

9095. Rx. 17,168 includes not only working expenses but capital expenditure?—That is the whole of the expenditure; it includes Rx. 4,537 for Capital and Rx. 12,631 on Revenue Account.

9096. Therefore that has been worked at a dead loss unless you could show that the land revenue has improved?—Yes; and, in the Public Works Accounts they show that work as producing a net revenue of over Rx. 17,000.

9097. The difference of Rx. 14,000 being in the land revenue?—The difference is in the land revenue due to irrigation, but it is greater than Rx. 14,000, because the Rx. 17,000 is the net revenue after paying all expenses.

9098. But what I want to see is any one of these minor works, which have been constructed out of revenue; I suppose the cost of construction is included? Now, take 1892-3, the expenditure was 694,000?—Yes, that is the figure for the works of which capital accounts are not kept; it includes the capital expenditure on those works.

9099. I want to understand the difference between these minor works of which no capital account is kept, and those minor works on which you show a profit, namely, those of which capital accounts are kept; in the latter case the capital expenditure is carried to capital?—It is shown separately from the charges against the Revenue Account.

9100. Whereas in the former case, as I understand, the whole expenditure, whether for construction or maintenance, is charged as expenditure?—Yes, the capital expenditure is not distinguished in these cases.

9101-3. Therefore, if you make out a capital account for these other works under the head of "other works"—that Rx. 694,000, for instance, in 1892-93—the net return would be very much diminished, inasmuch as a large portion of the expenditure had been carried to capital?—We charge all the capital for the minor works against Revenue, but, where separate capital accounts are kept, the Public Works Department show the net return apart from the capital expenditure. For instance, in the case I have just quoted of the Fuleli Canal, the Public Works Department do not charge the capital expenditure against the revenue.

9104. Do they not? Is not that one of these "other works" in which capital expenditure would be charged against revenue?—Yes, in our accounts we charge the capital against revenue, but in the Public Works Department they would simply take the revenue receipts and deduct the working expenses.

9105. Then ought you not in your account to separate those "other works," of which no capital account is kept, from the minor works in which a capital account is kept?—We do separate them in the detailed accounts.

9106. That does not appear in this abbreviated account which you have given in?—I think it does.

9017. You have separated them, but you do not show the essentially different character of the two accounts, namely, that those works for which capital and revenue accounts are kept do not include the capital expenditure year by year, whereas in the case of the other works they do?—In both cases the capital charge is included, but in the case of one set of works the capital expenditure is shown separately from the working expenses, and I have shown them accordingly in the table I have put in.

9108. Yes, but, as I understand the matter, in these "other works," if there is any capital expenditure on construction during the year, that expenditure would appear in the 694,000?—Yes.

9109. Whereas, when it comes to the expenditure on works of which capital and revenue accounts are kept, you separate them?—I have shown the capital and working expenses separately in the one case, and the whole expenditure in the other.

9110. Therefore, when you come to look whether it is a paying work or not, you say the receipts in 1892-93 were 131,000, the working expenses were 206,000?—Yes.

9111. But the revenue does not include any allowance for land revenue accruing?—It does not.

9112. Therefore, in all probability, if you could add the land revenue, that account would show a surplus?—Yes.

9113. Because you have separated the capital expenditure?—Yes.

9114. In the "other works" the capital is not separated, therefore it is quite impossible to tell whether the work, taken as a business affair, is paying or not?—Yes; I cannot say definitely; as a matter of fact the administrative accounts show that certain of these other works do pay.

9115. But would it not be better to separate these "other works," and not bring them into the same

total? You bring them into the general total of 185,000 and 1,008,000, but, as they are on a different principle, it would be better to state first of all the works of which capital and revenue accounts are kept, and next those of which none are kept?—That is what I intended to do in the account I submitted. I can, however, give a separate total for the two classes, if desired.

9116. May I suggest to you that in putting in this table you might separate them?—I can give a separate total for each class.

9117. Do not bring works in which the capital is separated and works in which capital is not separated into the same total?—I brought them to a total, in order to show that I was giving the amounts which were shown in the accounts.

9118. (*Mr. Jackson.*) Could you not add the totals together, rather than bring out only the one total?—Yes.

9119. May I ask just one question which I omitted before; are these irrigation works used at all by the municipalities?—In one or two cases water is supplied to towns by the irrigation works.

9120. The revenue from that would come in your direct receipts?—Yes; I stated that water supplied to towns was one of the sources of receipt. I can give the amount that is recovered in that way. The total amount recovered in 1894-95 is only 10,655, of which 9,490 is recovered from one single work, and probably, I suppose, from one single town.

9121. Then really they are not used, say, by the municipalities of such places as Calcutta and Madras?—No, they have their own waterworks, which do not come under this head at all.

9122. (*Chairman.*) Have you now procured the clause in the Indian Public Works Code which distinguishes minor from major works?—I have the clause in the Public Works Code, which runs as follows:—"Irriga- "tion and navigation works (not classed as productive "or protective), and agricultural works which are "undertaken for the general improvement of the "country, or for general administrative purposes, and "are paid for out of ordinary revenues, are classed under "the head 'Minor Works and Navigation.'"

9123. And, therefore, no distinction is there drawn by which the difference between the works is measured by a sum of money?—No.

9124. One question more: Do you not think that the mixing up of these minor works, which you class as "other works," and in which you do not distinguish between capital and ordinary expenditure, with the major works shows the results of the irrigation policy financially in rather an unfavourable light? and would it not be a desirable thing to separate entirely from the ordinary irrigation account those works for which a capital and revenue account is not kept?—Certainly, if it is not understood that the expenditure on minor works includes capital expenditure, it would give a very misleading idea of the results of the irrigation revenue. I do not myself see any objection to showing the results of those "other works" separately in the accounts from the results of the works of which capital and revenue accounts are kept.

9125. I think ordinary people are extremely likely to misunderstand the results as shown. Until I came down here and had the benefit of hearing your explanation of the point, I confess I was entirely puzzled as to how it was that those minor works produced such an unfavourable result: it seemed that there was an absolute loss upon the whole of the policy, though it was evident that upon the major works there was an actual gain?—Yes; I do not see any objection myself to separating them.

9126. (*Sir William Wedderburn.*) I should like to ask a few questions about the credit to irrigation works of part of the land revenue. I think there has been a considerable controversy in India, with regard to different Bills, as to how far it is justifiable to charge an irrigation rate upon land upon the ground that it is protected by an irrigation work, and that the people can get water from that irrigation work if they choose?—There has been such discussion, certainly.

9127. Are you able to tell me, or could you obtain for me, the rules which apply to the different provinces with regard to the charge of an irrigation rate in that way?—I am not sure that the rules are available here; I have already made inquiries as to whether they can be obtained, and, if they can, I will put them in.

9128. What I should like to know is in what way it is decided whether the water is really available for land, in order to increase its value?—In the Northern India Canals and Drainage Act, the only two rates which are recognised are the occupiers' rate and the owners' rate. As regards the occupiers' rate, I have not been able to refer to the rules, but it seems to be implied in the Act that the rate is only leviable where the water is actually supplied. The rule is that, "in the absence of a written contract, or so "far as a written contract does not extend, every "supply of canal water shall be deemed to be given "at the rates, and subject to the conditions prescribed "by the rules to be made by the Local Government "in respect thereof," so that, so far as the occupier is concerned, there seems to be no rate leviable except for the actual supply of water. The owners' rate in Northern India is a rate which may be imposed on the owners of canal-irrigated lands in respect of the benefit which they derive from such irrigation. That rate is actually assessed both in the North-Western Provinces and in the Punjab upon the owners of irrigable land.

9129. Upon the ground that the value of the land is increased by the existence of the tank of water there, even if they are not using it?—In the North-Western Provinces and the Punjab it refers only to canals. Tank works are not treated as irrigation works there.

9130. The reason that I ask the question is because it is very much to the interest of the Irrigation Department to show that their works pay; and, therefore, it is a temptation to them to charge that irrigation rate wherever they can; and what I should like to know is, how far distribution canals are made, and the water brought to the man's door, before any claim is made against him on account of the advantage of that irrigation work?—I will endeavour to get the rules in force in the various provinces, if they can be obtained here, and perhaps you will put the question to me at another meeting of the Commission. All I can say at present is that, as far as I can judge from the Northern India Act, an irrigation rate is assessed, apart from the actual supply of water, only upon the owner, and it is assessed by the revenue officers, and not by the irrigation officers.

9131. Then, what I should like to know, roughly, would be what portion of the revenue comes from actual water supplied, and what portion from this claim on the ground that the people might get the use of the water if they wished it?—I have already given the amount which is levied as occupiers' rate, and the amount which is levied as owners' rate.

9132. But you would be able, perhaps, after looking at those rules, to explain a little more exactly how far that objection might prevail?—I will ascertain whether a rate can anywhere be levied in any other way besides those that I have explained.

9133. (*Sir James Peile.*) The owners' rate, I presume, is levied with reference to the increased rent, which he would take from the tenant in consequence of the increase in the value of the land from irrigation?—That is so.

9134. (*Sir William Wedderburn.*) But I understand that, even if the irrigation is not made use of, there is still a claim made by Government?—I am not aware of any such claim. I believe that the owners' rate is the only rate which is leviable otherwise than for the actual supply of the water.

9135. Yes, I quite see that, if the water is actually brought to the man's field, there is a reason for claiming a certain additional value to his land, even if he does not use it, because if the rain fails he is able to make use of it?—That may be so; but in Northern India there is no such rate.

9136. But I have heard complaints that a large tract of country is claimed to be protected by an irrigation work, although there did not exist those distribution channels which are necessary for the ryots really to use it?—I am not well acquainted with the system in Madras and Bombay, and I cannot speak with assurance as to the manner in which the revenue is levied there; but I will see if I can find out the rules that apply in those cases too.

9137. Thank you. My only object in asking is to test whether the amount claimed for irrigation revenue can really be said to be properly earned by the

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expenditure upon those irrigation works?—I will see if I can find out.

9138. (*Sir Ralph Knox.*) In a case where there is a permanent settlement of the land, what expectation or hope is there of getting any recompment from the landowner on account of the irrigation works expenditure?—I am very glad you have asked me that question, because I now find that the provisions of Act VIII. of 1873 necessitate a modification of what I said before as regards the permanent settlement. In the North-Western Provinces the law provides that this owners' rate may be assessed on permanently settled land, and, for the purpose of this section only, it says, "the land which is permanently settled or held free "of revenue shall be held as though it were temporarily "settled and liable to payment of revenue."

9139. (*Sir James Peile.*) That would not apply to Bengal?—No, this Act does not apply to Bengal.

9140. (*Sir Ralph Knox.*) But Bengal includes a large portion of the permanent settlement?—The largest portion, yes.

9141. Then in the case of Bengal there would be no great prospect of recovery?—What I meant was that, as far as principle is concerned, the Government of India have affirmed the principle that permanently assessed land may be charged with an owners' rate for irrigation.

9142. Then you think that could be extended to the Bengal districts?—I am not sure about that; but, as far as I know, the conditions of the permanently settled land in the North-Western Provinces are the same as in Bengal.

9143. (*Chairman.*) I think now, Mr. Jacob, that we will pass on to the memorandum, which was given by Sir Henry Waterfield and yourself, which deals with various heads of administration. We have already considered the special budget of Law and Justice, Police and Marine, and we have to consider that item which, I believe, includes several offices, viz., "General Administration." There is also the Education charge, Ecclesiastical charge, the Medical, the Political, and the Scientific and other Minor Departments. Those headings will, I think, cover nearly all the administrative departments of the Government of India, apart from those which we have already considered?—Yes, except those departments which are more immediately concerned with the collection of the revenue, and which are shown under the heads of demands upon the principal heads of revenue.

9144. Quite so, but they naturally form a branch of the question apart?—Yes. The Land Revenue head is as much a branch of administration as a collecting head, I think; but, as regards the others, they are purely collecting departments.

9145. Now taking these departments in order. The first heading is "General Administration." That heading, I think, comprises several offices, does it not?—Yes.

9146–52. Would you tell us what they are?—It includes the salaries of the heads of the Government—the Governor-General, the Governors, and Lieutenant Governors, and the Chief Commissioners in the various provinces; it also includes their staff and household charges, and any charges for Executive and Legislative councils; all the Secretariat charges both of the Government of India and of the various Provincial Governments; also the charges for the Boards of Revenue, Financial Commissioners, Commissioners of Divisions, Inspectors General of Stamps, Registration and Excise (where those appointments are held by a single officer), and the salaries and charges of the Accounts Department, the allowances to Presidency Banks, and the general establishments of Local Funds.

9153. What officers are the Commissioners of Divisions?—They are officers in administrative charge generally of five or six districts; they exercise a general supervision over the work of the collectors who are the heads of the district administration.

9154. Well now, as to the establishment; the cost of general administration was in 1875-76 Rx. 1,464,000; in 1893-94, Rx. 1,957,000; and in the Budget of 1895-96, Rx. 2,032,000. Can you break up that sum? Will you take the Budget of 1895-96, and divide it under the chief different heads, which make up the total?—Yes, I have a classified statement for 1875-76, 1884-85, 1893-94, 1894-95 (Revised), and 1895-96 (Budget), under the various heads.

9155. Will you give the divisions for 1875-76, and for the last Budget that you have?—For 1875-76 the charges are Governor-General, Rx. 25,000; Governors, 25,000; Lieutenant-Governors, 29,000; Chief Commissioners, 20,000; the Commissioner in Scinde, 11,000 (he is generally classed with Chief Commissioners); the staff and household of the Governor-General and Governors, 71,000; the Durbar fund, 12,000.

9156. Up to that point it would comprise the establishment of Governors, would it not?—Yes.

9157–8. And that comes out to about Rx. 193,000, does it not?—Yes, Rx. 193,000. The corresponding charges in the Budget of 1895–96 are: Governor-General, 26,000; Governors, 25,000; Lieutenant-Governors, 30,000; Chief Commissioners, 19,000; Commissioner in Scinde, 12,000; staff and household, 81,000; Durbar fund, 16,000.

9159. Making in all Rx. 209,000?—Yes.

9160. That would be chapter one of this Account?—Yes.

9161. Now will you go on?—The Executive Councils in 1875-76, Rx. 70,000, and the Legislative Councils, Rx. 23,000; that is all the Council charges.

9162. That comes to Rx. 93,000?—Yes.

9163. Now, in 1895-96?—In 1895-96, Executive Councils, Rx. 68,000; Legislative Councils, Rx. 29,000.

9164–5. Amounting to Rx. 97,000?—Yes.

9166. (*Mr. Buchanan.*) The expenditure on executive councils has gone down?—Yes, it has gone down.

9167. Has there been any change in the number?—No; there has been a slight change in the pay.

9168. (*Chairman.*) Now we come to the Secretariat?—Secretariats, Military, in 1875-76, Rx 53,000; Public Works, Rx. 36,000; Civil, Rx. 255,000; and tour charges (I think they may be taken with the Secretariats, as they consist in part of the charges of the Secretariats, though they include also the charges of Governors, &c., when on tour), Rx. 48,000.

9169. What does the Civil Secretariat consist of; does that comprise the Finance Secretary?—In the case of the Government of India it includes the various branches—Foreign, Finance, Revenue and Agriculture, and Home; I think those are all the civil secretaries. Then each Provincial Government has a certain number of Civil Secretaries; sometimes they are distinguished by departments, but generally they are called Chief Secretary, or Joint Secretary, or Junior Secretary, or by various names of that kind.

9170. Now, in 1895-96?—In 1895-96, the Military Secretariat, Rx. 50,000; Public Works, Rx. 33,000; Civil, Rx. 374,000; and tour charges, Rx. 24,000.

9171. I make those come to Rx. 392,000 in 1875-76, and Rx. 482,000 in 1895-96?—That is correct.

(*Sir Ralph Knox.*) An increase of 30 per cent.?—About 23 per cent.

9172. (*Mr. Buchanan.*) And the whole increase is caused by the charge for the Civil Secretariat having gone up?—Yes.

9173. Is there any special reason for that? The others have decreased, apparently—the Public Works, for instance?—There have been large increases in several of the Civil Secretariats.

9174. Has any new department been created?—I can give the details.

9175. I mean, is it due to increase of pay, or is it due to the creation of any new department?—It is chiefly due to increase of staff; as far as any change has been made in the pay of Secretaries, it has been generally in the way of a decrease, but there have been increases of staff, both in the Government of India and in the local Secretariats. Deputy Secretaries have been added in three of the Secretariats of the Government of India, viz., the Foreign, Financial, and Home Departments. The Foreign Department Staff has also been increased by an Assistant Secretary. And a post of officer in charge of records has been created.

9176. Would the annexation of Burma account for a part?—Yes, that accounts for a large increase; the Burma secretariat in 1875-76 cost Rx. 8,000, and in 1895-96, Rx. 28,000.

9177. And do the other extensions of the frontier—I mean Baluchistan and elsewhere—at all affect it?—That, taken with increases of work in other directions,

has necessitated the increased staff of the Foreign Department Secretariat of the Government of India, the cost of which has increased from Rx. 28,000, in 1875–76, to Rx. 41,000 in the Budget of 1895–96.

9178. (*Chairman.*) Now what would be the next chapter?—The next chapter would be the Boards of Revenue and Financial Commissioners, the Inspectors-General of Stamps, Registration, and Excise, and the Commissioners. I think those three might be taken together. In some provinces there are Financial Commissioners, in some Boards of Revenue, and in some both a Board of Revenue and Commissioners. The Boards of Revenue and Financial Commissioners in 1875–76 cost 79,000; the Inspectors-General of Stamps, Registration, and Excise were in that year not brought to account under this head; and Commissioners cost 209,000.

9179. What are those Commissioners?—They are the Commissioners of Divisions; they are generally called Commissioners of Revenue; they form one of the stages intervening between the Government and the district officer.

9180. But you have got a Board of Revenue at the beginning?—Yes. In Bengal and the North-Western Provinces they have both a Board of Revenue and Commissioners. They are very large provinces, and have officers of both these classes. The Lieutenant-Governors have no Executive Councils and it is necessary to relieve them of much of the detail of the Revenue Administration. In Bombay there are only Commissioners, and in Madras there is only a Board; the number of districts is much smaller in Madras and Bombay, and the Governors are aided by Executive Councils.

9181. You mentioned Financial Commissioner?—Yes, he does not exist in the provinces in which there is a Board of Revenue; but in some of the smaller provinces instead of having a Board of Revenue they have what are called Financial Commissioners.

9182. And is he included in the Rx. 79,000?—Yes.

9183. Therefore in 1875–76 there were two headings to that chapter, Rx. 79,000 and Rx. 209,000?—Yes.

9184. Now, will you give us 1895–96?—For 1895–96 the Boards of Revenue and Financial Commissioners cost Rx. 107,000; Inspectors General of stamps, registration, and excise, Rx. 25,000; and Commissioners, Rx. 245,000. Then, under the Accounts Department we might include the payments to the Presidency Banks. The Civil Account and Audit Department cost, in 1875–76, Rx. 163,000; the Public Works Account and Audit, Rx. 15,000; the Paper Currency Department, Rx. 23,000; Reserve Treasury, nil; and Presidency Banks, Rx. 33,000. In 1895–96, the Civil Account and Audit cost Rx. 217,000; the Public Works Account and Audit, Rx. 27,000; Paper Currency, Rx. 28,000; Reserve Treasury, Rx. 1,000; and Presidency Banks, Rx. 30,000.

9185. Is there another chapter?—Yes. There is the Local Funds General Establishments. They were not brought to account under this head in 1875–76, and it is impossible to ascertain what they amounted to. They seem to have been scattered over various heads; now they are brought together under this head, and cost in 1895–96, Rx. 101,000.

9186. Does that complete it?—There are a few miscellaneous charges of which I have not been able to find the nature; they come to Rx. 5,000 in 1875–76 and Rx. 2,000 in 1895–96.

9187. But those charges, which you have enumerated, make up in 1875–76, Rx. 1,210,000, do they not?—Yes; those are the charges in India; the charges in England amounted to 233,000*l.*

9188–9. What do you make the charges in India for 1895–96, Rx. 1,467,000?—Rx. 1,571,000. You probably have not taken the Rx. 101,000 for Local Funds.

9190. Then come charges in England?—Yes.

9191. Do they include the India Office?—Yes. The charges in England include the expenses of the India Office, the Auditor and his assistants, the payments to the Bank of England and Bank of Ireland for the management of debt, law charges, passage and outfit allowance of the Governor of Bombay, and the cost of currency-note forms. All the other charges, I think, may be taken as contingencies of the India Office.

9192. And what do they amount to?—The total charge in 1875–76 was 233,000*l.* altogether in England, and in 1895–96, 252,000*l.*

9193. That would make up these totals?—With the exchange added in.

9194. I mean the totals of Rx. 1,464,000 in 1875–76, and Rx. 2,032,000 in the Budget of 1895–96?—Yes.

9195. (*Mr. Buchanan.*) That increase from 1,464,000 to 2,032,000 was largely in the Revenue and Finance Departments, and the accounts of the Secretariat, was it not?—Yes; in the Secretariats and the Boards of Revenue and Commissioners.

9196. (*Chairman.*) What are the payments made to the Presidency Banks?—They are the payments made for the work which those Banks do for Government at the presidency towns; the Presidency Banks conduct the whole of the treasury work of the Government at Calcutta, Madras, and Bombay; they also manage the Public Debt, and they have till now had small branches of the Savings Bank under them.

9197. I see there has been a decrease there in the 20 years, has there not, from Rx. 33,000 to 30,000?—Yes.

9198. What is that due to, because at the same time there has been an increase in the Government work also, I suppose?—We have considerably reduced the rates of remuneration to the Presidency Banks in that time. The rate which we pay now is paid under a contract which was entered into in 1886, under which we reduced the charges formerly paid. We now pay the Bank of Bengal 43,600 rupees for its general treasury work; we pay a commission at the rate of 2,000 rupees per crore per annum on the amount of the public debt, deducting certain amounts, such as currency investments and amounts of loans discharged, and we pay for the Savings Bank work a fixed sum of 14,300 rupees; to the other banks we pay smaller sums.

9199. Then there is an item called the Reserve Treasury, what is that?—That is the charge for the treasury in which we keep the surplus amounts which we do not leave with the Presidency Banks.

9200. What is the object of that separation?—Our balances at the Presidency Towns are sometimes very large, and it was mentioned in previous evidence that difficulties were experienced on one occasion in calling in a large balance from one of the Presidency Banks; we were obliged to establish a reserve treasury in order to get over that difficulty.

9201. Then the last item you gave was Local Funds General Establishment; what is that?—That is the general establishment of Local Funds, which cannot be assigned to any particular department—the general establishment for the working of incorporated Local Funds.

9202. I do not know whether I quite understand with what object it is established?—It includes chiefly the office charges of Local Funds. Local Funds are sometimes constituted for some particular purpose, roads or education, or medical, but others are for general purposes, and you cannot assign their general charges of establishment to any particular head, such as Public Works, Education, or Medical; the general management charges of those funds are brought to account under this head.

9203. A question has been asked about the increase under certain heads; but can you give us rather more in detail the items of expenditure on which increase has taken place? I do not know whether you would like to take 1893–94, being the last in which the accounts are complete?—I have now the accounts for 1894–95, but at the time I was making out my memorandum I had only the accounts for 1893–94.

9204. Which year will you take?—I do not think there is any very great difference between 1893–94 and 1894–95. Perhaps, as I have taken the figures out for 1893–94, you would take that.

9205. Perhaps you will take that year?—The increased charge for the Civil Secretariats, between 1875–76 and 1893–94, is Rx. 109,000; for the general establishment of Local Funds the increase is Rx. 95,000, that is the whole charge in 1893–94; for the reason explained above, I am not sure whether any of the miscellaneous charges, which I have not been able to classify, are local funds charges; I think probably they are. Then civil Account and Audit have increased by Rx. 45,000; Commissioners and their establishment by Rx. 28,000; the Inspectors General of Stamps, Registration, and Excise—their charge is, as far as this head is concerned, entirely a new one—Rx. 23,000; the Boards of Revenue and Financial Commissioners, Rx. 24,000. There has been a small net reduction in the other heads, of about Rx. 11,000.

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9206. Now, taking that first item of 108,000, can you divide that between the two first chapters, or three first chapters that we took; namely, the Governors and their staffs, the Executive and Legislative Councils and Secretariat?—The increase of 109,000 is entirely in the Secretariat charges.

9207. Entirely?—Yes; entirely.

9208. In comparing the accounts of 1875–76 with those of 1895–96, if you remember, there was a certain increase on both the other chapters?—Yes, there is a small increase in them.

9209. But nothing worth calling attention to?—No.

9210. How come the Executive Councils to have decreased?—The decrease is in the salaries of the Governor-General's Council. The salary of all the members used to be 6,666 rupees a month; the members belonging to the Indian Civil Service paid 4 per cent. upon that as contribution for Annuity, which reduced their pay to Rx. 6,400. The Secretary of State a few years ago decided that the pay of all the members should be Rx. 6,400.

9211. (*Sir Ralph Knox.*) When was that, do you remember?—It was somewhere about 1880, I think.

9212. (*Mr. Mowbray.*) Might I ask what are the expenses of the Legislative Council?—The expenses of the Legislative Council consist chiefly of the charges of the Legislative Secretariats and the allowances made to additional, official and non-official, members of Council. The amount paid to the non-official members is trifling; it consists mainly of allowances to cover travelling expenses and a temporary change of residence. But official additional members receive a special allowance for having to attend at the Presidency towns when they are appointed to the Legislative Council.

9213. I understand that there are no salaries, but there are allowances?—Yes. The rule as regards an official, additional member of the Governor-General's Council is that he is considered as acting in an appointment about equivalent to that of a Secretary to Government; he gets an acting allowance calculated on a pay of 4,166 rupees, subject to certain special restrictions.

9214. And there are four Legislative Councils, are there not?—There are now five; the North-Western Provinces also now have a Legislative Council, but the bulk of the charges occur in the Governor-General's Council. There is very little expense in the other Legislative Councils.

9215–6. (*Chairman.*) Then I think you have already told us, in answer to Mr. Buchanan, the chief heads of the increase to the Secretariat, have you not?—I mentioned some of them. The increase in the Government of India Secretariats is from Rx. 93,000 in 1875–76 to 133,000 in 1893–94. That is an increase of 40,000. But almost all the Secretariats have increased. The Central Provinces from 8,000 to 13,000; Burma from 8,000 to 27,000; Assam, from 7,000 to 10,000; Bengal, from 35,000 to 55,000; North-Western Provinces and Oudh, a very small increase, from 30,000 to 31,000; Punjab, from 15,000 to 23,000; Madras, from 26,000 to 31,000; and Bombay, from 32,000 to 39,000.

9217. Is that chiefly due to increase of force, or is it consequent on the increase of pay?—It is almost entirely due to increased force; I cannot find any instance of the pay of a Secretariat officer having been increased save where a corresponding decrease has been made in some other pay. Of course I refer only to salaries; the pay of establishments has in some cases been increased.

9218–9. Is any allowance made here for remittances home?—The exchange compensation allowance is included in 1893–94.

9219*a*. And that, so far, you might look upon in the light of an increased allowance?—Yes, that would increase the charge, to a certain extent.

9220. What would that be in the Secretariat, do you know?—For the whole of this head it was in 1893–94, Rx. 78,000.

9221. That is General Administration?—For the whole of the head of General Administration.

9222. I suppose a large portion of that would belong to the Secretariat, would it not?—The charge for the Secretariats appears to be about Rx. 12,000 or Rx. 13,000.

9223. Then taking the Boards of Revenue; they show a very considerable increase; from Rx. 288,000 to 377,000?—That is Boards of Revenue and Financial Commissioners and Commissioners, &c., taken together.

9224. Yes?—A large part of that is due to the creation of a Financial Commissioner for Burma, owing to the addition of Upper Burma; the cost of the Financial Commissioner in Burma is Rx. 9,000.

9225. Well, the total increase is pretty near Rx. 90,000?—Under Boards of Revenue and Financial Commissioners?

9226. 288,000 against 377,000?—That is for the whole of the head taken together, including the Commissioners. I am taking, first of all, the Boards of Revenue and Financial Commissioners, which increased from Rx. 79,000 to 107,000; that is an increase of 28,000, of which 4,000 occurs in Bengal, 4,000 in the North-West Provinces; while in Madras there is a slight reduction of 1,000; in Burma there is a new Financial Commissioner costing 9,000; and in the Punjab there are now two Financial Commissioners where there used to be only one, which accounts for an increase of 8,000; that makes up the whole.

9227. Then come the Commissioners of Stamps, which were not included under this head in 1875–76, which cost Rx. 25,000 in 1895–96?—Yes.

9228. And lastly the Commissioners of Revenue, 209,000 against 245,000?—Yes. In 1893–94 it was Rx. 237,000. The amount varies slightly from year to year owing to the absence of officers on leave. Of that increase 22,000 is due to Upper Burma, 7,000 to Lower Burma, and 6,000 to Assam. There are increases in some other provinces, but these are due to exchange compensation allowance and increased charges for the clerical establishments. In the Punjab there was a decrease, owing to a reduction of the number of Commissioners from 10 to 6 on their being relieved of judicial work, when the judicial system was re-organised, as mentioned in my examination on Law and Justice.

9229. Are the Inspectors General of Stamps, Registration and Excise new appointments? They come under that fourth head, do they not?—Yes, they come under that head. They are not new appointments. The reason for showing them here was that the charge for them used to be distributed over various heads, though it was only a charge for a single officer in each province and his establishment as far as Government was concerned. Certain proportions were charged to registration, stamps and excise, and to save the inconvenience of separating the charge in this way they were brought together as a single charge here. This reduced the charges, of course, slightly under the other three heads.

9230. Then there is a largish increase under the head of Accounts. The Accounts branches proper appear to have increased from Rx. 163,000 to 217,000; what is that due to?—That is partly due to Burma. The charge for the Accounts office in Burma has risen from Rx. 8,000 to Rx. 24,000; but there have also been increases in almost all the Account offices owing to the increased amount of work.

9231. (*Sir Ralph Knox.*) Has not your own department been formed in the interim?—The Auditor-General's branch of the Department has been formed in the interim; that has necesitated an addition of two highly paid Deputy Auditors-General and their establishment.

9232. What does that amount to?—The increase in my office during that time has been from Rx. 32,000 to 42,000; the greater part of that is due to the creation of the Auditor-General's Department.

9233. Then was not the Department in existence before?—The Comptroller-General was in existence before; his pay was not altered; the title of Auditor-General was added, when the additional work was entrusted to him, and two Deputy Auditors-General with the necessary establishment, were appointed to assist him with the work.

9234. But the constitution or the re-constitution of the Department has caused an increase of about Rx. 9,000?—Partly; but the increase is partly due to the increase of work.

9235. (*Chairman.*) The measure of 1880 or 1881 was really the appointment of these two Deputy Auditors and their staff?—Yes.

9236. Was that staff a large one?—No; it was not large. They each have about two clerks, with occasional further temporary assistance.

9237. What would that cost, Rx. 5,000?—It would cost more than that; their pay alone would cost, as a maximum, nearly Rx. 5,000, and the pay of their staff would be about another Rx. 1,000, or possibly a little more. I suppose they account for about 6,000 of the 9,000. The work of the Accounts Department generally has been very largely increased since 1875–76; we have a great many duties now to perform which were not then thrown upon the Department.

9238. (*Sir Ralph Knox.*) Of what kind?—Audit duties; I mean that we audit various accounts which we used not to audit, and we are now charged with the duty of keeping the whole of the Government securities of any kind which are held by any Government officer *ex officio*. They are all now collected in the hands of the Accountants-General.

9239. (*Chairman.*) Well, now, taking this increase generally for the whole head of General Administration; it is as large an increase as I have seen in India, I think, proportionately?—It is one of the largest increases under any head.

9240. And do you think it is due chiefly to increase of force owing to increase of work?—Yes.

9241. There has been no large increase in the salaries?—I think I might say that there has been no increase in the rates of salaries.

9242. (*Sir Ralph Knox.*) Rather a decrease?—Yes, rather a decrease.

9243. (*Chairman.*) As a matter of fact, there has been no addition made to the higher salaries?—No. In several instances, where Secretariats have been increased, the increase has been largely provided for by reducing existing salaries of other posts, not perhaps to the extent of the new salary, but some portion of the additional expense has been met by such reductions. The salaries of all Secretaries of the Government of India are now 4,000 rupees; it is a small reduction, but some of them were 4,166.

9244–5. (*Mr. Buchanan.*) Apart from extension of territory in Burma and other places, there is a considerable increase in population?—Yes, there has been a very considerable increase; I gave the figures before.

9246. (*Chairman.*) Have you there put together what the increased cost of Burma is?—Under this head?

9247. Under this head?—The whole cost of Burma under this head, in 1875–76, was Rx. 37,000; it is now a little over 120,000.

9248. In 1875–76 it only consisted of Lower Burma?—Yes.

9249. Now it is 120,000?—For the two provinces of Burma together. You cannot separate them under this head, because the whole of the charges for the Secretariat, and the Financial Commissioners and Account Offices, Burma, and the whole of the Chief Commissioner's salary and staff and tour charges, are included in the Lower Burma accounts.

9250. Has there been much increase in Lower Burma? Lower Burma was a settled province then, was it not?—I think the increase is almost entirely due to the addition of Upper Burma.

9251. And what is the increase?—From 37,000 to 120,000—it is 83,000.

9252. Therefore you may put down 83,000 of the increase upon this chapter to the acquisition of Upper Burma?—Yes, almost entirely; I should estimate that increase as about Rx. 65,000 out of the Rx. 83,000.

9253. I do not know whether you have any observation to make upon the increase under the different provinces; the increase under the Government of India is very nearly Rx. 40,000 out of 108,000?—Under Civil Secretariats, yes. The increase in the Civil Secretariats of the Government of India has been mostly due to the creation of Deputy Secretaries in the Home and Finance Departments; and in the Foreign Department there have been two Assistant Secretaries appointed since 1875–76, I think; and establishments have been considerably increased everywhere.

9254. Then passing on to the Commissioners' establishments; the same remark appears to apply to that as to most of the other establishments under this head of general administration; there seem to be increases in nearly every province?—Yes.

9255. Except the North-Western Provinces and Oudh, and India general?—Yes, and in the Punjab, as already explained. The increase is not large anywhere except in Upper Burma, Lower Burma, Assam, and Bengal. In Lower Burma 1,000 of the increase is due to exchange compensation, and there has been an increase of one Commissioner in that province: in 1875–76 there were three, the fourth was appointed in 1881. There is also a new post in Assam; in Bengal 5,000 of the increase is for exchange compensation, and the rest is in establishment and contingent charges.

9256. Then, under the head of Tour Charges, we come to a reduction, what is that due to?—That is not entirely due to an actual reduction of expenditure. It is partly due to a re-classification. In the earlier years some of the tour charges recorded against the Government of India were for departments which are not, and have never been, classed under this head; in later years they have been included under those departments. There were also large charges for Commissariat in the earlier years which have not to be incurred now. The increased use of railways now does away with the necessity for those charges; I suppose that it is the railways that have reduced the charge.

9257. An indirect advantage which is derived by the Government from the extension of railways?—Yes.

9258. In your memorandum you say, "The re-"arrangement of the provincial charges has resulted "in a reduction in the Imperial portion of the expen-"diture by Rx. 536,092, and an increase of the provincial "and local portion by Rx. 849,390." What does that refer to?—That means simply that certain Imperial charges have been transferred and made provincial now; it is merely a re-arrangement.

9259. But, if a large proportion of that charge has been transferred to provincial expenditure, ought not that to show a reduction under this head?—No; it includes all charges, Imperial, provincial, and local.

9260. (*Sir Ralph Knox.*) I should just like to ask one question. I have not had the figures before me that you have been quoting; but in this statement of Sir Henry Waterfield's there is a very large decrease put down for the second year, 1877–78. Was that due to a change of system or to a transfer to provincial funds, as was the case with Law and Justice?—Yes; that would be so in 1877–78.

9261. According to his statement, there is a decrease of half a million, roughly?—I think the statement is headed "Imperial," is it not?

9262. Yes, on Imperial account?—Yes, that would be accounted for by the transfer of the charges to the provincial account.

9263. You have not been going through these figures of Sir Henry Waterfield's?—I have not treated Imperial and provincial separately; I have been putting them together.

9264. By putting them together this great reduction disappears?—Yes.

The witness withdrew.

Adjourned till Tuesday next at 11 a.m.

(For the 19th day's evidence, *see* page 460.)

INDIAN EXPENDITURE COMMISSION:

At the India Office.

TWENTIETH DAY.

Wednesday, 3rd June 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. S. Jacob, C.S.I.

MR. STEPHEN JACOB, C.S.I., Comptroller and Auditor General of the Government of India, recalled and further examined.

3 June 1896.

Military Railways.

9614. (*Chairman.*) Mr. Jacob, at your last examination you were asked to supplement the information which was given to the Commission on two or three points—are you able to do so now?—I think so.

9615. In the course of the examination regarding railways, you were asked to put in a statement showing for a few years back the net charge for the working of the military railways with a view to show whether it was increasing or not. Could you put in this statement?—I put in a table showing the results of the working of the military sections of the North-Western Railway for the six years from 1889 to 1894.* The information has been compiled from the Railway Administration Reports, and is not given for any year earlier than 1889.

9616. Could you give us shortly what the result of the paper is?—The gross earnings in 1888-89 were 373,930 Rx., and the working expenses 402,905 Rx., giving a net deficit of 28,975 Rx

9617. Does that cover the whole of what you may call the military railways?—Yes, the whole working charge of the military railways.

9618. That is, what you call the North-Western Railway?—The military section of the North-Western Railway. And for the other years the net charge is, in 1890, 38,844 Rx.; 1891, 80,310 Rx.; 1892, 94,334 Rx.; 1893, 59,449 Rx.; and 1894, 76,424 Rx.; so that the results fluctuate considerably.

9619. Therefore the deficit is very variable, and you cannot say that it is diminishing?—No; it fluctuates very considerably.

9620-1. Those military railways have been increased during this time, have they not? Taking the year you began with, 1889, there are more military lines now constructed than there were then?—There are some under construction, but these lines, I think, have been working all this time.

9622. (*Mr. Buchanan.*) Is there not a larger number in 1894 than in 1889?—No, I think not. The gross earnings are slightly less in 1894 than in 1889.

9623. (*Sir Andrew Scoble.*) In the statement you have just given do you include anything for interest on capital?—No; this is merely the gross earnings and the working expenses.

9624. (*Chairman.*) Therefore the interest on capital expended in building these military lines would have to be added, in order to get the true financial circumstances?—Yes, it would.

9625. When you come to give a summary of the working of the railroads in India, do you not think that such a system as this military North-Western Railway should be stated apart, so as to show at a glance what is the real result of the purely commercial railways and what is the result of military railways; because, if a railway is built for military purposes, and there is a deficit on the working of it, really that is a part of the cost of the military defence of India?—Yes; there is, of course, something to be said for separating them, and in the administrative accounts and report they are so separated. It is from that Report that I have taken these results. But in our Finance and Revenue accounts we do not make any attempt to separate them, and such separation would not accord with the general principle on which our accounts are framed. It was decided, on the recommendation of the Parliamentary Committee of 1879, that no attempt should be made to distinguish in them between the results of the productive and unproductive lines.

9626. Could you give us a statement which would show the general financial result of the working of the railways in India, putting in, as a separate total, the result of the working of the military railways?—I could of course make out a statement of that kind; but those general results include also the protective railways, which are not constructed with the intention of being necessarily productive, so that they would have to be separated too, if we attempt to separate the total railway return between productive and unproductive lines.

9627. The object of my question is this: in the paper which Sir Henry Waterfield and you drew up, you class a certain number of services under the head "Commercial services, including railways"?—Yes.

9628. I think it would be desirable for the Commission to see what has been the real working of commercial railways, apart from the working of those which are probably very necessary railways, but which are intended either for defence or for purposes other than commercial?—Yes.

9629. If you could give us a summary which would put into separate totals the financial results of those railways which are not commercial undertakings, I think it would show us more clearly what is the real working of those railways?—I will endeavour to make out such a statement.

9630. (*Sir James Peile.*) The railways would come under three heads—military, protective, and commercial?—Yes.*

9631. (*Chairman.*) You were also asked if possible to ascertain what proportion of the gross earnings of these railways was due to military traffic. Have you been able to ascertain this?—Yes, I furnish the information asked for. The military traffic furnishes a very small proportion of the gross earnings. The percentages in the six years have been 6, 6, 10½, 9, 11, and 8, and the percentage for the whole period is 8½ per cent. More than 90 per cent. therefore of the gross revenue of these military railways accrues from the services rendered to the public by them.

9631*a*. Mr. Naoroji asked whether you could state the total loss incurred on the railway revenue account to the present time. Can you furnish any information on that point?*—I put in two tables giving the net charge for railways on the revenue account from the time when a railway revenue account first appeared in the accounts of the Government of India I have separated the period, for which the accounts have been re-cast in the form now used, from the earlier period, because the

* *See* Appendix 26.

* *See* Appendices 27 and 28.

results for the latter probably require some small adjustments to make them accurate. They are, however, the figures given in the account, modified only by the addition of "exchange" on the sterling expenditure according to the system now followed. The return for this earlier period may be accepted as approximately correct. The net charge for the earlier period of eighteen years is Rx. 24,474,399, and for the later period of 20 years Rx. 25,359,994, making a total of Rx. 49,834,393.

9632. That you reckon to be, from the commencement of the railway undertakings in India to the present time, the sum which the State has contributed to the establishment and the working of the present system?—Yes, on revenue account, apart of course from the capital expenditure; it includes the interest on the capital expenditure.

9633. Quite so; the revenue account up to the present time?—Yes, up to the end of 1894–95.

9634. That is the sum the State has been out of pocket in the working of the railways, and you do not anticipate she will recoup herself?—I do not know whether she will recoup herself eventually, but that is the amount she is out of pocket up to the present on the Railway Revenue account.

9635. (*Sir Ralph Knox.*) That includes loss by exchange?—It includes the charge for exchange and interest.

9636. (*Chairman.*) Has that loss been provided out of revenue, or was any part of it represented by debt?—It was entirely met from revenue.

9637. And that really, I suppose, extends over a period that began somewhere in the forties?—This account begins from 1857; the construction began about 1849 or 1850.

9638. But then during the construction before 1857 they were out of pocket, were they not?—This includes the whole amount in the Government accounts charged against the revenue account.

9639. Their charge was carried to capital?—I think so.

9640. (*Mr. Naoroji.*) Did not the Great Indian Peninsula commence in 1853–54, between Bombay and Tana, I think?—I believe portions of the guaranteed railways were open before this account begins; but no charge to the Railway Revenue account was made before that.

9641. (*Chairman.*) That was 1858?—Yes, 1857–58. There must have been charges for interest before that. And, as soon as any portions of the lines were opened, there must have been traffic receipts and charges. Even in this account there was a net expenditure for the first two years without any revenue at all.

9642. (*Mr. Naoroji.*) Then the charge before 1858 is not included in this?—It is not included in this statement.

9643. I think that those earlier years might be added as well, in order to show the full extent that has been drawn from the revenue?—I will see if I can find any information about that.

9644. (*Chairman.*) Perhaps it would be better if you made it clear on the head of the account that it begins with 1858?—Yes.

9645. Then as regards irrigation, some questions were asked as to the old works constructed by native Governments, and as to their effect upon the returns from irrigation. Have you any further information to lay before the Commission?—The following extract from the Report on the Moral and Material Progress of India for 1882–83 furnishes information as to the number of old works. It says: "The whole area "of Sind is scored with the traces of artificial "channels of the Indus, which made this thirsty "province the Garden of India in old time. The "works on the Cauvery Delta in Madras, to this "day by far the most remunerative in India, are but "the improvement by an English engineer of a struc"ture that is said to date back for 1,600 years. The "Western Jumna Canal follows in the main the lines "traced by the Emperor Firoz Taghlak in the four"teenth century, while the Eastern Jumna Canal "owes its origin to Shah Jehan in the seventeenth. "Having been reopened by British enterprise, these "two canals are at the present day the most remunera"tive in the Punjab and the North-West Provinces, "respectively."

9646. Then had these old works become useless from not being attended to at the time when the new works were undertaken, or were they still to a certain extent available for distribution of water?—The works in Madras were certainly still available for distribution of water; but I would like to say that the revenue, which we bring to account, is what is due to the new works. Thus, in the case of the Cauvery Delta works the revenue brought to account in 1893–94 does not include Rx. 236,500 due to old irrigation works; and similar, but much smaller, amounts due to other works in Madras and Sind are also left out of the account.

9647. As belonging to the old systems?—Yes.

9648. In what form does that revenue come in?—Merely as land revenue.

9649–50. As part of the increased value given to land by these works?—Yes. As we do not charge anything to capital against the old works, we do not credit anything to irrigation on their account, but merely show the receipts on their account as land revenue. May I just add an explanation with reference to the remark in the extract I have read that some of the old works, the Cauvery Delta and the Eastern Jumna, were amongst the most profitable of the works. With reference to that, I should like to read the following extract from the Report of the Famine Commission: "There has, we think, been some misconception "as to the relative remunerative character of the "older irrigation works, which had been more or "less completely carried out under native rulers, "and those which have been constructed by the "British Government. In the nature of the case "the facilities for executing such works and their "necessary cost vary greatly. It naturally happened "that the old works undertaken by native rulers were "of the class which offered few engineering difficulties "and cost little, while the works carried out by our "Government have been designed to overcome "obstacles, which would have been wholly beyond the "capacity of the engineers of the Native States, and "have been costly in proportion. The Cauvary works, "which provide irrigation for Tanjore, were rendered "possible by remarkably favourable physical features, "such as exist in no other part of India. The ancient "inundation canals of Sindh and the Punjab were easy "of construction, because of the exceptional circum"stances of the rivers from which they are supplied. "The supply of water from the Jumna, by the canal "which is now called the Western Jumna Canal, to "the palaces of the King of Delhi at Delhi and Hissar "was also rendered possible from the few difficulties "to be overcome; but the irrigation it supplied, until "reopened by our engineers, was of a limited extent, "and a very large sum is now in course of expenditure "to remedy original defects in the old alignment, "which led to grave evils from obstructing the surface "drainage. There is much doubt whether the Eastern "Jumna Canal ever carried water at all, owing to "certain difficulties which could not be overcome."

9651. You were also asked to supplement the information you gave us as to the taking over of the company's canals. Have you obtained further information regarding that matter?—The East India Irrigation Company was not a guaranteed company, I find.

9652. (*Sir Andrew Scoble.*) Is that the Orissa?—Yes. In a letter to the Secretary of State, dated the 16th July 1867, the Government referred to the necessary inconveniences caused by the committal of works of irrigation to private companies, to the difficulty which the company had in raising money, to the tardiness of the people in taking the water, and the consequent delay in any adequate return for the outlay; also to the changed condition of affairs, under which the Government were assisting the company with money, instead of the company supplementing the resources of the Government. They proposed, therefore, that the company should make over the undertaking to the Government, receiving a full indemnification for past outlay, and a fair compensation for future possible profits. The Government were disposed to offer liberal terms, and proposed that the company should relinquish all claims in respect of both the Orissa and Sone projects, on the following conditions: (1.) The whole paid-up capital to be converted at par, either into 5 per cent. debentures repayable at par in 60 years, or into terminable annuities, or partly in one way and partly in the other. (2.) The cash balance, liabilities, and claims to be transferred to the Secretary of State with all works, stores, property, books, and accounts. (3.) The establishments to be taken by the Government provisionally, and a compensation of six months' salary granted to all not permanently retained. (4.)

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The company to receive all their expenses connected with the Sone project, and 10 per cent. additional to cover interest. (5.) A further sum of 50,000*l.* to be placed at the disposal of the board of directors, either in cash, debentures, or terminable annuities, to be allotted by the board, at its discretion, as a bonus to the shareholders of the company, and as compensation to their officers.

9653. (*Chairman.*) What did you say was the amount to be given as bonus?—50,000*l.* In October 1867, while this letter was under the consideration of the Secretary of State, the East India Irrigation Company applied to the Secretary of State for a guarantee of interest, without which they were unable to raise funds for the Behar project. This was refused on the 22nd of November 1867, Sir Stafford Northcote offering instead to take the works into the hands of the Government, as contemplated by the contract in such a contingency. He, however, proceeded to say that he would not sanction the advance of funds for the Orissa works after the close of the year 1867, and that he was prepared to purchase the rights of the company in both schemes, giving to them in cash the value at par of the whole paid-up capital, and also a bonus of 50,000*l.* to be appropriated by the shareholders in compensation of their officers or otherwise. The transfer of the works, establishments, &c. was to be carried out as proposed by the Government of India. At an extraordinary general meeting called to consider this offer, the shareholders unanimously resolved that the terms were inadequate, and the directors were requested to ascertain the views of the shareholders individually, whether the transfer should be accepted, provided the amount was paid by Government in 5 per cent. stock at par instead of in cash, or whether the company should carry on the work, either alone or under some fresh arrangement by which the Government might participate in the profits at an earlier stage. The Secretary of State replied that he could not consent to enhance the terms, either by giving stock instead of cash, or by referring the price to arbitration; but he intimated his willingness to take into consideration the question of lending the company a sum not exceeding 500,000*l.* (including the sum of 120,000*l.* already advanced) for the prosecution of the Orissa scheme in consideration of their definitive abandonment of the Behar project. A very large number of the proprietors refused altogether to sell the works, and a correspondence ensued respecting the proposed loan, the directors agreeing to resign their claims on the Behar scheme, if the terms proposed by the Secretary of State for a loan to aid the Orissa works should be accepted by the shareholders. In April 1868, however, a meeting was held at which the shareholders offered to sell their works to the Government, either on the terms proposed by the Government of India, the debentures being dated on the 1st January 1868, or for cash equivalent to the market value of such debentures, or for India 4 per cent. Stock at a premium of 25 per cent. The Secretary of State, however, declined to depart from his proposal. On the 20th of July 1868, the Government of India wrote again to the Secretary of State urging the great importance of concluding an arrangement with the company, and stated their opinion that it would not be disadvantageous to accede to the company's terms. Sir Stafford Northcote replied, however, that he was not disposed to make any further offer to the company than he had already made. Eventually, on the 30th November 1868, the company intimated their willingness to accept their paid-up capital with 5 per cent. thereon, and an extra bonus of 50,000*l.*, and the Secretary of State agreed to give this sum for the purchase of the whole of the works as soon as the necessary legal formalities could be completed. The amount to be paid for the Orissa works was 1,040,050*l.* 8*s.* 7*d.*, and that for the Behar project, 14,000*l.* This was announced to the Government of India on the 6th of January 1869, with instructions that they might at once enter on the works.

9654. (*Mr. Naoroji.*) Could you tell us what the market price of those shares was at the time this money was paid over?—No, I do not know what the market price of the East India Irrigation Company's shares was.

9655. Did I understand you rightly that the Government, when this company was started, was in no way responsible, that they did not guarantee them in any way whatever, that the Government was entirely free, and that it was entirely on account of the company itself that the scheme was started and carried out?—I do not think it could be said that the Government had no responsibility whatever, but it did not guarantee any interest on the capital.

9656. They did not guarantee the interest on the capital?—No.

9657. They did not guarantee the payment of capital at any time, nor guarantee to pay a certain interest to the shareholders at any time?—No, there was no guarantee, but the Company entered into a contract with the Government regarding the construction of the canal, and Government provided them with land and gave them various kinds of assistance.

9658. Government gave them some assistance, but Government was not in any way bound to recoup them for any expenses they might incur, either interest or capital, as I understand it?—No, there was no guarantee.

9659. (*Chairman.*) The land and other assistance was a free gift, was it?—I do not think it can be called a free gift; the Government was very anxious that the work should be undertaken by a company, and certain inducements were in consequence held out to the company.

9660. But the inducements were free gifts; they were not to be repaid, were they?—I think the value of the land was to be repaid under certain circumstances—when the canal paid more than a certain amount of interest.

9661. But that stipulation did not come into operation?—No, it did not come into operation.

9662. Do you know what the canal was paying at the time when these negotiations were going on?—It was not paying anything at all. But the Government of India, as will be seen from what I have already stated, constantly represented the desirability of taking over the works. They considered that the canal might be worked advantageously by Government, though it could not be worked advantageously by the company; and it will be remembered that one of the principal reasons was the complication which had arisen as to the assignment of a certain portion of the land revenue to irrigation; that matter was of course very complicated, when the irrigation was in the hands of a company, and the land revenue belonged to Government.

9663. But the canal was paying absolutely nothing to the shareholders at the time?—No, it was not paying anything at the time.

9664. And do you know at all what the Government is making out of these works now?—The Government is making nothing out of them.

9665. (*Sir James Peile.*) But they are in course of development?—Yes.

9666. The whole subject was considered within the last year or two, and the Lieutenant-Governor of Bengal stated his opinion that it would be worth while to develope the system by distributing the water more largely, and to incur certain expenditure for the purpose?—Also they must be looked upon largely as protective works. In case of serious distress or famine they would be extremely useful to the Government, and might bring in in a single year I should think—or at any rate they might save—as much land revenue as the whole cost of the works.

9667. (*Mr. Naoroji.*) Has it ever happened that during the drought the canals themselves wanted water and were not of much use?—I am afraid I cannot give any evidence about that.

9668. (*Chairman.*) Does this canal occur in that heading (*pointing to a column in the Finance and Revenue Accounts for* 1893–4)?—Yes, it occurs; it is the Orissa project.

9669. The Orissa project?—And also the Sone project, which is part of the consideration.

9670. (*Mr. Buchanan.*) Since the Government of India paid this million of money for the canal in 1869, have they made any capital expenditure for the development of the works?—Yes, they have incurred a considerable amount of capital expenditure.

9671–2. (*Chairman.*) The total direct receipts credited to the provincial funds during the year 1893–94, under the heads of the Orissa project and the Sone project, were 130,000 Rx. (I am quoting from the Finance and Revenue Accounts for that year), while the expenditure (taken from the detailed account of working expenses and maintenance of irrigation works for the year 1893–94) amounts to very nearly 1,800,000 Rx., does it not?—No, not the working expenses.

9673. I see that is not for the year; that is the total expenditure to the end of the year, and includes that of previous years?—Yes.

9674. Then for the year it is 120,000 Rx.?—Yes.

9675. May I sum up the subject thus: a very large sum was paid to the company for their interest in an undertaking that was paying them nothing. Since the acquisition of these works a considerable sum has been laid out upon them, which I suppose may be taken as the same which I read out just now as total expenditure to the end of the year?—No, that is not the capital expenditure.

9676. That is merely the maintenance?—Yes.

9677-80. Do you know at all what the capital expenditure has been?—Yes, 3,139,000 to the end of 1893-4 on the Orissa project, and 2,789,000 on the Sone project. That is the sanctioned expenditure; the actual expenditure was 2,533,000 and 2,596,000.

9681. (*Mr. Buchanan.*) Does that include the million that was paid for the works?—Yes.

9682. (*Chairman.*) That includes the whole capital expenditure?—Yes.

9683. That is to say, the total capital expenditure, both in acquiring the works and spent upon them since, is over 5,000,000 Rx.?—Yes, on those two works.

9684. (*Sir Ralph Knox.*) Has any of that been charged to the Famine Fund?—I do not think so.

9685. (*Chairman.*) But then against that, the working, expenses up to the present time have been 1,800,000 Rx.; but the account only gives the receipts for the year, does it, not the total receipts?—We have not got that.

9686. (*Mr. Naoroji.*) There is a column at page 11 of Sir H. Waterfield's paper, Table 5, Construction of protective irrigation works, under the heading, "Increase or Decrease of Expenditure on Imperial Account in India on Famine Relief and Insurance." This would show that there is some expenditure incurred from the Famine Relief Fund on account of irrigation?—Yes, there is some expenditure, but not on account of these works.

9687. I understood you to say there was none?—No. I think Sir Ralph's question was whether there was any expendiure on these particular works which had been charged to the Famine Relief Fund.

9688. (*Sir Ralph Knox.*) Yes.

9689-90. (*Chairman.*) Could you tell us what was actually given under that arrangement to the company? First of all, they received 5 per cent. debentures at par?—No; that was the proposal made by the Government of India. They only received the amount in cash.

9691. That is to say, you borrowed the money and paid it over to them?—We paid the amount over in cash.

9692. And the sum paid to them was the amount of their capital at the time?—Yes.

9693-4. Then in addition to that, there was 50,000*l.* paid as bonus to the shareholders and the officers, as I understand you?—Yes.

9695. And I thought I understood you to say that a sum was also paid on account of the other project connected with the Orissa project?—Yes, the Sone project—the sum was paid for the Orissa works and the Sone project; they had only commenced the Sone project.

9696. A sum in addition to the 1,040,000 paid?—Yes.

9697. (*Mr. Buchanan.*) What sort of an amount?—I gave the amount last time; I have not got it exactly now; I think it was about 50,000*l.*

9698. Was that also purchased at par? Does the 1,040,000 Rx. represent the capital expenditure at par of the company?—The whole of it represents capital expenditure.

9699. They got 20*s.* for every pound they had expended?—Yes.

9700. Although the property was yielding nothing?—Yes; but that was largely, I may say almost entirely, owing to the fact that various complications had arisen, and especially complications as to the distribution of the revenue between the Government and the company; it was almost impossible to settle those complications satisfactorily to either party.

9701. (*Chairman.*) That is to say, difficulties due to the apportionment of the land revenue? Do I understand it in this way: the Government admitted that the land revenue had been benefited by these works?—Yes, or that it would be benefited.

9702. But they were unable to apportion that benefit in such a manner as to give the company what would fairly represent the value they had acquired?—Yes.

9703. Which the Company's works had bestowed upon the land?—Yes.

9704. Had they any idea as to what that benefit was?—I do not suppose that any definite account of that was made out.

9705. (*Sir James Peile.*) Did the company sell the water by the gallon to the people who took it?—No; part of the contract with the Government was that they should sell the water to the Government, and that the Government would arrange for the distribution to the cultivators.

9706. (*Chairman.*) But under those circumstances the Government paid the company something, I suppose?—They would have had to pay, but it was the difficulty of settling the amount which should be paid, which largely led the Government to conclude that it was impossible for the company to work the irrigation canal.

9707-8. I have not the least doubt the Government of India had very good reason for giving so large a sum in order to take over these works which were not paying anything; but *primâ facie* it looks as if they were paying a great deal for nothing. Would it be possible to ascertain the reasons which induced the Government to think that this 1,100,000*l.* or 1,200,000*l.*, whatever the total sum paid to the company was, was not an unfair bargain for the Government?—I can put in a copy of the letter of the Government of India of the 16th July 1867, of which I have given a summary, and which shows the detailed reasons which led them to recommend even more favourable terms than were actually granted by the Secretary of State.*

9709. (*Sir Andrew Scoble.*) Was not the main reason that the Government wished to include the charge for water in the land revenue demand?—I do not know that that was the reason; but there was great difficulty experienced in assessing the irrigation revenue separately from the land revenue, and fixing a rate which would satisfy the company.

9710. (*Chairman.*) It seems to be a very complicated arrangement entered into by the Indian Government, which resulted in rather doubtful pecuniary advantages to the Government?—It was thought beforehand that the system provided in the contract could be worked. A provision for settling the rates in this way, namely, that the water should all be supplied to Government, was entered in the original contract; it was, however, found by experience that this provision really did not obviate the difficulties in working.

9711. It was rather a complicated arrangement, the Government stipulating first of all, that the company should not sell direct to the cultivator, but should sell to the Government, which should sell again to the cultivator; and that then, as soon as they had made the bargain, they should find it was one they could not carry out; it does not sound like a very carefully made contract?—I should not care to say that at all. It is very difficult in these cases to tell, until you come actually to work a scheme of that kind, whether it will work or not.

9712. (*Sir Ralph Knox.*) Were the rates at which the water was supplied to the Government elastic and varying, or were they fixed rates?—No; there was no rate fixed by the contract; the rates were to be settled practically by arbitration; that was really the idea.

9713. It was to depend upon the profits?—To keep them in view.

9714. (*Chairman.*) I think you have told us that there are now no companies working canals?—No, there are none. I have omitted to say that the taking over of the Orissa Canal was carried out under the authority of an Act of Parliament; it was approved by Parliament. I have not given the terms upon which the Madras Irrigation Company was taken over.

9715. Was there any guarantee in that case?—Yes, 5 per cent. in that case.

* *See* Appendix 25.

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9716. Therefore in that case the Government was only buying up its own guarantee?—Yes.

9717. Would it be possible for you to tell us what the price of the shares was in the market?—I have ascertained what the price of the Madras Irrigation Company's shares were.

9718. But of the Orissa shares?—I could find that out, probably.*

9719. Perhaps you will put that in in answer to this question I am asking now?—Yes. The terms were that the Madras Irrigation Company was to make over all its property to the Secretary of State; that for each 100*l.* of the capital stock of the company the Government of India should pay 106*l.* with interest at the rate of 5 per cent. from the last day of payment of interest under the existing Act of Parliament up to the day of actual payment; that for each 100*l.* of principal of mortgage debenture, due by the company, the Government of India should pay 75*l.* with interest at the rate of 4 per cent. from the day of the agreement being signed for the transfer, by or on behalf of the Secretary of State for India, and by or on behalf of the Board of the company; that a sum of 12,000*l.* should be paid to the Board for compensation to their officers and clerks, and to themselves for the loss of their offices and emolument.

9720-1. What did that total sum amount to, do you know?—I gave the exact amount last time. It was 1,404,000 Rx.

9722. Do you know the amount for which the guarantee was given?—The original guarantee was on 1,000,000 Rx.

9723. They did not spend that?—Yes, they spent over a million—1,400,000 Rx.

9724. Therefore it may be said that they gave up 1,400,000 Rx. to buy up a guarantee of 50,000 Rx.?—The price of the stock then was 104 in the market.

9725. 104?—Yes; they only paid two per cent. more than the price of the stock. The company were entitled to get the guaranteed interest till 1888—that was the first year in which the Government had the option of purchase.

9726. But the guarantee was a guarantee of 5 per cent. on a million?—Yes.

9727. Which amounts to 50,000 Rx.?—Yes.

9728. For which they gave 1,400,000 Rx.?—They gave only the amount of the capital at the rates I have mentioned.

9729. But practically, in carrying out the bargain, that was the cost to the Government of acquiring the works?—Yes, but Government had also advanced money to the company which it had spent in addition to its capital.

9730-1. But the Government would not have paid the company again the amount which the Government had itself advanced to them?—The money had been actually spent on the canals.

9732. But did the Government lend the money free of interest?—No, there was to be an interest charge.

9733. Then we may separate that for a moment?—There was also a debenture capital.

9734. Had the debenture capital no guarantee?—It carried no direct guarantee, and Government only paid 75 per cent. for the debenture capital.

9735. (*Sir James Peile.*) That payment was included in the 1,400,000, was it not?—Yes.

9736. (*Chairman.*) 1,400,000 Rx. covered everything?—Except the balance of the advances from Government.

9737. Was that written off?—Yes, that was written off.

9738. Do you know what the balance amounted to?—358,428*l.*

9739. Therefore, first of all, the company spent 1,000,000, for which they had a guarantee of 5 per cent.; and then, I think, they had some debenture capital out besides?—Yes.

9740. I think you told us what that amount was?—The amount is not stated here, but it was to be taken over at 75 to the 100. Very careful calculations were made in the taking over of this company, as to whether it would pay Government better to wait until 1888 and take the works over then under its option of purchase; but Government came to the conclusion that it would be more profitable to take them over in 1880, if they could induce the company to accept those terms.

9741. Would you be able to tell us what the debenture capital was?—Yes, I have found it here. 430,000*l.* mortgage bonds.

9742-3. 430,000 mortgage bonds, paid for at 75, amount to 322,500*l.*?—Yes.

9744. Was that the market value of the debentures at the time?—I could not find any quotation for the debentures; I found a quotation for the stock: that was 104. I may say that the Famine Commission considered that it was absolutely essential that the Government should induce the company to make over the works to the Government.

9745-6. (*Sir James Peile.*) Because of its value as a protective work?—Yes. The Famine Commission said "The Irrigation Committee have reported at considerable length on the works of the Madras Irrigation Company, and have shown the nature of the difficulties that have arisen in the management of the canal. We have given our best attention to this subject, and can only conclude that the system created under the terms of the contract between the company and the Secretary of State, under which a divided responsibility was established, the company's servants managing the works, while all dealings with the cultivators were placed in the hands of Government officers, is one which could not possibly succeed; and that, although any really satisfactory result can now hardly be expected, the only prospect of obtaining any return whatever from the large outlay which has been incurred on the works is to be found in the complete transfer of the canal to the State on the least onerous terms that the contract will permit."

9747. (*Chairman.*) And those terms were, first of all, writing off the debt which the company owed the Government of 358,000*l.*?—Yes.

9748. Then giving a million at par for stock that was worth 104 in the market?—No, they gave more than par; they gave 106.

9749. 106; and they bought up (at, I suppose, something like market rate) the debentures?—Yes. The canal was actually in the hands of the debenture holders at the time, so that the matter was further complicated by that.

9750. And was the canal making 5 per cent. at that time?—No, certainly not. It was not covering its working expenses at that time.

9751. What is it doing now, do you know?—It does not cover its working expenses now.

9752. Therefore the State gave something like 1,700,000*l.*, for which it gets no return whatever?—Yes, it gets practically no return.

9753. (*Sir James Peile.*) Except the protection of the country in the case of famine?—Yes.

9754. (*Sir Ralph Knox.*) Practically, it is a relief work?—Government looked upon it as a protective work required for the prevention of famine.

9755. (*Chairman.*) What was the date at which the transfer was made?—In 1880.

9756. 1880. I think you mentioned just now that an opportunity of acquiring the canal would have occured in 1888, did you not?—Yes.

9757. What were the terms upon which it might have been acquired then?—The Government would have had to pay the average value of the share capital during the three preceding years, and they would have had to pay off the mortgage bonds, and to continue paying 5 per cent. interest until 1888.

9758. Yes, and therefore what they said was that they could borrow at less than 5 per cent.; but on the debenture capital they would be paying more than they were under obligation to pay before?—No, not if they paid it off at 75.

9759. As soon as the loan was raised of 1,400,000, they would have to pay the interest on the whole of that. What were they borrowing at? 3½ or 4?—About 4, I should think, at that time.

9760. That is to say, at the time they borrowed this money to pay the company off they would be paying 56,000 a year; 4 per cent. on 1,400,000?—Yes.

9761-82. And if they had carried it on till 1888 they would only have been under obligation to pay 50,000, namely, 5 per cent. on one million?—I cannot give full details of this arrangement at present, as I know

* *See* Appendix 30.

nothing about it, except what I find in some old papers which were only placed in my hands last evening. I can only say now that the point was considered at the time, and it was calculated that it would be more profitable to take it over in 1880 than in 1888. I can put in the papers if desired, or, if permitted, I will put in a memorandum explaining the arrangement, and, as far as possible, the considerations which led the Government to accede to it.

9783. Will you kindly do that?—Yes.*

9784. (*Sir William Wedderburn.*) Was this settled in Lord Lytton's or Lord Ripon's time; they were both Viceroys in 1880, I think?—The Secretary of State's despatch sanctioning the arrangement is dated 6th January 1881.

9785. (*Chairman.*) You were also asked to obtain some further information as to the action of irrigation works in rendering some lands sterile. Have you obtained that?—It was as I thought. In the case of only one canal has there been any serious inconvenience—that is the Western Jumna Canal. The land irrigated by that canal became water-logged, owing to the faulty alignment of the canal, which interfered with the natural drainage of the country. This led to the remodelling of the canal on a new alignment, and steps were taken for the drainage of the affected tracts. In 1891 the Government of India reported that considerable improvement had already resulted from the measures taken, but "the evils which the works were designed to remedy "are of old standing and took many years to reach "their climax, and it must naturally be expected that "the remedy will be equally slow in its action."

9786. (*Sir Ralph Knox.*) Was that a costly improvement?—Yes; I forget the exact cost, but it cost a considerable amount.

9787. (*Chairman.*) Have you obtained the information asked for by Sir William Wedderburn as to the levy in any part of India of a protective irrigation rate?—I have looked into that matter and I can now say definitely that no protective irrigation rate is levied in any part of India. The Government of India imposed such a rate in the Irrigation Act for the Punjab (xxx. of 1871), but the Secretary of State took objection to the provision, and the Northern India Act (viii. of 1873) was passed repealing that Act, and re-enacting its provisions (minus those relating to the protective rate) for the North-West Provinces and the Punjab. In Bombay a similar provision was included in its Irrigation Act passed in 1879; but the Secretary of State again took objection to it, and it was repealed by an Act of 1880. In Madras there is no special irrigation rate; the revenue is collected as part of the land revenue. The land is held on a ryotwari tenure, and is assessed at wet and dry rates, according as it is or is not irrigable.

9788. (*Sir Ralph Knox.*) Do I understand you rightly that the Government of India were prepared to levy a rate for irrigation works, but were overruled by the Secretary of State?—That is the case.

9789. (*Chairman.*) Can you give any more definite information than before as to the financial results of those minor works of which capital and revenue accounts are not kept?—Yes. Since my last examination I have found a Resolution of the Government of India, which gives figures for 1893–4, showing the results of the works of which capital accounts are not kept. They say that the direct receipts of these works comprise only the sums realized by the Public Works Department, which alone are credited in the Public Works accounts. The whole of the revenue due to irrigation is assessed and collected with the land revenue, and is therefore credited as an indirect receipt. And then they give a statement which gives the net revenue for these works in Bombay as 27,000 Rx; Scinde, 115,000 Rx; Punjab, 18,000 Rx; and Madras, 687,000 Rx; showing that these works of which capital accounts are not kept brought in, including land revenue due to irrigation, 847,000 Rx in 1893–94.

9790. And that 847,000 Rx. is put against what expenditure?—That is the net revenue, after deducting from the gross revenue the working expenses.

9791–2. But omitting interest on capital?—Yes.

9793. What would the interest on capital be?—That I cannot say, because separate capital and revenue accounts have not been kept from the beginning.

9794. Therefore they do not know what these works cost?—No, but it is certain that they did not cost anything like the capital represented by a net return of 847,000 Rx. I mean that this amount of net revenue would much more than cover the interest on the capital

9795. Had they not got any idea of what the works cost?—They have no accurate information as to the cost of these works of which no capital and revenue accounts are kept.

9796. (*Sir Andrew Scoble.*) They are not made from borrowed money?—No; they are made from revenue entirely.

9797. (*Chairman.*) I think we will pass on now to the remainder of the heads that come under Administration. I think there are certain points, Mr. Jacob, connected with the Marine, which would not fall within Captain Hext's knowledge, upon which I will ask you one or two questions. Have you anything further to say about the charges of the Indian Marine?—In the course of Captain Hext's examination it was asked that a statement might be put in showing exactly what the receipts and expenditure of the Royal Indian Marine for the last four years were. I have prepared a statement in which I have taken all recoveries as receipts, and shown the expenditure as gross. Some remarks were made as to the variations in the expenditure from year to year, but it will appear from this statement that the variations in the gross expenditure are very slight. (*Statement put in.*) The variations are entirely in the recoveries.*

9798. But in this account, the stores, I presume, only include stores purchased in India?—Yes, that is so.

9799. But do the recoveries cover recoveries on account of stores brought from England?—Yes.

9800. Then to make this complete you ought to put at the bottom the amount of the stores purchased in England, ought you not?—That would be necessary in order to give a complete account; but what was asked for in the examination was a statement of the Indian accounts.

9801. But if you count among the receipts sales of stores purchased in England, and the cost of those stores does not appear in this account, it leads one to a not perfectly correct conclusion as to what the cost of the Indian Navy is?—Of course that would be so.

9802. Could you add a line to this account showing that?—Yes; I have the figures of the stores for 1893–4 and 1894-5.

9803. That would be quite sufficient to show us; if you have got 1892–3 handy, you might put them in?—Yes.

9804. Are any other charges falling under this head incurred in India?—Yes. Certain charges are incurred by the Provincial Governments, which are charged under this head.

9805. But those charges are included in the separate accounts of the Indian Marine, are they not?—No.

9806–7. I have before me, for instance, the Finance and Revenue Accounts of the Government of India for 1893–4; those accounts would include the provincial expenditure?—Yes. They are not included under the "Indian Marine," but they are included in the charges taken under the head of Marine.

9808. In the Budget would they not be included in the Indian Marine?—No. The Indian Marine is the technical term for the Marine Department, which is under the Imperial Government.

9809. Take that paper which you have just handed in; does that include the provincial expenditure?—No; only the Royal Indian Marine.

9810. Would it not be well to make that clear?—I have headed it, "Accounts and Estimates of the "Royal Indian Marine."

9811. Yes, that would carry to you the difference, but not to us?—I will make that clear.

9812. You were going to mention something about other charges falling under this heading?—Yes. They are chiefly for vessels which are kept for local purposes, river steamers and steam launches, and so on; and there are also a few marine establishments, state yacht establishments, lighthouses and lightships, and some subsidies paid to steamers; there are also pilotage charges—which last, however, are more than covered by pilotage receipts.

9813. Can you give any explanation as to their nature?—The total charges for the provincial Marine amounted in 1893–4 to 76,293 Rx.; that is the net charge, deducting receipts.

* *See* Appendix 31.

* *See* Appendix 60.

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9814. And that sum has to be added to these sums which appear in the paper you have just handed in, in order to give us the cost of the marine to India?—Yes. Under salaries and allowances of officers and men afloat there is 26,000 Rx.; victualling, &c., 2,000 Rx.; marine stores, repairs, &c., 23,000 Rx.; purchase and hire of ships, 25.000 Rx. These charges were incurred in respect of inland steamers, flats, and launches, mainly in Burma, Bengal, and Assam, all of which have large waterways.

9815. (*Sir Ralph Knox.*) Captain Hext has nothing to do with these?—No. Any work required in the dockyards is generally done for them by the Imperial Marine Department, but it is charged for.

9816. (*Chairman.*) Now in these Indian Finance and Revenue Accounts for 1893–4, the total Marine charge is put down, including exchange and charges in England, at 754,000 Rx. Would you show us where these provincial charges appear in those accounts as separate from what I may call the Imperial charges?—Under the "charges in the Civil Departments," on page 77.

9817. "Charges in the Civil Departments," those are the totals you read to us?—No, I have given you the net charge. There are certain credits on those accounts, but the net charge is based upon those figures. Thus the figure is 26,947 Rx. for charges for salaries, &c., minus 1,212 receipts.

9818–9. Would you tell us the other charges that come in that are provincial, making up 203,360 Rx.?—The net charge is only 76,293 Rx.; there are a good many receipts.

9820–1. This account, then, begins with Imperial charges for "India general," which make up a total of 145,948?—Yes.

9822. Then there comes 203,360, which are provincial charges?—Yes. The Upper Burma charges are still Imperial, but they are of the same nature as the other provincial charges, and are classed with them.

9823. But, apart from that, the 203,360 Rx. would not be administered under Captain Hext?—No.

9824. Then there come charges in England, 245,443; I see that includes stores bought in England?—Yes.

9825–6. Therefore this account of 754,000 Rx. in the Finance and Revenue Accounts is a complete account?—Yes, that gives the gross charge.

9827. And the only thing that would have to be added to that in order to arrive at the total charge of the Indian Marine, would be pensions, I suppose?—Yes. Stationery and printing is also charged under its own head.

9828. I think you have given us some of your heads of charge?—The first four heads all relate to the steam launches and flats, and so on. The charges for the purchase and hire of ships are also for provincial steamers and steam launches. The charges under that head were exceptionally high in 1893–4, owing to purchases in several provinces. The amounts were, in Upper Burma, Rx. 6,000; Lower Burma, 3,000; Bengal, 13,000; and Madras, 3,000; making a total of 25,000. Then there are certain marine establishments, such as the shipping offices, agency for Government consignments, Marine Courts, and the port officers department in Calcutta; these come to about 5,000 Rx. net: that is, after deducting the shipping office fees.

9829. For what purpose are provincial steamers and steam launches maintained?—For purposes of communication. The district officers in various Departments in Burma, and also in Bengal and Assam in some cases have steam launches as the easiest way of getting about their districts, the waterways being numerous and large.

9830. Under what heading are those steam launches included in the account?—The charges for their officering and maintenance is brought to account under the first three heads, namely, salaries and allowances to officers and men afloat, victualling, and stores, coal, repairs, &c., and then the purchase of them is charged under the next head.

9831–2. Was the charge for the purchase of these steam launches and provincial steamers a normal one in 1893–4, or was it unusually large?—It was much larger than usual.

9833. Therefore, so far as that is concerned, you expect it to be lower in ordinary years?—Yes, the average annual charge would be much lower.

9834. What are the subsidies charged under this head?—Subsidies paid in 1893–4, are as follows: for communication between Rangoon, Bhamo and Chindwin, 4,800 Rx.; between Bhamo, Suibo, and Myitkyina, 550 Rx.; in Lower Burma there are six different lines to which subsidies are paid, amounting to 6,000 Rx.; in Assam, accelerated service on the Brahmaputra, 1,576 Rx., and accelerated service between Narainganj and Cachar, 916 Rx.; in Bengal there are some small subsidies, of which details are not given, amounting to 1,576 Rx., making a total charge of 15,816 Rx.

9835–6. Are those subsidies purely for civil or military services, or do they include postal?—Postal subsidies are charged separately to the Post Office.

9837. Upon what principle are the lighthouses and lightships charges made out; are there any light dues?—The charges for lighthouses and lightships now occur only in Burma; the light dues more than cover the charges shown there.

9838. But in the Finance and Revenue accounts, are not these the gross charges?—Yes; the receipts are given on page 74 of the Finance and Revenue Account of 1893–4.

9839. In the gross charge there is no statement of the cost of the lighthouses and lightships, which, if it is the gross charge, there ought to be. There are only lighthouses, you said just now, in Burma, and the dues more than cover the charges?—In this year they did. Burma is the only case in which we have any lightships for which the Government are directly responsible.

9840. Who carry on the light service?—We do not require lights, except in Burma. We collect dues for the Board of Trade on certain lights passed by vessels going out to India.

9841. Have you no lights on the coast of India?—No, except in the ports, and they are maintained out of port funds.

9842. What is the arrangement under which pilotage charges are incurred? Do you get any receipts on their account?—Yes, the receipts more than cover the charges. They are incurred almost entirely in respect of Calcutta. In Calcutta the receipts were 85,000 Rx. in 1893–4, and the charges were 52,000, net receipts, 33,000. In Bombay there were very small receipts and charges; 125 receipts, 336 charges, net receipts, 90.

9843. What is the nature of the miscellaneous receipts and charges?—They include various small charges: contributions to port funds, lifeboat establishment, harbour master's fees for sea-going and inland vessels, grants to port and pilotage funds.

9844. I think those are all the points to which you would call our attention in connexion with the Marine?—Yes, I think so.

9845–6. I should like to ask you one or two questions upon a paper which is before me, as it gives an example of the audit of the Marine accounts. This paper commences with a report from Mr. J. E. Cooke, and it appears to have been submitted to you, and forwarded with your remarks to the Accountant General in the Military Department?—Yes.

9047. Who is Mr. Cooke?—Mr. Cooke is one of the Deputy Auditors General.

9048. One of your officers?—Yes.

9049. And he goes and examines the books of the Marine Examiner?—Yes.

9050. The report is a lengthy report, showing very careful and minute examination of the books, with a good many criticisms upon them, and also the result of a test examination of a certain number of the vouchers?—Yes.

9051. This is his report to you?—Yes.

9052. On that, you take up those points which you think require notice?—Yes.

9053. Making your notes upon them, and then sending them to the Military Accountant General?—Yes.

9054. Is the Marine Department under the Military Department?—Yes.

9055. And what is done with that report? Do you ever hear of it again, or whether any action has been taken upon your criticisms?—Yes; a detailed report is

submitted to me with reference to any action that has been taken.

9856. By the Military Department?—By the Military Accountant-General.

9857-9. And, supposing there were any points to which you had called attention, on which no action had been taken, what would you do?—As a rule, in any matters of account, my instructions must be carried out.

9860-1. But suppose there are any charges to which you take exception?—If there was a difference of opinion between the Military Accountant General and myself, it would be referred to the Government of India.

9862. Yes, but whom does the Government of India mean? the Financial Secretary?—It would depend upon which of us referred it; I should refer it to the Financial Department, and the Military Accountant General would refer it to the Military Department.

9863. And then it is decided between you in Council, I suppose?—It would be decided by the Government of India as a whole.

9864. Might it be decided in the first instance between the Military Member of Council and the Financial Member of Council, without actually going to the Council?—Yes: if they agreed, it would probably be so decided.

9865. Otherwise it would go to the Council?—Yes, if there was a difference of opinion between the Departments.

9866. But have you not some power to insist that any point to which you take exception, shall come home to the Secretary of State?—Yes. If the Government of India overrules an account officer on a question of audit, as to a matter in which the account officer considers that Secretary of State's sanction is required, it must report the case to the Secretary of State.

9867. That is to say, if you object to a charge, and the Government of India do not think you have made good your objection, they must send it home for the decision of the Secretary of State?—They must either accept such a suggestion as I have mentioned, or send it home.

9868. That is automatic; you are not obliged to demand that it shall be sent home?—No.

9869. The next division, I think, is the Education Department. What department in India administers the educational system?—The Home Department of the Government of India has the general control of the educational system in India.

9870-1. Is the Education Department a branch of the Home Office?—Education is one of the services which are administered by the Home Department.

9872. Who is at the head of it?—There is no special head of the Educational branch.

9873. Is there not an officer corresponding to an Assistant Under Secretary of State?—I do not know what local distribution of departments there may be in the Home Department secretariat; all that can be said is that that branch of the public service is administered by the Home Department.

9874. I see in the Finance and Revenue Accounts the Education Department begins with the Director of Public Instruction, who has an establishment?—There is one in each province.

9875. There is no Assistant Secretary at Calcutta, or person occupying that rank, who is charged with the general superintendence of the Education service?—No, apart from the Home Department of the Government of India.

9876. Does there ever come out a Minute of the Government of India applying to education generally throughout the empire?—Yes: Resolutions are frequently issued in the Home Department with reference to education.

9877. And the chief permanent officer would be the Secretary in the Home Department, and he would prepare, or cause to be prepared, any such general order?—Yes. Of course it would issue with the authority of the Government of India, not with the authority of the Secretary who happens to sign it.

9878. I quite understand that; but, as I understand, there is one great division of the Government of India—the Home Department—which has a great number of branches of business under it?—Yes.

9879. Among them being Education?—Yes.

9880. Of course the Secretary acts under the authority of the Council or the Member of Council who is at the head of that branch?—Yes.

9881. But the Secretary is the man who prepares or drafts under the instructions of his superior, and in this case the general education order would be prepared under the orders of the head of the Home Department by the Secretary in the Home Department?—Yes.

9882. Is the education question left very much in the hands of the Provincial Governments?—The expenditure is entirely provincial.

9883. And is the administration left very much to them?—Yes, subject to the general control of the Government of India.

9884. That is to say, there is no uniform principle of education throughout India. It is very much what the separate Provincial Governments consider necessary?—Each Province has its own code and system; but each such system is based on general principles laid down by the Government of India.

9885. Will you give us the total charges for education in 1875-6 and 1893-4 and 1894-5?—The gross charge for education in 1875-6 was 1,021,000 Rx.; in 1893-4, 1,472,000; and in 1894-5, 1,511,000. Then there are certain receipts which are credited to education: 147,000 in 1875-6, 216,000 in 1893-4, and 214,000 in 1894-5; so that the net charge for education is, in 1875-6, 874,000; in 1893-4, 1,256,000; and in 1894-5, 1,297,000.

9886. Each of these separate charges for education in each different province is the outcome of the code of that province?—Yes.

9887. Are those charges met to any extent from local rates?—Yes, a considerable proportion is now met from local rates. The amount charged locally in 1875-6 was 227,000; in 1893-4, 646,000; and in 1894-5, 665,000.

9888. Out of that total?—Yes.

9889-90. Upon what principle is that expenditure provided? If such large discretion is entrusted to the Provincial Governments, why this subvention, as it were, from the Imperial Government at all? As I understand, you gave us just now the net charge of education in 1894-5 as 1,297,000, or, in round numbers, 1,300,000?—That includes provincial and local charges.

9891. Out of that the provincial expenditure was between 600,000 and 700,000?—The net local expenditure was about 600,000.

9892. Therefore, putting it roughly, 50 per cent. was provided by the Provincial Governments?—The local expenditure is provided, not by the Provincial Governments, but by local rates. The expenditure, except what is local, is almost entirely provincial.

9893. I thought you said that out of the 1,300,000 net 600,000 was provided by the Provincial Government?—No: that is roughly the amount provided by local rates.

9894. By local rates?—Yes, and the rest by the Provincial Government. The only Imperial charges for education are in the small provinces, which are directly administered by the Government of India. They amount to only 28,000.

9895. Therefore you may say that 50 per cent. is provided by local rates and 50 per cent. out of taxes?—Yes. Some of the receipts of course, are local; I was giving the figures of the gross charges.

9896. I am taking your net charge. I understood you that it was something under 1,300,000 for 1894-5?—Yes.

9897. And of that you say that 665,000 was provided from local rates?—665,000 I gave as the gross local charge; the local receipts were 85,000, so that that would reduce the net local charge to 580,000.

9898-9. In round numbers 600,000 out of 1,300,000; that is, local rates provided something approaching one half?—Yes, not quite one-half.

9900. Would you call our attention to any heads of expenditure which deserve notice?—The expenditure under this head is divided mainly into direction and inspection, university charges, Government colleges, Government schools, grants in aid, scholarships, and a few miscellaneous charges. The direction and inspection cost, in 1875-6, 158,000 Rx.; in 1893-4, 220,000; university, in 1875-6, 7,000; in 1893-4, 4,000. Government

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colleges, in 1875-6, 107,000; in 1893-4, 151,000. Government schools (general schools), in 1875-6, 435,000; in 1893-4, 540,000. Special schools (that is, technical and training schools), in 1875-6, 42,000; in 1893-4, 90,000. Grants in aid, in 1875-6, 174,000; in 1893-4, 374,000. Scholarships, in 1875-6, 40,000; in 1893-4, 52,000. Miscellaneous charges, in 1875-6, 56,000; in 1893-4, 38,000. Refunds, 1,000 in each year; which makes up a total of 1,020,000 in 1875-6, and 1,469,000 in 1893-4.

9901. The main part of the expenditure may be said to be, first of all, payments to Government schools (secondary, primary, and contributions to schools), which amount to something like 540,000?—Yes, that was the charge in 1893-4.

9902. That is the biggest charge, and, of the total charge you may say that about one-third goes in grants to Government schools?—Yes, rather more than one-third.

9903. And the next is grants in aid, and—what I suppose are akin to grants in aid—payments by results?—In that particular year they came to 374,000.

9904. And, therefore, out of 1,469,000 Rx. you get two items that come to 900,000, covering very nearly two-thirds?—Yes.

9905. What are the Government schools; why are they so styled? Are there other schools?—Yes, there are other schools which receive these grants in aid.

9906. They merely receive grants in aid; but Government schools are schools absolutely kept up by Government?—Yes.

9907. Does that represent the whole of the expenditure on education in India?—No, it does not represent the whole of the expenditure. There is also expenditure from municipal funds which is not charged in the Government accounts; that amounted to 235,000 Rx. in 1893-4.

9908. (*Sir Ralph Knox.*) Is it raised by local rates?—Yes; a great part of the other expenditure is raised by local rates too.

9909. (*Chairman.*) Are there any village schools?—Yes.

9910. And are they paid by local rates too?—Yes. In some provinces a large proportion of the village schools are paid by local rates.

9911. (*Mr. Naoroji.*) Local rates and municipal rates are different from each other?—Yes.

9912. Local rates are levied by the Government?—Yes.

9913. (*Chairman.*) But they would not be included in this budget?—The local rates, as distinguished from municipal rates, are. The local rates are not included under the head of Education, but the Education charges against them are.

9914. Would this 1,469,000 Rx. include any expenditure upon village schools as apart from municipal schools?—Yes.

9915. (*Mr. Naoroji.*) But they are not included in the receipts which are locally raised?—They are not included in Education receipts; they come under Provincial Rates.

9916. Yes, and are not included in the education receipts?—No.

9917. (*Chairman.*) Of course, if you are making up a budget of the education charge, you ought really to put these receipts against the expenditure?—They are general rates; they are not applicable solely to education; certain heads of expenditure have been made over as chargeable to the local rates, but you could not say that any fixed portion of the local rates is for education.

9918. Yes, but a portion of them is for education, is it not?—Yes, they are applicable to education amongst other things.

9919. But you cannot earmark them to education?—No.

9920. But still, if you are stating what the charge for education is in India, you would have to add to this 1,469,000 the municipal schools which cost 235,000 Rx.?—Yes.

9921. Then you would have the total charge of education in India, including any sums spent on what I call village schools?—No; you would have also to include, in the case of the schools which receive grants in aid, the further charges in excess of the grants in aid; and also the charges for private schools, which receive no grants.

9922. I am taking the total, 1,470,000; that includes grants in aid?—But these grants in aid are made to the non-Government schools—schools which are conducted by private parties or associations.

9923. Yes?—The charges of those schools are not covered by the grants in aid; so that if you wanted the total cost of education in India, you would have to include the extra cost of those schools.

9924. But where would you find the extra cost of those schools; where would that be paid from?—That would be paid from private funds—missionary funds, or association funds, or private funds.

9925. But, when I am talking of the total charge of education, I mean to the taxpayers?—Yes, the inclusion of the municipal funds would cover that.

9226. But, if you want to take the net charge to the taxpayer—the Imperial taxpayer—you would have to make an allowance, which is not now made, of those sums which are paid out of what Sir James calls the extra anna of the land tax?—Yes.

9927. (*Sir James Peile.*) Sometimes an extra anna, sometimes more.

9928-9. (*Mr. Mowbray.*) Did Mr. Jacob give us the exact figure of the Imperial charge for education in 1893-4?—28,000.

9930 (*Chairman.*) That is the charge to the Central Government?—No; that is mostly for the small provinces which are administered directly by the Government of India.

9931. But which is incurred under the authority of the Central Government?—It is charged to Imperial funds.

9932. As I understand it, first of all, there is the education provided in the Budget, which in this particular year of 1893-4 amounted to 1,470,000 Rx.; in addition to that there is an expenditure by the municipalities amounting to 235,000. Therefore, if you want to state the whole of what I may call Government expenditure in India it would come to something like 1,700,000 Rx. Now, going back to the 1,470,000, which is the Budget expenditure on education, that is made up, first of all, of a certain amount of something like 560,000 Rx. derived from local rates?—That is about the net amount charged to Local Rates.

9933. Then there come a certain amount of other receipts which are not attributable to local rates?—Yes.

9934. What were they?—Those are mainly the fees which are levied in Government schools.

9935. What did they amount to?—The local amounts to 84,000, Imperial and provincial to 132,000.

9936. Therefore you may say that the Imperial taxpayer pays out of that 1,469,000 something like 800,000; does that represent the result?—Yes, about 800,000 of the gross charge and about 700,000 of the net charge.

9937. I have got it in this way: that the subventions from local rates are 560,000, and the receiptsfrom fees and so forth 127,000; that makes 687,000. The total Budget charge is 1,470,000; deduct 687,000 from 1,470,000, and that leaves in round figures 780,000 Rx. as the charge on the Imperial taxpayer?—That is in round numbers the gross charge to Imperial and Provincial.

9938-9. (*Sir Ralph Knox.*) That is about one-half of the gross?—It is more than one-half of the gross charge.

9940. (*Chairman.*) I now go back again, putting aside the municipal expenditure of 235,000, in order to find out what the charge is on the local rates, and what charges come on the exchequer, out of this 1,470,000. I learn from Mr. Jacob that the receipts from school fees of all kinds were 216,000, and in addition to that the local provincial rates provided 550,000?—The exact amount is 562,000.

9941. 778,000, does not that make?—It makes 778,000; take that from 1,470,000 and you are left with 642,000 as the sum that comes out of the general revenues.

9942. (*Sir William Wedderburn.*) I do not see any reason for treating differently the 562,000 of local rate and the 235,000 of municipal rates.

9943. (*Chairman.*) Only one is put in the Budget and the other is not. That is why I separated them.

9944. (*Sir William Wedderburn.*) I quite follow that, and I only wish to point out that, although collected by the Government and therefore appearing in the Budget, they are really as much a local contribution, and as little a real contribution of the Imperial taxpayer, as the municipal.

9945. (*Chairman.*) That I quite follow. Of what do the University charges consist?—The main part of the charge for universities is at present for the Punjab University. The Calcutta and Madras Universities receive nothing from Government, and the Bombay University only receives a fixed grant of 500 Rx. The balance of the charge is for the Punjab, which is a new institution, so that its receipts do not yet quite cover its expenses.

9946. (*Sir Ralph Knox.*) But the Universities are self-supporting generally?—Yes, they are intended to be self-supporting; the Calcutta and Madras Universities have been absolutely self-supporting for some time, and I believe the Bombay University is to be self-supporting in future.

9947. Have they any property or endowments?—They have various endowments for special purposes. I am not sure whether they have any general endowments.

9948-9. (*Mr. Mowbray.*) This charge is in fact a diminishing and a disappearing charge?—Yes.

9950. (*Chairman.*) Do you think we shall have to look for a continued increase in the education charge?—I should think the net charge would not increase very much, I mean the net charge to the Imperial or provincial taxpayer, as apart from the local rates.

9951. But do you expect to see this total of 1,470,000 rise very much?—I should think that that would increase very much.

9952. But it would probably be met out of local rates?—Yes, to a great extent.

9953. Is the policy of the Government of India at the present moment to extend education largely, which of course would mean a large increase of expenditure, or is it standing still?—I do not think it is extending largely; it is being developed gradually; and every year there is a steady increase of the charge.

9954. But that is probably only because of the increase of population?—I should think it is slightly more than that; but there is not a large increase year by year, though there is a steady increase.

9955. (*Sir James Peile.*) The policy is to encourage private enterprise by grants in aid?—Yes.

9956. (*Chairman.*) Have these grants in aid increased very much of late years?—Yes, since 1875-6 they have increased largely. They were, including payment by results, only 174,000 in 1875-6, and 374,000 in 1893-4.

9957. And that is the head under which you would expect to see an increase year after year?—Yes, I think the largest increase will be there; there may be some slight increase in Government schools, especially technical schools.

9958. (*Sir James Peile.*) Government stimulates weak branches of education by special assistance at the beginning? For instance, you have lately established technical schools, and there is a great increase there?—Yes.

9959. That is special encouragement to technical education?—Yes.

9960-1. And female education in the same way was stimulated by special grants? Yes. I should think the increase will be largely in elementary education.

9962. (*Sir Ralph Knox.*) Since when have those special aid grants been introduced?—They have been going on for a long time, certainly since the Education Despatch of 1854; but they have been very largely increased during the last 20 years.

9963. (*Mr. Naoroji.*) Can you give something like the whole of the Government expenditure, including those provincial rates, on education of every sort, on every grade of education, per head of population. I am talking only of the charge, the whole Government charge, including grants in aid, and grants to the universities and the higher schools and technical schools of every kind?—I have not got it worked out.

9964. Will you be able to give the total per head?—In each province?

9965. In the whole of India, taking the whole educational expenditure?—The rate per head of the educational expenditure of India?

9966. Yes; the rate per head of the educational expenditure of India in every form disbursed by Government, including grants in aid?—I will endeavour to put in a statement.*

9967. (*Chairman.*) That is to say, you mean the Rx. 1,470,000 which is put in the Budget, and the Rx. 235,000 which is not in the Budget?

9968. (*Mr. Naoroji.*) The latter is the municipal expenditure; I am not including that. I mean what is disbursed by Government, from the Government taxes, per head of population, and also a similar expenditure in this country by Government from taxes, so as to make a comparison between the two countries.

9969. (*Sir Ralph Knox.*) What is the system of education; do only those go to school who wish to go to school?—There is no compulsory education.

9970. (*Sir William Wedderburn.*) There is a very strong popular demand upon Government to spend a great deal more than they do spend at present upon education, is there not?—I do not know exactly how to gauge the popular demand in India.

9971. There are continual applications?—I believe there is a constant demand by local associations for increasing the expenditure on education.

9972. It would be very popular if Government would spend more money upon education, would it not?—I believe so.

9973. It would give general satisfaction?—I believe so. But I think the policy of the Government at present is not to incur largely increased expenditure on education, apart from the local rates.

9974. But if they had the money they would be very glad to give it to education, would they not? Is not each of the Provincial Governments hampered very much in dealing with applications by the want of money?—They receive many more applications for aid to education than they can comply with, certainly.

9975. (*Chairman.*) I suppose that in India the education is carried on very much by the priesthood of the religious sects?—A certain amount of elementary education is, but I do not think the proportion of such education is very large now in India generally.

9976. (*Mr. Mowbray.*) Are grants in aid made to schools which are entirely conducted by priests of the different religions?—They are given to any school which complies with certain conditions as to secular education, which are laid down in the code.

9977. And, as a matter of fact, are the majority of these schools managed by Europeans, or by Natives?—I do not suppose the majority of the schools are managed by Europeans; a very large number are managed by Europeans.

9978. But there are also a considerable number of grants in aid made to schools which are entirely under Native management, so long as they comply with the requirements?—Yes, a very large number.

9979. And is there a system of inspection of all these schools which receive grants in aid?—Yes, there is a Director of Public Instruction in every province, and there are inspectors of schools as well.

9980. And does the grant in aid depend in any way upon the result of the inspection?—In certain cases it does; there are payments by results which are given chiefly with reference to the inspector's report. But the grants in aid are sometimes given on some other principle than that of being dependent upon the report of the inspector.

9981. And in fact there are two principles: in one case the grant in aid is made because the school is being properly conducted?—Yes.

9982. And then a special grant is made depending upon the report made by the inspector?—Yes.

9983. (*Mr. Naoroji.*) The whole expenditure on education is very small compared with the whole population?—Yes, that is so.

9984. It requires very much enlarging, if possible, and I think Government would be only too glad to spend more money if they had it?—I think Government would very much like to see the people take up education themselves, and not depend so much upon the expenditure of Government money.

* *See* Appendix 29

Mr. S. Jacob, C.S.I.

3 June 1896.

Education.

9985. But if the people are so poor in British India, it is impossible either for the people or the Government to spend much on education, especially when a great deal is spent on warlike operations and in other ways?—No doubt the poverty of the people affects the amount which they can spend on education.

9986. (*Sir Ralph Knox.*) What proportion of the expenditure would the grants represent; has it been calculated in any way?—Various proportions are fixed in the different provinces; in some provinces the grants amount to as much as half of the expenditure.

9987. Any increased demand that is made for education would be subsidised to the extent of one-half in such a case as that?—Yes.

9988. If the people contributed one-half they would get the other half of the expenditure paid for them?—Yes, where that was the rule, they would.

9989. But in other provinces the proportion would be much smaller?—The proportion varies very much; I do not know what the rates are in the various provinces.

9990. (*Mr. Naoroji.*) You can give the general proportion of the grants in aid to the whole of the Government expenditure—Government expenditure is not all grant in aid?—No; Government expenditure is not all grant in aid.

9991. Then what is grant in aid out of the whole Government expenditure, you can give that?—I have given that already.

9992. (*Mr. Mowbray.*) Are any grants made to educational establishments not in British territory?—They may be made in a few cases where there are political establishments, but they would be quite exceptional cases.

9993. (*Mr. Naoroji.*) Do you think there are any cases?—I think there are, but I think that probably the charge is in such cases covered by local receipts.

9994. Outside of British territory?—Yes.

9995. (*Chairman.*) Public expenditure on education in India is comparatively of quite recent date; I see from the Statistical Abstracts of the sixties, for instance, that the sums there put down as spent upon public education are quite infinitesimal?—Yes, the expenditure was very small in past years.

9996. And therefore, if the development that has taken place since is at all part of a general policy, I suppose we must look upon it that there will very probably be a considerable increase?—Yes, undoubtedly there will be an increase, a steady increase.

Ecclesiastical.

9997. Now we may pass on to the Ecclesiastical branch. The Ecclesiastical budget appears to have been a growing one; perhaps there may be some explanation of that?—The increase in the Ecclesiastical charges from 1875-76 to 1893-94 is only 14,000 Rx.

9998. But I see in the Statistical Abstract that the growth is considerably over that of the 10 years previous to that, in which it was about 144,000 Rx. I should have thought that the Ecclesiastical budget would have been a stationary one—that is to say, that there would not be many new grants made now. Do you consider it a growing budget?—I do not think generally it is a growing one. The number of chaplains is certainly not increasing. Part of the present charge is due to the exchange compensation allowance, which is given to chaplains in common with other servants of Government.

9999. What is the the total amount of charge under this head at present?—177,000 Rx. in 1893-4, and 185,000 Rx. in 1894-5. The difference in those two years is almost entirely due to the exchange compensation.

10,000. And, I presume, there are no receipts under this budget?—No.

10,001. Can you give us any details of these charges?—The charges for 1893-94 for Church of England are:—Bishops, 11,135 Rx., chaplains, 112,978 Rx., establishments, 5,905 Rx.; for the Church of Scotland—, Chaplains, 10,021 Rx., establishments, 594 Rx.; for the Church of Rome:—3,931 Rx.; for other churches 5,815 Rx.; contingent charges come to 20,982 Rx., and cemeteries cost. 5,000 Rx.

10,002. (*Sir Ralph Knox.*) Does that "contingencies" include the exchange compensation?—No, the exchange compensation comes under the salaries of the chaplains.

10,003. (*Chairman.*) Are the "allowances" allowances for the establishment of chaplains for the purpose of Divine service at places which are centres of European population?—The "allowances" are grants in aid. The charges for chaplains are chiefly for such places as you have mentioned.

10,004. Is there any rule to the effect that the Indian Government appoints a chaplain if so many persons of a congregation are found at a certain station?—I do not think the Government of India increases the number of chaplains at all now; it distributes them generally with reference to the requirements of its European servants at different centres.

10,005. What sort of number of chaplains are there, who earn this 112,000 Rx. for the Church of England?—The junior chaplains receive Rs. 500 a month, and the senior chaplains Rs. 800.

10,006. You may say a junior chaplain gets about 600 Rx. a year?—Yes.

10,007. Would not that leave something like 150 or 160 chaplains of the Church of England for all India?—I can get out the exact number. The number of paid chaplains would, I suppose, be about 150.

10,008. If 600 Rx. a year is the pay of junior chaplains, and 800 Rx. (I think you said), the pay of senior chaplains, I am supposing an average of 700 Rx.?—The senior chaplains receive Rs. 800 a month, that would be 960 Rx. a year.

10,009. It is by the four-week month, is it?—No; 12 months in the year.

10,010. Yes, but suppose you take one at Rs. 500 a month, that would be Rs. 6,000?—Yes, that would be Rs. 6,000 a year.

10,011. Would it be fair to take an average of 700 Rx.? Juniors probably would preponderate in number?—No, I do not think that is the case; they would probably be nearly even.

10,012. That would make them about 140 to 150 chaplains?—Yes. I find the exact number provided in the estimates of 1895-6 was 147 fully-paid chaplains.

10,013. (*Sir Ralph Knox.*) The Church of England chaplains perform the duties for the military forces in India, do they not?—Yes; for the military as well as the civil population.

10,014. (*Chairman.*) But are they described as army chaplains and put in places where troops are stationed?—They are always assigned to places where European troops are stationed. They are assigned also to the presidency towns, and to the headquarters of provincial governments, and to some other places as well.

10,015. Because my question originally to you was whether they were allotted according to the European population, which would be a different thing?—The question, as I understood it, was whether the chaplains are allotted to places which are centres of European population; and that is generally the case. Where the troops are stationed in the Mofussil, they would form the bulk of the European population.

10,016. (*Mr. Buchanan.*) The Indian Government would not send a chaplain, and pay for him, to a locality in India where there was a purely civil European population?—They do post chaplains to some places where there is only a civil European population.

10,017. Supposing a new community of tea planters, or whatever it might be, grew up in India, would the Government of India pay a chaplain for them?—I do not think so. It might give a grant in aid in certain cases.

10,018. There would not be any new chaplaincies of that sort established?—They might redistribute the establishment, if necessary, in consequence of a redistribution of population; but I do not think they would increase the establishment now.

10,019. (*Chairman.*) If the Government gives so much to so many chaplains of the Church of England, how does it decide what it gives to other sects; take these mentioned here—the Church of Scotland or the Church of Rome?—For the Church of Scotland the chaplains are provided only for the troops.

10,020. Only for the troops?—And for the Presidency towns and headquarters of Provincial Governments.

10,022. And for the Church of Rome?—For the Church of Rome there are no chaplains charged to this budget. The payments are of 500 rupees a month

each to the archbishops of Calcutta, Bombay, Madras, and the North Western Provinces, and one of 300 rupees a month to the Bishop of Rangoon, for ecclesiastical returns.

10,023–4. I see there is a note put to these charges—Church of Scotland and Church of Rome—that they are exclusive of payments to Roman Catholic priests and Presbyterian chaplains attached to regiments, which are treated as army expenditure. This payment of 10,000 Rx. to the Church of Scotland, I suppose, can only apply to chaplains at the Presidency towns?—Chaplains at the Presidency towns and headquarters of Provinces, chiefly.

10,025. What is the cause of the increase in the stipends of the bishops?—There has been no alteration really in their stipends; the variations are due to the absence of bishops on leave for a portion of the year.

10,026. And in the salaries of the chaplains both of the Church of England and of the Church of Scotland?—The increase is entirely due to the exchange compensation allowance in the case of the chaplains of the Church of England.

10,027. And I suppose also in the case of the Church of Scotland?—Yes.

10,028. Then there are allowances to other churches besides those of England and Scotland and Rome; what are they?—Those are allowances paid to Wesleyan ministers under certain fixed rules, according to the number of men to whom they minister. They are mainly with reference to their ministrations to the troops.

10,029. Are these the only ecclesiastical charges incurred by the Government of India?—No, there are others incurred in the Military Department for chaplains of the Church of Scotland attached to troops, and for the priests of the Church of Rome similarly attached.

10,030. But I gathered from you that the chaplains of the Church of England, costing 112,000 Rx. or 113,000 Rx. a year, include the chaplains attached to regiments?—Yes, they do.

10,031. As a rule, regiments do not carry their chaplain with them?—Not their English chaplain; they carry their Scotch or Roman Catholic chaplain with them in certain cases.

10,032. What are the rules, Sir Ralph Knox, under which chaplains are attached to regiments?

(*Sir Ralph Knox.*) They are not allotted to regiments. We pay the clergy of the district, where there is a small force. Some of the allowances paid to Church of England chaplains are allowances paid to ministers, who are paid partly from other sources.

10,033. (*Mr. Buchanan.*) Is that the reason why in the charge for chaplains of the Church of England, which you have put under this ecclesiastical vote, the army chaplains belonging to the Church of England are included in the Ecclesiastical vote, and the army chaplains, of both the Church of Scotland and the Church of Rome, are included in the Army vote?—The army chaplains of the Church of England also perform the duties of civil chaplains as well, in many cases.

10,034. I suppose the chaplains of the Church of Scotland do ecclesiastical duties in connexion with Presbyterian soldiers?—Yes, they do for those in the Presidency towns and head-quarter stations of Provinces.

10,035. Can you give us any idea how much of the total of 176,000 Rx. would fairly be chargeable to army chaplain account—two-thirds of it, or how much?—I could not say without making a detailed estimate.

10,036. (*Sir William Wedderburn.*) Have the bishops anything to do with the army at all?—All the chaplains of the Church of England are under their control.

10,037. (*Chairman.*) Of course it is evident from what you say that a large part of this budget is a military budget; it is all connected with the military expenditure?—A great part of it is.

10,038. (*Sir William Wedderburn.*) You are aware that a considerable objection exists to payment of the ministers of one religion out of taxes raised from those who profess other religions?—Yes.

10,039. Supposing that the chaplains were kept entirely to their military duties as chaplains for the troops, what amount of saving could there be effected?—I really can hardly say, the duties are so much mixed up. I mean that in every large cantonment there is such a large number of European Government servants to whom the military chaplains minister, that it would be difficult to say what proportion should be charged to the military and what proportion to the civil, and I fancy that that is the reason why the whole charge in those cases is taken to be civil.

10,040. Would there be any objection to attaching the Church of England chaplains to the troops in the same way that the Presbyterian and Roman Catholic chaplains are attached? Would not that get over the difficulty?—Well, there is not a chaplain for each British regiment, of course, or anything like it. The chaplains are appointed to the stations where a large number of regiments may be congregated.

10,041. You are aware that in Ceylon the ecclesiastical establishment has now been done away with, has it not, as a Government establishment?—I have no official information as to that.

10,042. (*Chairman.*) It is a largish force of chaplains: is it not, 147, for a comparatively small number of Europeans?—It must be remembered that the Europeans in the Mofussil (consisting mainly of Government servants) are very much scattered, and a chaplain has very often visiting charge of several districts; there are many districts in India which have no chaplains at all attached to them.

10,043. (*Sir William Wedderburn.*) As a general rule, the civil community to whom these chaplains minister are well-to-do people, who could afford to pay for their own religious ministers?—In the large centres, I suppose, they could, but not in smaller places.

10,044. They are well-to-do people on the whole?—Many of them are well-to-do.

10,045. (*Sir James Peile.*) But they are a continually shifting body of people, always changing?—Yes.

10,046. It would be very difficult to keep up the subscription of a minister's stipend from them?—It would be very difficult. It is done in some cases—in the case of those that I mentioned, who receive only a grant from Government; a certain proportion of their stipends is provided by the community.

10,047. (*Mr. Naoroji.*) In the Presidency towns, the population is not very shifting?—Yes, I should say it was shifting there too.

10,048. The European population—the civil population?—Yes; I should say the civil were too.

10,049. So far as the principle of attaching chaplains to troops alone was concerned, it would not matter whether the Presidency towns had a chaplain or not for the purposes of civilians?—Presidency towns could support their own chaplains, I suppose.

10,050. (*Sir William Wedderburn.*) Could the duties that the bishops perform, *quâ* superintendence, be performed by a chaplain-general or some such official as in the case of the British troops?—I should suppose they could.

10,051. I suppose the superintendence of the military chaplains is only a small portion of the duties of the bishops?—The Anglican chaplains are not divided into military and civil. A man who is a military chaplain one day may be a civil chaplain the next, as far as the Church of England is concerned.

10,052. (*Chairman.*) Take Calcutta; are there many salaried Church of England chaplains there?—Yes, there are several; I should think seven or eight, probably.

10,053. Well, is not Calcutta a place in which the European population could find its own chaplains?—I should say they could in the case of most of the churches.

10,054. (*Sir Ralph Knox.*) But some of those serve the military forces, do they not?—There is one chaplain in the Fort who is called the garrison chaplain and ministers to the military forces of the garrison, and the Scotch chaplain too ministers to the Presbyterian troops.

10,055. (*Mr. Buchanan.*) The Indian Government is not extending the Ecclesiastical establishment?—No; the direct appointment of chaplains has not been extended at all in recent years.

10,056. (*Mr. Mowbray.*) And there have been several bishoprics started lately which are paid by voluntary contributions in India?—Yes, as far as the State remuneration is concerned, these new Bishops are merely chaplains, and they receive chaplain's pay; anything further is provided by voluntary contributions.

Mr. S. Jacob, C.S.I.

3 June 1896.

Ecclesiastical.

10,057. (*Chairman.*) The State provides for a stipend to three bishops, I see?—Yes.

10,058. (*Sir James Peile.*) Much larger payments are made from the public treasury in India for endowments for Hindoo and Mohammedan religious purposes than for the English clergy, are there not?—I do not think there are any direct payments, are there?

10,059. Charges on land revenue?—Yes, there are remissions of land revenue; and in Bombay these are brought to account, both as revenue and charge, by a book adjustment.

10,060. (*Mr. Naoroji.*) At the same time these endowments originally existed; they have only passed over into the hands of Government, have they not?—They are merely the continuation of endowments which existed under former Governments.

10,061. (*Chairman.*) And they are charged on gross revenues, are they?—I think they are granted chiefly in the form of remissions of revenue.

Medical.

10,062. Why is the Medical Department a separate department in India?—The Government is obliged to keep up a certain number of medical officers for attending on its own servants; it provides them with medical attendance.

10,063. It is part of the bargain with a civil servant that he has medical attendance provided for him?—Yes.

10,064. What is the total charge under this head at present?—The total gross charge in 1893-94 was 979,000 Rx. Some receipts came in amounting to 75,000 Rx., and the net charge is 904,000 Rx.

10,065. Now this is a charge that seems to have increased very largely within the last 30 years?—Yes, it has increased.

10,066. Can you give us the reason for that increase?—The charges for the Medical establishment have increased from 210,000 Rx. in 1875-76 to 300,000 Rx. in 1893-94. That head includes (1) the salaries and other allowances of the officers in medical charge of the principal stations in the districts, who also supervise the subordinate medical officers in charge of hospitals and dispensaries throughout the districts, (2) the cost of superintendence of these medical officers at the head quarters of the Provincial Governments, and (3) the reserve staff of subordinate medical officers. The two latter items did not occur in 1875-76. The following is a comparison of the charges under this head in 1875-76 and 1893-94:—There was no charge for superintendence in 1875-76; now there is a charge of 39,000 Rx. The salaries and allowances of district medical officers for general medical duties have increased from 187,000 Rx. in 1875-76 to 220,000 Rx. in 1893-94; and allowances for special duties, such as charge of jails and police, have decreased from 6,000 Rx. in 1875-76 to 1,000 Rx. in 1893-94; travelling allowances have increased from 6,000 Rx. in 1875-76 to 13,000 Rx. in 1893-94; exchange compensation allowance now accounts for 12,000 Rx.; establishments are practically the same, 3,000 Rx., at each period; and contingencies have decreased from 7,000 Rx. in 1875-76 to 5,000 Rx. in 1893-94; there is also a reserve of medical subordinates now which costs 7,000 Rx.

10,067. What are the years you are comparing?—1875-76 and 1893-94; that is for the medical establishment alone.

10,068. Under whom is this Medical department? What department is it subordinate to?—That is also administered by the Home Department.

10,069. And is there any Inspector-General or head officer?—Yes, there is an officer. He is called Surgeon-General with the Government of India.

10,070. But I suppose they ask his advice?—The appointments are under his general control, or rather under the general control of the Home Department; he is the adviser of the Home Department in the exercise of its general control over the medical administration.

10,071. Does he distribute the medical men, settle where they are to be stationed, and so forth?—The actual administration is under the Provincial Governments.

10,072. Are the medical men at all employed in connection with the local forces or with native institutions?—They have the charge of hospitals and dispensaries.

10,073. And of course hospitals and dispensaries are open to the natives?—Yes.

10,074. Are their charges to any extent met from local funds, as we have already learned the charges for education are?—Yes; the increase in these charges is largely accounted for by expenditure which is charged to the local rates. For instance, the net local charges in 1875-76 amounted to 45,000 Rx., and in 1893-94 to 238,000 Rx.

10,075. Under what heads are the charges distributed?—They are distributed under the heads of medical establishment., hospitals and dispensaries, sanitation and vaccination, medical schools and colleges, lunatic asylums, special hospitals, chemical examiners, grants for medical purposes, miscellaneous and refunds.

10,076. What are the medical schools and colleges?—They are for the education of medical subordinates.

10,077. You mean hospital assistants?—Yes, and other medical subordinates.

10,078. They are not for training European doctors out there?—No. A few Europeans do attend the colleges, but the students are mainly natives.

10,079. Then, I see, that the larger part of the medical budget would not go in salaries to medical men, but in keeping up institutions?—Yes, a very large portion of the grant goes to that charge.

10,080. Would the medical establishment, the cost of which, I see, amounts to about 300,000 Rx., include and cover the salaries given to medical men stationed at the different stations?—Yes, that includes the whole of that.

10,081-2. What sort of allowances are given to medical men, do you know?—They vary, according to their standing, from about 550 Rs. to 1,250 Rs. a month.

10,083. About Rs. 500 a month is the lowest, is it?—For the medical charge of a district, it is the lowest pay of a commissioned officer. Some of the smaller districts are in the medical charge of apothecaries and uncovenanted medical officers, who received minimum pay of Rs. 350 per mensem.

10,084. What are the charges included under medical establishments?—Those are what I gave you just now, the salaries and allowances of the officers, the cost of superintendence, the reserves, the contingencies, and the travelling allowances.

10,085. These medical men are maintained exclusively for civil purposes? They have no military duties to perform, have they?—No; not those that are charged under this head.

10,086. (*Mr. Buchanan.*) Is the Military Medical Establishment totally separate?—Yes; that is charged entirely to the army.

10,087. (*Mr. Mowbray.*) But are the civil medical officers not available, in case of necessity, for the army?—Yes, there is no distinction in the service between the army and the civil surgeons, as far as the commissioned officers are concerned. All the commissioned civil surgeons come from the Indian Medical Department.

10,088. And, in case of necessity, the civil surgeons would be called upon for military service, would they not?—Yes, they would.

10,089. (*Sir Ralph Knox.*) They would be liable for military service?—Yes, they form a reserve for the army.

10,090. (*Sir James Peile.*) That is, in fact, their first duty?—It is the first duty of the Indian Medical Department.

10,091. (*Chairman.*) Would there be any possibility, in stations where there are a number of troops, of employing the military medical attendants also for civil purposes, because the number of civil servants cannot be very great, I presume?—In some cases it is possible, and that arrangement is carried out. A military doctor who is placed in charge of a civil station in a few instances receives a small additional allowance of about 100 rupees a month for the additional charge of the civil station.

10,092. Therefore that principle is admitted as far as it can be extended?—Yes.

10,093. (*Sir Ralph Knox.*) What do you mean by the military doctor?—I mean the commissioned medical officer attached to the troops.

10,094. British troops?—As a rule I think it would be to the Indian troops.

10,095. These doctors attend all the native Indian troops, do they?—No, not those doctors that are charged here; the pay of the medical officers attached to the troops is charged to the Army.

10,096. (*Chairman.*) Would there be any objection, Sir Ralph Knox, in cases where there are a small number of European civilians and, we will say, two or three regiments stationed, to the employment of the military doctor to look after the civilians?

(*Sir Ralph Knox.*) Of course he would have to be paid extra for it.

(*Chairman.*) Quite so, but I understand from Mr. Jacob that in such a case there is an extra allowance.

(*Sir Ralph Knox.*) I should think there would be no objection.

10,097. (*Chairman*). Under hospitals and dispensaries has the increase been general, or is it confined to a few provinces?—There has been an increase in almost every province. The greater part of the increase, however, has been met from local funds. The charges for each province in 1875–76 and 1893–94 have been as follows:—

Hospitals and Dispensaries.

———	1875–76.	1893–94.	Increase or Decrease.
India, General - -	2,957	6,058	3,101
Central Provinces -	10,376	8,191	– 2,185
Lower Burma - -	5,710	3,639	– 2,071
Upper Burma - -	—	5,217	5,217
Assam - -	1,195	12,061	10,866
Bengal - - -	78,295	56,208	– 22,087
North-Western Provinces and Oudh.	22,103	45,559	23,456
Punjab - - -	16,850	33,598	16,748
Madras - -	57,087	99,231	42,144
Bombay - - -	63,798	66,270	2,472
Total - -	258,371	336,032	77,661

10,098. It would seem that a large part of the increase is due, not so much to extended provision for civil servants, as to the extension of hospital accommodation for the benefit of the natives?—Yes, a very large part of the increase is for that. The total number of hospitals and dispensaries, which are not exclusively Governmental institutions, but paid for generally either by Government or by local and municipal rates, has risen from 1,028 in 1875–76 to 2,018 in 1893–94, and the number of in and out patients has risen from 5,000,000 in 1875–76 to about 17,000,000 in 1893–94.

10,099. What is the cause of the increase in sanitation and vaccination charges?—That is entirely due to the extension of vaccination among the people, and to the charges which have been incurred for improved sanitation. Sanitary Commissioners have been appointed in several provinces, and sanitary engineers in some.

10,100. And that also is a charge incurred for the benefit of the natives?—Yes.

10,101. Then in reality, it is a health department rather than a purely medical department?—Yes, it is to a large extent a health department.

10,102. (*Mr. Naoroji.*) The expenditure on educational medical establishments such as colleges, is included in the educational amount, is it not?—No, it is included under Medical.

10,103. And medical colleges are not included in the education grant of 1,400,000 Rx.?—The charges for medical schools and colleges come under the head of Medical, not under the head of Education.

10,104. Are they not included under the total of Education?—No.

10,105. The amount for medical colleges, is not that included in the educational expenditure?—No, it is included in the medical.

10,106–7. (*Chairman.*) Of what do the English charges under this head consist?—They consist almost entirely of the cost of the maintenance of lunatics at various asylums in England.

10,108. Under what circumstances are lunatics sent to England and kept there? Are they Europeans who have unfortunately gone mad in India?—Yes; Government servants. The Secretary of State is liable for the maintenance of lunatic officers, soldiers, or soldiers' widows, if belonging to the East India Company's local forces, and of orphans of subscribers to the Bengal Military Orphan Society, for whose guardianship he is responsible. So long as he had an asylum at Ealing for the purpose, other patients connected with the Indian services were occasionally admitted. In 1892 an arrangement was made with the Admiralty to receive the male patients at Yarmouth; and the female patients were removed to an asylum at Coton Hill. There is a credit very often, against the charge, of the pensions to which the lunatics would have become entitled, if they had retired.

10,109. I see nearly 2,000 Rx. were received against charges amounting to nearly 6,800 Rx. in 1893–94?—Yes.

10,110. (*Sir William Wedderburn.*) Might I ask a question about education, which I omitted? Are you aware of an educational grant that is made to the Church Missionary Society?—An educational grant?

10,111. A grant for education. I am informed that 40 years ago the Board of Control ordered that certain grants should be made to Missionary Societies in return for secular education in mission schools?—There are a number of mission schools in India which receive grants in aid from Government under the policy laid down in the Education Despatch of 1854.

10,112. But this seems to be a special grant made in this country in sterling, amounting, according to the figures that have been given to me, to 70,063*l.*, and the bills of exchange were to Bengal 13,000, North-West Provinces 13,000, Punjab and Sind 15,000, Western India 5,000, South India 15,000, Travancore 6,000?—There is no such grant from Government.

10,113. I was informed by someone, who knew about it, that this sum of 70,063*l.* was paid, as I understand, in sterling to the society, on the understanding that they were to remit a corresponding amount in rupees to India as a subvention to their secular education, and that, owing to the fall of the rupee, they are able to remit the required amount by means of a very much smaller sterling payment, and that practically they are able to make a profit of 25,000*l.* a year out of this arrangement. That is what I have been informed by someone who knows?—I have no knowledge of any such arrangement.

10,114. Could you ascertain the facts?—I think I may state at once positively that there is no such arrangement.

10,115. This was told me by a gentleman well acquainted with the Society?—I know the nature of every bill of exchange that is drawn by the Home Government upon India, and there is certainly no such bill paid by me.

10,116. (*Chairman.*) Do you mean that the sum was given to the Society, and that they remitted it?

(*Sir William Wedderburn.*) A sterling payment is made to them here?

(*Chairman.*) Drawn by the Government?

10,117. (*Sir William Wedderburn.*) This information was given to me, and I hoped to have it verified. My information is that this 70,063*l.* is paid in sterling to the Society here, on the understanding that they remit an amount in rupees to India, and that, owing to the present exchange being so much lower than the old exchange, they are able to remit this amount with a saving to themselves of 25,000*l.*, which is practically a subscription to the Church Missionary Society. That is my information?—It is not brought to account anywhere in our accounts; I do not see how it can be paid.

10,118. (*Sir Ralph Knox.*) But what I understand from Sir William Wedderburn is, that this payment was made very many years ago, on the understanding that the Society was to do certain work in India.

(*Sir William Wedderburn.*) Yes; the statement is that 40 years ago, when education was in its beginning, and the missionaries were the only people who undertook that work, the Government gave them this payment on account of the secular education in their schools.

10,119. (*Sir James Peile.*) Is it 70,000*l.* a year?

10,120. (*Sir William Wedderburn.*) 70,000*l.* a year?—No; certainly no such payment is made in England.

(*Sir Donald Stewart.*) It must be some mistake.

Mr. S. Jacob, C.S.I.

3 June 1896.

Political.

10,121. (*Sir William Wedderburn.*) It may be; I had no means of verifying this myself; the information was given to me?—I am sure there is no such payment made.

10,122. (*Sir James Peile.*) Perhaps it was a single gift of 70,000*l.*, and the Society remits the interest?

10,123. (*Chairman.*) 70,000*l.* a year seems impossible?—It could not be paid without my knowing something about it.

10,124. (*Sir William Wedderburn.*) That 70,000*l.* may be the total amount that has been paid in the 40 years?—I cannot say, of course, what may have been done many years ago, but I am sure that no such payment has been made recently.

10,125. (*Mr. Naoroji.*) No payment at all of that kind?—No.

10,126. (*Sir William Wedderburn.*) That apparently means 70,000*l.* in those 40 years then, and that 25,000*l.* is the accrued profit from the remittance; that seems to be the meaning of it. I daresay you could ascertain the facts?—I will verify it, but I am sure I can say positively that the India Office at present makes no sterling payment of any kind in the shape of a grant to the Church Missionary Society. I will ascertain if any such payment ever has been made.*

10,127. (*Chairman.*) We will turn now to the Political branch. Would you describe to us what the nature of this service is?—There is a Political Department of the Government of India, which comprises the political residents and agents and their assistants at the various native courts.

10,128. It is a kind of Foreign Office then, I suppose?—Yes.

10,129. Whom is it under—the Foreign Secretary?—It is under the Foreign Department of the Government of India.

10,130. The Secretary for Foreign Affairs to the Government of India?—Yes.

10,131. Have there been any increases in charges under this head?—Yes; there has been a very considerable increase. The charges have increased from 432,000 Rx. in 1875–76 to 966,000 Rx. in 1893–94.

10,132. What is the reason of so large an increase?—The increases have occurred as follows:—The charges for political agents, &c., 120,000 Rx.; charges on the North-Western Frontier, 115,000 Rx.; political subsidies, 228,000 Rx., and refugees and State prisoners, 72,000 Rx.; imperial service troops, 20,000 Rx.; and the rest of the charges give a small net decrease.

10,133. The charges on the North-West Frontier, I suppose, are chiefly allowances paid to tribes in connection with the hill passes, are they?—The present charges—that is to say, in 1893–94—for the North-West Frontier, are the allowances and charges for the Khyber tribes, 9,878 Rx.; Perso-Afghan frontier, Khorassan, Rx. 13,204; Jezailchi Corps and Kohat Levies, Rx. 11,759; payments for guarding hill passes, Rx. 9,271; Baluchistan (frontier Levies, &c., Rx. 55,314; Zhob Valley charges, Rx. 25,189), 80,503; making a total of Rx. 124,615.

10,134. What are those frontier levies; levies of troops or police to guard the highways?—They are a kind of military police that are employed there for purposes of administration. The increase in the political agents' charges under the Government of India is made up of 26,000 Rx. under salaries and 33,000 Rx. under establishments and contingencies. The increase in salaries is fully accounted for by the Baluchistan agency charges, which amount to over 26,000 Rx.

10,135. They are a new charge?—Entirely a new charge. The establishment of that agency also accounts for 28,000 Rx. of the other charges. There have been changes in some of the other agencies, but on the whole with very little increase of charge. Then there have been increases in some of the provinces. In the Central Provinces there is a new appointment of political agent to manage the affairs of some of the Chattisgarh feudatories. That was created in 1883–84, after some disturbances had arisen.

10,136. Therefore the increase in the political charge is due first of all to expenditure incurred by the agents who are put on the Baluchistan frontier?—Yes.

10,137. And, secondly, to the charge in the Central Provinces?—That is only a small charge. Then in Upper Burma the charge for the administration of the Shan States and the Chin Hills comes under this head, which also includes the cost of the Chinese adviser at Bhamo; the total charge being Rx. 25,000. In Assam there is an increase of 14,000 Rx. That is for the Manipur agency and the North Lushai agency, and for the political officer, Sadiya (Lakhimpur).

10,138. (*Sir Donald Stewart.*) Under what head are the Gilgit charges?—To a large extent they are paid by Kashmir, but we do pay some part of the charges. They come under the Punjab. I am just coming to them. The Punjab charges have increased by 35,000 Rx. They are for the Kashmir and Gilgit agency charges, and for certain new political agents that have been appointed:—Political agent with Ayub Khan, political officer Ladakh, political officer Khyber, native agent at Shahpur.

10,139. (*Chairman.*) Then in reality this increase is a number of small new appointments, due, no doubt, to extended political relations on the frontier; is that so?—Yes, very largely.

10,140. There is a curious difference in the expenditure under this head in one year. If you look at the year 1886–87, the charge appears to have risen in that year to 1,754,000 Rx. against an average of between 600,000 Rx., and 700,000 Rx. Do you know what the very large expenditure in that year, 1886–87, is due to?—That is a misprint in the Statistical Abstract; it should be 754,000 Rx.

10,141. What are the subsidies now paid?—The political subsidies paid in 1893–94 were—the Khan of Khelat, 10,000 Rx.; the Muskat subsidy, 8,640 Rx.; and the subsidy to the Ameer, 211,100 Rx.

10,142. It is made up chiefly of the subsidy to the Ameer?—Yes, but that is not the annual payment. That includes certain arrears. The charge in 1894–95 was only 110,800 Rx.

10,143. Therefore this charge of 230,000 Rx. is an abnormal amount?—It is an abnormal amount by about 100,000 Rx.

10,144. What would you call the normal amount?—The normal amount would be about 130,000 Rx.

10,145. That is the cause of the large difference between the subsidies of 1893–94 and 1894–95?—Yes.

10,146. What is the cause of the increase in charges for the refugees and State prisoners?—They consist chiefly of those from Kabul and Burma, and are detailed as follows:—

	1893–94.
Kabul.	Rx.
Yakub Khan	6,490
Ayub Khan	29,329
Other refugees	27,777
	63,596
Burma.	
Theebaw	3,828
Other refugees	3,467
	7,295
Other refugees and State prisoners	11,001
	81,892

10,147. What are the charges shown under special political expenditure?—They vary from year to year. They consist chiefly of charges for special missions. In 1893–94 the charges consisted of: Kurram Mission, Rx. 19,590; Cabul Mission, Rx. 15,641; Anglo-Siamese Boundary Commission, Rx. 5,809; Sikkim Mission, Rx. 4,698; Herat Mission, Rx. 3,258; Afghan Border Demarcation, Rx. 2,540; Kaington-Chiengmai Mission Rx. 1,722; other charges, Rx. 4,398.

10,148. (*Mr. Buchanan.*) You referred to the expenses of these missions to Siam and the upper parts of Siam; are all the expenses of them borne by the Indian Government?—We bore the whole cost of the Anglo-Siamese Boundary Commission.

10,149. (*Chairman.*) What charges are borne by the Government of India in respect of the Imperial service troops, which I see is a heading in 1893–94 of 20,000 Rx.?—We have an Inspector General of Imperial service troops, and eight inspecting officers, and six assistant inspecting officers.

* Enquiry was duly made at the India Office, and no trace of any such payment could be found.—S. J.

10,150. What are they employed upon—in organising?—In organising and superintending the organisation of the Imperial service troops, which are troops raised by some of the Native States with the view of assisting the Government of India.

10,151. What are the charges for Bulhar, Berbera, and Zaila?—They are charges for certain expenditure incurred for the control of certain lands near Aden which have been ceded to us. There are receipts which cover the expenditure.

10,152. They are districts on the coast of the Red Sea, I suppose?—Yes.

10,153. Were they ceded to us by Egypt?—No.

10,154. Have you any remark to make upon the heading Miscellaneous, which seems to contain somewhat varied services?—The miscellaneous charges are mostly small. There is a charge for the Mhairwarra Battalion of 15,000 Rx.,; of 1,000 Rx. for the Rajkumar College, Bundelkhund; of 1,000 Rx. for rewards for intelligence; 1,000 Rx. for rewards to native chiefs; 1,000 Rx. for demarcation of boundaries; 1,000 Rx. for secret service money; 1,000 Rx. for treaty allowance to Persian Government for Mekran telegraph line; 2,000 Rx. for contribution towards expenses of the Chiengmai Vice-Consulate, and there are charges which are not detailed amounting to 10,000 Rx.

10,155. There is one item which does not look like lavish expenditure—purchase and repair of the insignia of the Order of the Indian Empire, 3 Rx. Then we come to the charges in England. Have you any points to call attention to with regard to them?

10,156. (*Mr. Buchanan.*) May I ask about Zaila and these other places in the Red Sea? Does the Indian Government bear all the expenditure of them, and is the administration of those places opposite Aden in the hands of the Indian Government?—Yes, it is in the hands of the Indian Government.

10,157. And they bear all the expenses?—Yes.

10,158. (*Sir Donald Stewart.*) But I think they are self-supporting?—They are self-supporting. There are receipts—chiefly customs receipts in the ports—which cover the expenditure.

10,159. (*Chairman.*) I see the receipts are not given under the head of the Political Department?—They are given under the head of "Miscellaneous"; there is no political head of receipt.

10,160. When you say these districts are practically self-supporting, the total charge of the three places is 14,000 Rx.; would their receipts come close upon that?—The receipts from Berbera and Bulhar were 16,000 Rx., and from Zaila 7,000 Rx. in 1893-94.

10,161. The receipts more than covered the charge, then?—Yes.

10,162-3. Now passing on to the charges in England, perhaps you would just say what they are?—The charges in 1893-94 are 7,000*l.* for the mission to the Court of Persia; Her Majesty's establishments in China, 12,500*l.*; subsidy to the Euphrates and Tigris Steam Navigation Company, 1,000*l.*; contribution to Jeddah Consulate, 458*l.*; allowance to officer in attendance on His Highness the Gaekwar of Baroda, 220*l.*; miscellaneous, 355*l.*; stores, 425*l.*; making a total of 21,958*l.*

10,164. Would you like to offer any remarks on any of these items?—I think whatever remarks I have to make would be concerned more with the question, which I think your Lordship is reserving for the present, of the distribution of the charges between England and India.

10,165. I think I am right, am I not, in understanding that the payments for the mission to the Court of Persia and Her Majesty's establishments in China are now regulated by what is called the decision of the Foreign Office Conference?—I think so.

10,166-7. They come into the apportionment, and therefore we reserve them until we come to the question of the apportionment?—Yes.

10,168. Then there come the Scientific and Minor departments?—Yes. That head is made up of charges appertaining to several quite independent departments.

10,169. Whom are they directed by?—They are directed by various officers. The departments are very numerous indeed. They are divided into scientific departments, agricultural departments, labour and emigration, statistics and miscellaneous. The scientific departments are the Survey of India, the Botanical Survey, the Geological Survey, exploration of petroleum, coal, &c., Meteorological department, Archæological department, preservation of ancient MSS., museums, Imperial Institute, observatories, special astronomical observations, and donations to scientific societies. The agricultural departments include: Experimental cultivation (model farms and the like), cotton departments, chinchona plantations, public exhibitions and fairs, veterinary and stallion charges, botanical and other public gardens and experimental factories (that last has ceased now as a charge). Then under labour and emigration: there are emigration charges and inland labour transport charges.

10,170. Are those emigration charges connected with the emigration of natives to British colonies?—Yes, to the West Indies largely. Then there are statistical departments. The cost of the census, whenever it occurs, is charged under that head, and there are charges for the registration of railway traffic, and of river-borne traffic, and gazetteers and statistical memoirs. Then there are a few miscellaneous charges for examinations and for other miscellaneous services, which are very small.

10,171. Where is the Survey of India charged?—That is charged under Scientific.

10,172. Whom is that under? Is that under the Military Department?—No, that is under the Revenue Department.

10,173. But is not a great part of that work of the Survey department military?—No; I do not think it is military. They provide the maps, but it is chiefly——

10,174. (*Sir Donald Stewart.*) Topographical, for revenue purposes?—Yes.

10,175. (*Chairman.*) The principal of these departments is the Survey of India. There is a large decrease in this charge, I think. To what is that due?—That is due to the re-organisation of the department. It has been re-organised at a considerably reduced charge. There were three separate branches of that department before, which have all been combined into a single department.

10,176. I see here a transfer to the land revenue survey of 117,000 Rx.; and to the Forest account of 22,000 Rx.?—Yes, those are for surveys which were made specially for land revenue or forest purposes.

10,177. And paid for by those departments?—Yes.

10,178. The Meteorological department is the next largest. That department shows a large increase of charge. To what is that due?—That is due to the entire re-organisation of that department. Its work has been very largely extended. The Famine Commission, I may say, bore emphatic testimony to the past and future value of the results of the system, which was then in its infancy, but which has been very much expanded since.

10,179. And I also notice that the Geological Survey department shows a decrease?—Yes, the number of officers employed has been considerably reduced. The superior staff has been completely re-organised and the work is carried on at a smaller cost. In 1875-76 there was a Superintendent (on Rs. 2,000 a month), 17 assistants, and 3 apprentices, on varying salaries. The staff in 1893-94 consisted of 1 Director (on Rs. 1,500), and 16 officers on various salaries. Two specialists have been added from 1894-95 on Rs. 800 a month each. The salaries, which in 1875-76 amounted to 18,500 Rx., now amount to 12,000 Rx.

10,180. Is that a casual decrease?—No, that is a real decrease. The staff has been reduced, and its pay.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

At the India Office.

TWENTY-FIRST DAY.

Wednesday, 10th June 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. S. Jacob, C.S.I.

MR. STEPHEN JACOB, C.S.I., Comptroller and Auditor General of the Government of India, recalled and further examined.

10 June 1896.

Territorial and Political Pensions.

10,181-6. (*Chairman.*) I think, Mr. Jacob, the points which we have before us to-day under the head of expenditure are, first of all, the territorial and political pensions, civil furlough and absentee allowances, and superannuation allowances, stationery and printing, the heading of miscellaneous, civil buildings and roads, and the mint. In addition to them there are one or two services which I do not think we have dealt with, but which come under that head, for instance, famine relief?—Yes.

10,187. That has only come before us up to the present incidentally, I think?—Yes.

10,188. Also the construction of protective railways. The expenditure on protective railways was passed before us when we were dealing with railways?—Yes, the charges for the construction of protective railways are included in the capital charge, which has already been dealt with.

10,189-90. Also expenditure on the construction of railways charged against revenue, and expenditure on protective railways charged against famine insurance?—Yes.

10,191. Taking now the territorial and political pensions, would you explain to us the nature of the charges falling under this head?—They consist mainly of pensions and allowances granted to native chiefs and their dependents, consequent for the most part upon treaty obligations, or at least upon obligations incurred at the time of conquest of their territories. They include also some pensions granted by the Governments to which we have succeeded, and a few charitable allowances granted for political purposes.

10,192. Are they in the nature of perpetual allowances, or do they expire with the present or succeeding holders?—For the most part they are merely personal allowances to the original grantees, but a portion of them is generally continued to the successors.

10,193. Have you ever formed any idea as to what amount out of this total expenditure, which in the Budget of 1895-96 amounted to 474,000 Rx., might be looked upon as perpetual and what amount is merely an expiring charge?—I think that almost the whole of it is gradually expiring.

10,194. And therefore, if it is due in the main to the present holders, it would be a rapidly diminishing charge?—Yes, it would rapidly diminish.

10,195. In elucidation of that perhaps you would give us the comparison, as you have done in the previous instances, of the charge in 1875-76, 1884-85, and in recent years?—The total charge in 1875-76 was 812,323 Rx., in 1884-85 it was 671,349 Rx., and in 1893-94 508,443 Rx., the charges thus being reduced between 1875-76 and 1893-94 by 303,880 Rx.

10,196. And I see from the budget estimate for 1895-96 that the charge is still falling?—Yes, it falls every year.

10,197. Can you name what are the chief pensions upon which the decrease has occurred?—There has been a general reduction, but a few large pensions have fallen in, and contributed mainly to this result. The chief reduction has occurred in the following cases:—Ex-King of Oudh and family, 120,000; Nizamat family of Bengal, 98,000; Carnatic pensions in Madras, 23,000; Gond Raja in Central Provinces, 11,000. That makes up a total of 252,000 out of 304,000.

10,198. Are these the only pensions of that character, or are there any pensions charged, for instance, to the head of the collection of land revenue?—There are some assignments that are charged under the head of "Assignments and Compensations"; they are not granted on political grounds.

10,199. How do you draw the distinction between an assignment and a pension, such as those we are dealing with now?—The assignments are granted on account of revenue. If allowances are granted on account of revenue, we charge them under assignments.

10,200. That is to say, that Indian princes or magnates who had a right to certain revenues surrendered them, I suppose, to the Government in return for an allowance?—In some cases that is what has occurred, but in other cases the assignments have been made with the purpose of facilitating the collection of the British revenue. British India is so mixed up with the Native States that in some cases it has been necessary to take over the whole administration of certain branches of the revenue, and to make an assignment as a compensation to the Native States.

10,201. Therefore there is a distinct difference between those assignments, which have the appearance of being pensions and are charged in the land revenue, and these political pensions under this head of the budget?—Yes.

10,202. (*Mr. Jackson.*) But I do not understand that these assignments are included in that sum of 800,000?—No. They are not included; they come under a separate head.

10,203. They are brought to account against revenue in the class of assignments?—Yes. We classify the assignments as far as possible and show them as chargeable against the particular head of revenue to which they appertain.

10,204. In the event of an allowance being continued to a successor, is that done as a matter of form or after re-consideration?—In a few cases there are special rules fixing a definite reduction; sometimes half is given to the successor, sometimes some other proportion; and in such cases, when the pension falls below a certain sum, it may be commuted by a capital payment; but in most of the cases its continuation is the subject of special consideration.

10,205. (*Chairman.*) Has the conquest of Upper Burma involved the grant of any pensions?—To a slight extent it has; I think there are a few pensions granted to the Burma Royal family. We have besides these some expenditure in connexion with the Burma family, which I mentioned under the political charges, but the pensions themselves I think are small.

10,206. In 1893-94?—They were Rx. 13,000 in 1893-94.

10,207. And those, I suppose, would die out with the present holders—members of the ex-Royal family of Burma generally, and the chiefs and officials of the late Burmese Government?—I do not know whether they die out with the present holders, but they would almost certainly be reduced.

10,208. Of what do the payments in England consist?—In 1875-76 the charge was for the pension of H. H. Maharaja Dhuleep Sing; and in 1893-94 it was made up of Maharaja Dhuleep Sing's pension 20,915*l.*, and members of the Bengal Nizamat family, 1,035*l.*; making a total of 21,950*l.*

10,209. But since then Dhuleep Sing has died?—That charge has been considerably reduced since 1893-94 by the death of the Maharajah. His yearly allowance amounted to 22,589*l.* The allowances to his family amount to 12,880*l.*, of which 2,880*l.* have been provided by the creation of 96,000*l.* stock, under a special Act of Parliament; the widow's allowance of 2,000*l.* is also liable to reduction by the proceeds of the sale of the Elveden estate.

10,210. Therefore, if stock has been given, I suppose the charge on the budget disappears?—To that extent, 2,880*l.*

10,211. Yes, but I thought you said that stock had been given, instead of the pension, to the successor?—For a portion of it; 2,880*l.* out of 12,880*l.* has been provided for by 3 per cent. stock.

10,212. Then I see that on charges in England exchange is allowed; that means that the Maharajah receives the equivalent—such an amount of rupees has been remitted from India as would give him sovereigns in England?—Yes. His pension and those of his family have been fixed in sterling.

10,213. Therefore, in 1893-94, the charge in rupees was something like 36,000 Rx.?—Yes.

10,214. We will pass now to the furlough allowances. Would you explain to us the nature of the general rules under which furlough allowances are granted?—The general rule is that half-pay is given subject to certain maxima and minima. The allowance when drawn in England was, up to 1892-93, converted at the official rate of exchange, but from the 1st of April 1893 a rate of conversion of 1*s.* 6*d.* has been fixed. The furlough allowance is half of the salary in rupees, as a rule, and that is converted at the fixed rate of 1*s.* 6*d.*

10,215. Then there are two kinds of furlough, the ordinary leave which is given to an officer when he does not go outside India; which, however, if he wants to come home, he is allowed to accumulate, and after certain intervals of service to come home, is he not?—There are different rules for the several services as to the actual amount of leave that they may have. The furlough may be taken anywhere, either in India or in England, according to the option of the man who takes it.

10,216. (*Sir Ralph Knox.*) Is his payment reduced if he takes furlough in India?—The maximum and minimum amounts are reduced.

10,217. But it is not the same reduction as if he comes home?—He gets half-pay.

10,218. (*Chairman.*) Then can you give us the figures for the different years in the same way as you have given us the other services?—For civil furlough allowances in 1875-76, the total was Rx.254,921; in 1884-85 it was 261,306; and in 1893-94 it was 327,431.

10,219. Does that include military furlough as well as civil?—No, but it includes the furlough allowances of military officers in civil employ.

10,220-1. There is a difference between the figures you give and the figures contained in this return—"East India (home charges)"? The return gives a report of the special committee on the home charges upon the civil furlough and absentee allowances. It gives in the following table the cost of civil and absentee allowances for the year 1878-79 at 169,718; then it gives the military officers, but it also gives military officers in the Public Works Department. Would the military officers of the Public Works Department be included in the civil furlough charge of 255,000, which you mention?—I think they would come under that.

10,222. That would not bring the two sets of figures quite together, that would still leave a considerable gap. Your charge here is in 1875-76 255,000; if you added the military officers in the Public Works Department to the civil as given in this return, it would only carry it up to about 200,000: or perhaps we had better take 1884-85; you have 261,306 in 1884-85?—I think probably that the charges quoted in the Report exclude exchange. Yes. I find that is the case; the lower figure is the actual charge incurred in pounds.

10,223. Excluding exchange it is in 1884-85 198,275, according to this return?—Yes; that is the correct figure.

10,224. Perhaps you will look at that year; they do not quite come together, do they?—No, I find the furlough allowances of the Public Works officers are charged under the head of the Public Works Department.

10,225. I noticed the discrepancy in the figures and that was what made me ask the question. Have the furlough rules been reconsidered of late years at all?—Yes, the furlough rules have been considered, and the nominal value of the rupee for converting the rupees into pounds sterling has been fixed at 1*s.* 6*d.*

10,226. And was that intended as an economical rule?—It was considered necessary for administrative purposes. It is considered desirable that European officers in India should take a certain amount of furlough in England, and the amount that they could take at the low rate of exchange was very small; many officers could not afford to take furlough at that rate.

10,227. The ordinary civil servant comes under the head of Covenanted Civil Service, I suppose, does he not?—The term "Covenanted Civil Service" is not generally used now in India; it is called the Indian Civil Service.

10,228. But in this report of this committee which I have just placed in your hands they use the term Covenanted Civil Service?—Yes.

10,229. And that would be the ordinary service?—It includes a large number of the members of the ordinary Civil Service.

10,230. By the rules of the Civil Leave Code, a covenanted civil servant may after completing eight years' service be absent from India on furlough for one-fifth of his total service, up to a maximum of six years, retaining a lien on his appointment or on one of equal value, and drawing an allowance equal to half his average salary, converted at the official rate of exchange, and subject to a maximum of 1,000*l.* and a minimum limit of 500*l.* a year (or the equivalent of his last salary, whichever is the less). He may also have special leave for six months at intervals of six years, on similar allowances for the first six months only of such leave, and may have privilege leave, on full pay, for one month in each year, which may be accumulated to an amount not exceeding three months. Thus, in an extreme case, it might be possible for an officer of 35 years' service to have taken leave out of India with allowances to the following extent:—

	Years.	Months.
Furlough - - - - -	6	0
Special leave - - - - -	0	6
Privilege leave, eight times for three months, and once for two and half months - - - - -	2	2½
	8	8½

or almost one-fourth of his service. Has that ever been considered in connexion with the rules in other branches of the Imperial Civil Service where men are employed abroad?—I do not know whether it has been considered; I do not know what the rules are for men employed in the Imperial Civil Service abroad.

10,231. In the diplomatic service the ordinary leave is 60 days, which may, with the permission of the Secretary of State, be accumulated for two years. In either case it is in addition to the time required for the journey by the direct route with due expedition to and from England. During the period of 60 (or 120) days, no deduction is made from the salary, except what is required to provide for the allowances, under regulations, of the acting Chargé d'Affaires; but, if the period is exceeded, a deduction is thenceforward made of one-half of the salary. Secretaries are allowed two calendar months besides the time required for the journey home and back, and they may accumulate it for two years. You see that is considerably less allowance than that

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which is granted in India?—Yes, but the leave granted in India includes all leave of every kind. I suppose there must be some provision for leave on medical certificate in the case of the diplomatic service.

10,232. Yes, but the description of the leave given here to the Covenanted Civil Service is on the face of it ordinary leave?—Yes, but that includes leave on medical certificate.

10,233. Yes. If he is compelled to take leave on medical certificate it is reckoned as furlough, but it may be granted without regard to the exigencies of the service, or to the amount of service which he has rendered altogether?—Yes, that is the only exception.

10,234. Well, I want to call your attention to the point that apparently in other services where the men are employed abroad the leave is not so much?—I should not be prepared to admit that without looking into the whole details. You must know what one set of leave rules includes and what it excludes; if the one includes leave on medical certificate and the other does not, no comparison can be made.

10,235. The leave given in the Diplomatic Service does not, I should think, include leave on medical certificate; it is not mentioned, but I should think not?—They get two months on full pay every year.

10,236. Two months on full pay every year, you may take it?—Yes.

10,237. (*Mr. Jackson.*) Exclusive of the journey, is it not?

10,238. (*Chairman.*) In either case it is in addition?—That of course makes a considerable difference.

10,239. That of course makes a considerable difference?—In fact, I should say that that was considerably more than we get in India; the two months alone is one-sixth of the service, and, if the time employed on the journey home and out were added, it would probably come on the average to not less than one-fourth of the service.

10,240. The report here says that one-fourth of the service is an extreme case?—Yes.

10,241. That would be three months?—Yes, two months for the leave alone, and then the time allowed for the journey, which in our case has to come out of the leave.

10,242-3. (*Mr. Jackson.*) And sickness?—And sickness, so that I should think that our Indian leave rules would be considerably less favourable.

10,244. (*Chairman.*) Now let me put a few other cases. A consular officer is allowed one calendar month (or 30 days) on full pay during the year, and he may accumulate it, but not beyond six months without special permission. At posts reckoned as unhealthy two months leave on full pay is granted in each year?—Well, the leave seems to be all on full pay, which is another point in favour of the diplomatic service.

10,245. It is on full pay during that time?—Yes, except in the case of privilege leave, ours is on half-pay, and, where the pay is at all high, on considerably less than half-pay, owing to the operation of the maxima.

10,246. No deduction is made in the China and Japan Consular Service from the salary of an officer absent on public duty, or for a period not exceeding three months, nor if his salary does not exceed 400*l.* a year. If more than three months' leave be taken by an officer whose salary exceeds 400*l.*, a deduction is made from his pay. That, inasmuch as it rises to three months, would appear to be rather in excess of what is allowed in India?—Yes; that is one-fourth on full pay.

10,247-8. In the Colonial Service and in the case of most Crown Colonies, including Ceylon, leave of absence on half-pay may be granted after six years' resident service in the Colony, to the extent of one year, provided that the leave does not exceed one-sixth of the officer's resident service. In the case of serious indisposition, duly certified by a medical officer, or of urgent private affairs, the nature of which must be stated to the Governor, leave may be granted before the completion of six years' resident service. If special grounds are shown, the period of one-sixth of resident service may be exceeded by not more than six months, but this additional term of six months can only be taken once in the course of an officer's service. In general, during leave of absence the officer is also permitted to receive so much of his allowance for house rent as is not wanted for the acting officer. How does that compare with your rules, do you think? That is rather a shorter time, you see, than is granted in the diplomatic service—one year in six?—Yes, that seems to be slightly less.

10,249-50. I am bringing these cases before you, not with the view of showing that they are more liberal or less liberal than your rules in India; one naturally turns for comparison to the cases in the Imperial service where men are entirely employed abroad, and I wanted to hear how the comparison struck you. I take it from your answer that you would rely upon this, first of all, that in nearly all the cases I mentioned, during the ordinary leave, full pay is granted?—Yes.

10,251-2. And that, after all, when you come to take in the time occupied in coming and going from a post, the period of two months which is fixed in the greater part of the diplomatic service is considerably extended?—Yes, and also it is quite exceptional for a man in India to take anything like the maximum amount of leave, which is admissible under the rules. I could not name any man who has done it; though there may be one or two.

10,253. (*Mr. Buchanan.*) Does a member of the Indian Civil Service get any leave on full pay?—He gets one month a year on full pay, but he can only accumulate it up to three months.

10,254. (*Sir Ralph Knox.*) Do you not look upon it as part of a man's duty in India to take leave?—It is considered advantageous for the service that he should take leave, but there is nothing to compel him to take leave as long as he can perform his duties efficiently. I knew a man who put in his 25 years' service with only one day not on full pay. He took privilege leave during that period, but no leave of any other kind.

10,255. Was he a good man all the time?—He is a High Court Judge now.

10,256. (*Chairman.*) Have you anything to say upon the reason for the decrease under this head, apart from the exchange, which we understand?—There is a decrease apart from the exchange, a very large decrease.

10,257. Is that due to any new rules which have been brought in?—I think it is largely owing to the fall of exchange. In consequence of that, so many men cannot afford to take leave on half-pay at 1*s.* 6*d.* as could when the rate was 1*s.* 10*d.* or 2*s.*

10,258. May it not in part be due to the greater quickness of transit between India and England making the time which a man may desire to be absent shorter?—I do not think that can have affected it much. It has not shortened the time in the last 25 years by more than about three weeks, I should think, going and coming.

10,259. Still the longer journey would have a tendency to shorten the time a man is absent, would it not?—I do not think so. There seems to be a tendency to take fixed periods—a year, or six months, or eight months, as a rule, and I do not think men would take less or more because the time employed in the passage has been shortened by a week or two.

10,260. Speaking for the Finance Department in India, would you say that it is satisfied with the furlough arrangements, and that it does not think that there is any room for economy to be effected there?—Speaking generally, I think that that is the case.

10,261. The question of a revision of regulations with a view to a reduction is not a matter that is prominently before the Financial Department or before the Government of India?—No, I think that, if there is a movement in any direction, it would be for an increase.

10,262. Of course, I am speaking of the view of the responsible heads of Government. Naturally, the civil servants themselves, I suppose, would be in favour of a relaxation?—No, I think that the view held by Government is that the rules are adequate, but that generally they do not give too great privileges. There are two sets of rules in India applying to the bulk of the Civil Service, and quite recently the application of the more favourable rules has been materially extended.

10,263. Of what do the payments in England consist? I suppose, practically, seeing the large sums spent there, everybody comes home on furlough?—The Europeans, as a rule, come home; but this head, I should

explain, does not show the whole civil furlough allowance charges.

10,264. Where do the charges of the civil servants who are simply on leave in India appear?—The charges in India appear under the service head to which the pay would be charged.

10,265. Do you know at all what amount that would involve, because leave pay is a kind of non-effective pay? We have here a charge on the Indian taxpayer of 327,000 Rx. Do you know at all what the total charges are?—No, I could not say. I think it would be almost impossible to take them out from the accounts, but I may say that, when the acting allowance rules were framed, they were framed with the view of minimising the extra expense to Government caused by the absence of officers on leave. A man holding an appointment temporarily in the room of an officer absent on leave does not draw ordinarily the full pay of the appointment, so that there is a saving in that direction to meet a portion of the charges for furlough.

10,266. Then what are the charges in India? They are very small, but how are they distinguished from those due to Europeans under those heads?—The only charges which come in India under this head are the allowances that cannot be taken under any service head. As, for instance, the leave to officers lent to foreign states or bodies.

10,267 But at all events we come to this conclusion, that, taking 1875–76 and comparing it with the budget of 1895–96, an interval of 20 years, during which the public service has been increasing in India, the sums payable, apart from exchange, are practically, you may say, stationary—229,000 Rx. against 218,000 Rx.?—Yes. I should say that they have in reality fallen. I think the budget is almost invariably slightly in excess of the actuals.

10,268. (*Sir William Wedderburn.*) I think you said that the Government have for administrative purposes approved of European officers taking a certain amount of leave to England?—Yes, I think so.

10,269. For their health and energy?—Yes. It generally increases their efficiency. I think that is the view that is held.

10,270. That is not the case with regard to the Indians—to natives, I suppose?—That they should take leave to England, do you mean?

10,271. I mean that the same administrative necessity is not recognised as regards native officers holding similar positions?—I think native officers in the Indian (Covenanted) Civil Service take quite as much leave as Europeans.

10,272. But, as far as Government is concerned, it would not be anxious that they should?—No, I should suppose not, but I am not sure.

10,273. And the expenses of the furlough allowance are increased by the exchange allowance?—Yes.

10,274. And both these amounts would be more or less saved by the substitution of Indian officers for European officers?—Yes, the Indian officers, as a whole, certainly take less leave than Europeans.

10,275. (*Chairman.*) The rules for Indian native civil servants are rather more restricted, are they not, than those of Europeans. In the matter of furlough, the rule appears to be as follows:—"On private affairs "leave may, as in the case of other covenanted civil "servants, be granted for six months at a time after "intervals of six years, but not in any case until six "years' service has been rendered." I understand that to be the same for the European and for the native. "Furlough not exceeding two years in all may be "taken in periods not exceeding one year at a time, "the first after ten and thereafter at intervals of at "least eight years; but if none is taken for 18 "years, two years' furlough may be granted at once"?—Yes, those are the rules for officers who have entered the Civil Service, not by passing the examination in this country in the same way as Europeans do, but simply by nomination.

10,276–7. (*Mr. Naoroji.*) For this furlough there is a certain amount to be paid on the ground of compensation for exchange, is there not?—The rate of conversion is fixed at a special rate of 1*s.* 6*d.*

10,278. And that is fixed on account of the fall in exchange?—Yes, that is so.

10,279. The Government of India is not bound legally to make any such allowance on account of exchange?—The special rate of exchange was conceded as part of the proceedings in connexion with the grant of exchange compensation allowance.

10,280. Yes, but it was not that the Government was bound legally to make any allowance for compensation?—No, certainly there was no legal obligation.

10,281. (*Chairman.*) Then we will pass on to the head of superannuations. Can you tell us shortly what the rule is as to the earning of pensions in the regular Civil Service?—In the Indian Civil Service a deduction of 4 per cent. on account of his annuity is made from the pay of every officer for the whole time that he is in India, and a pension of 1,000*l.* a year is granted after 25 years' service, including 21 years' residence in India.

10,282–3. Therefore the Indian civil servant contributes 4 per cent. upon his salary. Does that include the amount granted to him as compensation for exchange?—Yes. He pays 4 per cent. upon the whole amount.

10,284. And as against that at the end of 25 years, whatever his salary may be at the time when he retires, he gets 1,000*l.* a year?—Yes.

10,285. Has it ever been calculated what proportion that establishes between active pay and non-effective pay?—I do not know of any very recent calculation.

10,286. In the Imperial service the non-effective charge is a subject which has attracted a good deal of attention, and the progress of the non-effective allowances has been a good deal watched. Perhaps I may put it roughly in this way, that an eye is kept on the non-effective charge of a department if it much exceeds a proportion of 20 per cent. to the effective charge. You do not know of any papers which would show what would be the proportion in the Indian Civil Service?—Calculations have been made from time to time with the view of fixing the rate which should be charged for officers lent to foreign states, and with reference to such a calculation the rate which we now charge in such cases is fixed at one-fourth, to cover both leave allowances (except privilege leave) and pension.

10,287. One-fourth; that is 25 per cent.?—25 per cent. for both leave and pension.

10,288. And do you think that was established by actual observation?—Yes. I do not think, however, that that rate allows for the further fall in exchange which has taken place since the calculation was made.

10,289. At what time was that made?—That was made, I should say from memory, about 1887 or perhaps a little later.

10,290. Then I suppose the 4 per cent., which the officer contributed himself, would be deducted from that charge of 25 per cent., would it not? It would be a net charge just as the net charge on the Government of India is the sum which it has to pay after crediting itself with 4 per cent.?—Yes, 25 per cent. includes that 4 per cent.

10,291. Includes it?—Yes.

10,292–4. That is the normal charge required to earn 1,000*l.* a year payable after 25 years' service?—Yes.

10,295. What do you say is the average pay of an officer at the time he retires on 1,000*l.* a year after 25 years' service?—I do not know what would be the average pay.

10,296. Take a common case, what would you suppose?—Very few men retire under a salary of 2,250 rupees a month.

10,297. You would put that as being about the ordinary pay that a man was receiving at the time he retired?—That would be about the minimum pay at the time of retirement; the average would be considerably above that.

10,298. Yes, and 25 years, of course, is rather short service. A man, I suppose, enters the Indian Civil Service at 20?—The age has varied at different times; now he enters at 23.

10,299. And 25; that would make him retire at 48?—Yes.

10,300. Well, that, of course, involves a much heavier charge than when men retire, as they do with us, at 65?—But then men get a much higher pension here, proportionately, to their pay.

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10,301. Probably when you take into consideration the deduction of the 4 per cent.; but 25 per cent. as the relative non-effective charge of the Indian system seems to me small?—1,000*l.* does not bear nearly the same proportion to the pay of an Indian civil servant retired, as 800*l.* or 1,000*l.* granted to a man in this country does to his pay on retirement.

10,302. Well, you know a man retiring after 25 years' service in this country would only get 25-60ths, he would get less than half?—Yes.

10,303. And you say that the Indian civilian gets a pension of 1,000*l.* a year upon a salary, I am only taking your opinion as roughly expressed, of something like 2,250 rupees a month?—No, I said that was the minimum salary.

10,304. The minimum?—Yes, the average, I should say, would be something over 2,500.

10,305. (*Sir William Wedderburn.*) But then the whole 1,000*l.* is not paid by the Government?—A good part is paid both by the individual and by the lapses of other civil servants who die in the service.

10,306. (*Chairman.*) Quite so; but I was trying to trace out now the relation between the effective and non-effective charges. 25 per cent. seemed to me rather low?—I think it fully covered, as I said before, the average cost at the time at which the calculation was made.

10,307. Yes. An English civil servant retiring would get about five-twelfths of his salary after 25 years' service. A pension of 1,000*l.* on a salary of, we will take, 2,500*l.*, is a little less than that?—Of course you have to take the rate of exchange into consideration.

(*Mr. Naoroji.*) Is it not 2,500 rupees per month, not 2,500*l.* per annum?

10,308. (*Chairman.*) Mr. Jacob was giving us what he thought was the average salary?—Yes; 2,500 rupees a month—3,000 Rx. per year.

10,309. On that they get 1,000*l.*?—Yes.

10,310-1. That is very low then, because 1,000*l.* in England would require 1,700 Rx. from India, would it not?—Yes, but then we pay 4 per cent. on salary all through our service. The latest calculation I can remember is that Government grants not more than 600*l.* a year, apart from the deductions that are made.

10,312. I understand that at one time the idea was that a civil servant contributed from his pay as much as would be equivalent to an annuity of 400*l.* a year; but I rather gathered from you in the conversation we had a little time ago that that had been given up?—Yes, I have said that, owing to the fall in exchange, the previous calculations do not hold good.

10,313. Four per cent. simply on the salary would not provide an annuity of 400*l.*?—Not now, I think, at the present low rate of exchange.

10,314-5. Therefore, you would have to modify, would you not, the statement that the Government does not pay more than 600*l.*?—Well, it depends upon what rate of interest you take. The service was entitled to a high rate of interest—6 per cent.—when the Government took over the fund.

10,316. I am endeavouring to find out what would be the relation of the non-effective to the effective?—The average salary of a man—you may put it roughly—when he retires would be about 3,000 Rx., in addition to which you are giving him now a certain allowance instead of exchange, are you not?—Yes, he gets an allowance in India for exchange.

10,317. What would you add for that to the 3,000 Rx.?—Of course it depends entirely upon the rate of exchange at the time.

10,318. Well, take a recent year?—It would add about 4,000 rupees, I suppose, a year.

10,319. That would be about 400 Rx.?—Yes.

10,320. And practically, I may put it that the average salary would be about 3,500 Rx., and upon that his pension over here would cost about 1,700 Rx.?—Yes, at present it would.

10,321. Therefore you see it would come to about one-half the pension, would it not?—Rather less than one-half.

10,322. Well, you said 400 Rx. It is very near?—Yes.

10,323. It would be about half the salary; the civil servant here would in 25 years' service get $\frac{25}{60}$ths of his salary, or not quite half his salary. But then there is the rather important consideration, that the civil servant here contributes nothing, while the civil servant in India contributes 4 per cent. of his pay?—Yes.

10,324. Therefore the conclusion would be that the Indian Civil Service system is more economical to the taxpayer than the English?—I should say so. Very few men retire after 25 years' service; I mean a very large number retire at a much longer service than 25 years, and their pension is not increased; they cannot get more than 1,000*l.* a year. If you take an average, you would have to take considerably more than 25 years' service.

10,325. It seems to me clear that the Indian Civil Service is most economical, excepting only that the retirement is early. When the retirement is early, the charge on the taxpayer is, of course, heavier?—Yes, but then in England if a man stays on late the pension is increased.

10,326. It is higher, but you find that the succession is so much greater where the men retire early that it makes a tremendous difference in the charge to the taxpayers. The rule of the Imperial Civil Service is compulsory retirement at 60 or 65, but in the case of India the age of retirement is very low indeed. The charge to the taxpayer is very much more therefore if a man retires compulsorily at 50 or thereabouts?—The Indian Civilian does not retire compulsorily then; he does not retire compulsorily until he has 35 years' service, and he cannot get any higher pension then, than if he retired after 25 years' service.

10,327. Do a good many of them stay on?—Yes, a good many do.

10,328. What is about the time at which men usually retire?—It depends so much on the appointment a man holds. If he holds a good appointment he stays on to 35 years, or nearly that period.

10,329. (*Sir James Peile.*) They do not retire so early now as they used to do?—No.

10,330. (*Mr. Naoroji.*) I understand that lately there has been a good deal more retirement after 25 years' service than there used to be before?—I should not have said so.

10,330*a*. If they retire after 25 years' service they get 1,000*l.* a year pension, and they only get 1,000*l.* after any longer period of service?—Yes.

10,331. (*Sir Ralph Knox.*) Is a large proportion of the Civil Service able to attain to these high rates of pay before they retire?—Any member with ordinary promotion would certainly retire at above 2,250.

10,332. That makes a great difference. The men attain to a much higher rate of pay in the Indian than in the English Civil Service.

10,333. (*Chairman.*) That would not make a great difference in the average, there being few places to which very high salaries are attached. What I wanted to get from Mr. Jacob was the ordinary salary that a man would be receiving at retirement, and I think he said he put an ordinary average about 3,000 Rx., to which, of course, must be added on the compensation allowance?—Yes.

10,334. (*Sir Ralph Knox.*) How many men in the English service, do you think, retire with a thousand a year pension?

10,335. (*Chairman.*) Very few; but here we do not contribute; they contribute for 25 years 4 per cent. on the salary they are receiving?—And for 35 years, if they stay on as long.

10,336. And that used to be reckoned as equivalent to the civil servant providing himself with 400*l.* a year, and the State providing 600*l.* This is less now, as Mr. Jacob explained to us, because it is only 4 per cent. upon his rupee salary, which is not sufficient to provide 400*l.* a year.

10,337. (*Sir Ralph Knox.*) But the net salary is still considerably in excess of what we get here.

10,338. (*Mr. Naoroji.*) The proportionate salary paid there is much higher than here.

10,339. (*Chairman.*) We are only speaking of the relation of the non-effective service to the effective?—Those rules that I have been mentioning are only the rules for a comparatively small service, for the Indian Civil Service.

10,340-1. One more question upon that point. You do not know whether any calculations have been made, beyond that which you have mentioned to us concerning officers lent to a foreign state, which would give an idea of the proportion the non-effective bears to the effective charge?—I could not lay my hand on any such calculation, but I think I might be able to make such a calculation roughly myself for the Civil Service.*

10,342. Perhaps you will just consider it, and, if you see your way to doing it without too much trouble, it would be useful?—Of course the difficulty is getting the amount of the salaries; there are returns of the salaries at certain periods; and I should take one of those periods and see what the actual amount of pensions paid was, and compare that with the salaries; it would give some rough idea of the proportion.

10,343. That would be a rough way of calculating it?—Yes.

10,344. If you find it a matter of very great trouble, you need not go into it?—Yes, I will see.

10,345. Then, passing from that, we come next to the Uncovenanted Civil Service, do we not?—There are various other grades of servants who receive special pensions.

10,346. For instance, Judges?—Judges of the High Court and certain other judicial officers, and military officers in civil employ, and chaplains; they receive pensions in sterling.

10,347. I think there has been a considerable increase in the Judges' pensions, has there not?—There has been an increase.

10,348. At the same time there has been a decrease in their active pay?—Yes, a small decrease in the pay of some of them.

10,349. I see in a table in the 10th Report of the India Office Home Charges Committee, para. 16, that a considerable reduction has been made. This is for the year 1887-88: "A considerable reduction has been made in "the amount paid for salaries to the judges of the High "Courts. At the same time the cost of the pensions "has increased, both in sterling amount and in the "number of rupees required to pay for them. The "result is that, whereas six years ago the non-effective "charge was a little more than 23 per cent. of the "effective charge, it is now nearly 37 per cent. "In view of the probability that the number and "expense of the High Courts in India will be increased "in the future, we recommend a re-consideration of "the scale of pensions offered to the judges, and "of the length of service entitling them to pen-"sion." I am quoting from the 10th Report of the Committee of 1889 on the Home Charges, paragraph 16?—There have been certain alterations in the scale of pensions for judges recently. The alterations do not affect the maximum rates of pensions, but the length of service for the maximum rates has been extended from 11½ to 14½ years, and, on the other hand, a graduated scale has been laid down for shorter terms of service. The rates of invalid pension have also been slightly reduced.

10,350. Can you tell us, in continuation of this table, the amount of the salaries of the High Court Judges, and the amount of the pensions upon which these percentages were calculated by the committee?—Yes, I could get them out. I gave the salaries of the Judges at present in the course of my examination on Law and Justice.

10,351. I think it would be interesting to see these amounts, because it is rather striking that the relation between pensions and salaries should have been in 1881-82, 23 per cent., and in 1887-88, 37 per cent.?—Yes, that was partly due to the fall in exchange, but I suppose it was partly due also to the fact that the pension list for High Courts had hardly reached its maximum in 1881-82.

10,352-3. The report says, in the 15th paragraph: "The increase may be attributed to the circumstance "that in 1881-82 the burden added to the Superannua-"tion List by the erection of the High Courts at "Calcutta, Madras, and Bombay in 1862, and in the "North-West Provinces in 1866, was not fully ex-"perienced. Many of the earlier Judges of those "courts were officers of the Civil Service, and were "men of long service; several of them died in the "service, and others retired on civil annuities, very "few remaining long enough to draw pensions under "the statutory regulations. They were succeeded by "a younger class of men, who have been recently "coming by degrees on the pension list. Even now "sufficient time has not elapsed to admit of its being "said what will be the average rate of deaths among "these pensioners, and consequently what will be the "average payment under this head. With regard, "however, to the chance of a prospective increase "of this liability in England, we observe that the "number of European Judges of the High Courts is at "present less by seven than in 1870, and by four than "in 1876." Then follows the table, of which, I think, it would be interesting if you could give us a continuation?—I will get out the figures, if possible.*

10,354. Then are there any other special classes of officers, to which you would call our attention besides the judges?—There are certain other appointments besides the High Court judges to which it is considered necessary that barristers should be appointed, and there are special rules for their pensions. The pensions vary for those appointments from 300*l.* a year to 750*l.* a year, except in the case of the Judges of the Punjab Chief Court, whose pensions vary from 400*l.* to 1,000*l.* for the same length of service.

10,355. Is a pension only granted on a minimum rate of service?—Yes.

10,356. And does it increase with the service?—Yes, the minimum pension is an invalid pension, granted after 6¾ years, of 300*l.* a year, and after ten years up to 14½ years there is a graduated scale of retiring pensions varying from 500*l.* to 750*l.* a year.

10,357. And is that the maximum reached, 750*l.*?—Yes.

10,358. Those are barristers?—Yes; and I may mention that in these cases also the length of service for the maximum pension has been recently raised from 11½ to 14½ years. Then there are the native members of the Indian Civil Service; those appointed by nomination; they have special rates of pension.

10,359. Those who are appointed under the Civil Service examination would have the same pensions as the European civil servants?—Yes. The others get pensions of Rs. 5,000 a year after 25 years' service, and Rs. 6,000 after 30 years' service.

10,360. And up to that time do they get any pension?—They may get an invalid pension before that time; those I have mentioned are retiring pensions.

10,361. The whole principle of the Indian Civil Service is a fixed rate of pension, not one like ours, rising year by year?—The ordinary rules of what used to be called the Uncovenanted Civil Service, which is, of course, by far the larger part of the service in India, prescribe a graduated scale of invalid and superannuation pensions rising year by year.

10,362. Perhaps you would give us the scale?—The scale is so many sixtieths of the average emoluments, according to the years of service.

10,363. Oh, very much like ours?—It is. The number of years' service is taken as the numerator up to 24 years' service, and then, if a man retires on invalid pension after 25 years' service, he gets half-pay; but these pensions are all subject to certain maxima, which very much diminish the scale of pension in the case of highly paid officers.

10,364. (*Sir Ralph Knox.*) There is no deduction of 4 per cent. in their case, is there?—No, no deduction at all. A retiring pension is only granted after 30 years' service. After that period of service it is a half-pay pension.

10,365. (*Mr. Buchanan.*) With 30 years' service they get a half-pay pension?—Yes, that is 30-60ths.

10,366. (*Chairman.*) And is that the maximum to which they can rise?—Yes, they cannot get more than half.

10,367. Is there any age of compulsory retirement in that case?—55 years is the age at which a man may be compelled to retire, but he is not bound to retire at 55 years in the Uncovenanted Civil Service.

10,368. At what age can he claim to retire?—He can claim to retire at 55 years, but not before, unless invalided. If he has put in 30 years' service, he can take his retiring pension before that age.

10,369-70. He can claim to go after he has put in 30 years' service?—He can claim to go after 30 years' service, or at 55 years of age, even if he has not put in 30 years of service. If he is allowed to stay on after 55 years of age, he may remain in the service till

* *See* Appendix 32.

* *See* Appendix 33.

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required to resign on the ground of inefficiency; but generally extensions are granted for a year or two at a time, and, on the expiry of that period, the service is again extended if the officer is still considered efficient.

10,371. Is there any age at which he must go?—There is no absolute limit; practically the limit is 60 years.

10,372. There is a paragraph in the 10th Report of the Home Charges Committee (Parliamentary Paper, No. 327 of 1893, p. 72) dealing with the ordinary Civil Service, which, I think, will interest the Commission. "The annuity of 1,000*l.* given to Civil "Servants on retirement was originally contributed to "the extent of one-half from the fund, to which all "those in the service subscribed 4 per cent. on their "salaries, the Government contributing the other "moiety. In 1862, the Government agreed to raise "their portion to 600*l.*, and in 1871 the Secretary of "State permitted all who had rendered the requisite "service and residence to retire on a fixed pension of "1,000*l.* a year, even though their subscriptions might "not have been sufficient to purchase an annuity of "400*l.* At that time, the subscriptions of the civil "servants, which, of course, are payable in rupees, "were nearly 50 per cent. more valuable for the pur-"chase of an annuity in gold than they are at present; "and it is evident, therefore, that the fall in the value "of these subscriptions has had the effect of greatly "enhancing the cost to the Government of conceding "annuities of 1,000*l.* to all who retire after the "stipulated service. It must, however, be borne in "mind that the savings of the civil servants out of "their salaries undergo a corresponding diminution; "and, on the whole, we do not see, in the facts to "which we have referred, any ground for interfering "with the existing arrangements." Since that time, however, there has been an addition made to their salary in compensation for the fall of exchange, and you pointed out that the 4 per cent. is paid upon that increase as well as upon the original salary?—Yes.

10,373–4. Are there any other classes? For instance, take the chaplains; what rule applies to them?—Yes, there are special rates for the chaplains. But I should explain that those last rates are for all civil servants, who are not in the Indian Civil Service, except those for whom a special rate has been fixed.

10,375. (*Mr. Buchanan.*) Do those rules apply to uncovenanted civil servants?—All, except menial servants; and those rates are also limited by a maximum of Rs. 5,000 in any case, except by special orders of the Secretary of State, where the service has been specially meritorious. Chaplains get a retiring pension of 365*l.* after 20 years' residence and 23 years' service, and they get also pensions from 10 years upwards if they are retired on medical certificate; these pensions are 127*l.* 15*s.* at 10 years, 173*l.* 7*s.* 6*d.* at 13 years, and 292*l.* at 18 years.

10,376. (*Chairman.*) Are there any other servants to whom you think it desirable to call attention?—There are some special rules for civil engineers; they are allowed to retire at rather earlier periods, and they get rather higher scales of pension. After a service of not less than 10 years an invalid pension, not exceeding the following amounts:—10 years 20-60ths, and so on up to 29-60ths for 19 years, but they are limited by comparatively small maxima. The maximum pension granted for less than 20 years' service is Rs. 3,000 in any case; from 20 years' service upwards they may be awarded a retiring pension of half-pay, subject to maxima of 4,000 if the service does not exceed 25 years, and 5,000 if it does.

10,377. Have you got the Finance and Revenue accounts of 1893–94?—Yes.

10,378–9. If you look down the superannuation account, you will see "contributions for pensions and gratuities," 113,000 Rx. Would that represent receipts under the head of the 4 per cent. deducted from the Civil Service salaries?—No, that receipt is taken merely by deduction from the pay. It is not credited in the accounts anywhere. The pay is drawn at the reduced amount and charged at that amount. The figure to which you have drawn attention, represents the contributions which are paid by officers in foreign service.

10,380. If you look down the column, it gives a receipt altogether of Rx. 377,000. Are there any of those subscriptions to which you would call our attention?—A large proportion of them consists of subscriptions to the various service funds, the military funds, the medical funds, the Bengal and Madras and Bombay civil funds, and the Indian civil service family pension regulations.

10,381. Well, there is a regular Civil Service rule, as you have explained to us, under which a civil servant retiring after 25 years' service, gets a thousand a year. How does the Bengal civil fund affect him?—That is for pensions for his family.

10,382. Does it only become operative in case of his death?—Yes.

10,383. Or does it become operative on his retirement?—No, only in case of his death.

10,384. And this applies, I suppose, to the Madras civil fund and the Bombay civil fund as well?—Yes.

10,385. And to the subscriptions of native members of the Indian Civil Service?—Yes. The civil funds were, I may observe, taken over by Government under an Act of Parliament in 1882.

10,386. How are those contributions for pensions and gratuities, amounting to 113,000*l.*, made up?—Those are the contributions for pension, or for pension and leave, of officers in foreign service.

10,387. What are the receipts in England, 98,000*l.* a year?—They consist very largely of subscriptions to the funds, 59,000*l.* to the military funds of 1893–4; 24,000*l.* to the military orphan fund, 2,000*l.* to the annuity funds, and then there are some subscriptions to funds which have been established for the India Office establishments, 8,000*l.* to a widows' fund on the home establishment, and 1,000*l.* to the India Office provident fund.

10,388. How come Indian civil servants to be subscribing here to these funds after they have retired?—They have to continue their subscriptions in some cases until death. Subscriptions are also levied on leave allowances paid in England.

10,389. And then their families get the benefit?—Yes.

10,390. Then, taking the vote itself, it amounts to 3,853,000*l.* Does that cover the whole of the non-effective service of India?—Apart from military pensions.

10,391. And of that 900,000*l.* is paid in India?—Yes.

10,392. The first item is allowances, 851,000*l.* The larger part of that, I suppose, is to natives?—Yes, the greater part of that would be for natives.

10,393. In round figures, I suppose, you may say that the Europeans are represented by the sum paid in England, the natives by the sum paid in India?—Yes, generally that is the case. There are, however, a few Europeans who draw their pensions in India.

10,394. But not enough to affect the total?—No, not enough to make any great difference in the total.

10,395. Well, now, could you give us the comparison between 1875 and subsequent years?—In 1875–6 the total net charge for pensions, that is, deducting all the receipts, was 1,357,000 Rx.; in 1893–4, the charge is 3,476,000.

10,396. The budget of 1895–6 shows a considerable further increase, does it not?—Yes, 3,912,000 is the budget for 1895–6. I think that is probably excessive. It is put at about 3,800,000 in the revised estimate for 1895–6.

10,397. During that time, the net charge of the pensions payable in India has risen from 140,000 Rx. in 1875–6, to 694,000 Rx. in 1893–4, and 762,900 in the budget of 1895–6. That is a very large increase. Can you give us any explanation as to the reasons of it?—The increase in India of 554,000 between 1875–6 and 1893–4 is made up of 108,000 on account of service funds, and 446,000 for pensions and gratuities.

10,398. But that is a very large increase?—Yes. The increase in India is almost entirely due to the increase in the pension establishment in consequence of the general increase in the staff employed for civil administration in all its branches. The pension charges in India are in the main paid to natives of India. In 1875–6, owing to the short period during which some of the departments had been in existence, the pension list was comparatively small. It has been shown in the case of many departments already dealt with how large the

increase in the subordinate posts and in the establishments has been, and this has led to an increase in the pension establishment.

10,399. Have any fresh classes of officers been admitted to pension?—I do not think any fresh classes have been admitted, but the number who are entitled to pension has been very much increased.

10,400. (*Mr. Jackson.*) But that is by reason of the growth of the service?—Yes.

10,401. (*Sir Ralph Knox.*) And the service is increasing?—Yes.

10,402-3. (*Chairman.*) But this increase is, I reckon, 500 per cent. in 20 years?—That is the net charge.

10,404. But I mean in 20 years an increase in the pension charge of 500 per cent. is something enormous. You could hardly contend, could you, that the Indian Civil Service, to which these pensions are paid, has increased in anything like that proportion?—No, but if you take the gross charges there is nothing like that increase. The gross charges have increased from 800,000 to 910,000, which is only an increase of 110,000, or rather less than 14 per cent.

10,405. Yes, but then the receipts in 1875-6 were 659,000, and in 1893-4 they were 216,000?—Yes, that is owing very largely to the system which was adopted of bringing to credit the capital amounts of the funds which were taken over by Government. The Government had taken over shortly before 1875-6 the military and medical funds. They placed the capital of those funds which they took over in deposit, and brought to credit each year such portion of the capital of each particular fund as would bring its receipts and charges into equilibrium, until the whole capital was exhausted.

10,406. They ate up the capital in current expenditure?—Yes. The Government do not profess to keep any accounts of the funds that they took over. They took them over on certain conditions, and were bound to give to subscribers certain rates of benefit, and they did not consider it was worth while to keep an account after they had taken them over.

10,407. Therefore 1875-6 is hardly a fair year for comparison. Whatever opinion may be held upon the Indian Government using capital in aid of current expenditure, at all events that invalidates 1875-6 as the year for starting a comparison?—Yes, it invalidates any comparison with the net charge in that year.

10,408-9. You ought rather to take out the figures of 1884-5?—I have taken out the figures for the earliest year for which details of the English charges are given in the same form as at present—that is 1878-9.

10,410. Take 1884-5, which you have given us; the increase there, though large, is not so large as that which resulted from a comparison with 1875-6?—The increase in the net charge in India is not so large, but the increase in the gross charge is larger; the gross charge has increased from 783,000 to 911,000, and the net charge from 583,000 to 694,000.

10,411. And with a further increase in the estimate of 1895-6 to 762,000, is it not?—Yes.

10,412. Therefore you may say that between 1884-5 and 1895-6, a period of 11 years, the increase has been about 40 per cent.?—No. I doubt if 763,000 represents the true net expenditure.

10,413. You do not think it does?—I could not say so.

10,414. You think it is in excess?—I think it is probably much in excess.

10,415. For that reason you would prefer to stick to the accounts of 1893-4?—Yes.

10,416. You do not think that an unreasonable increase, considering the increase of the Civil Service?—No, and considering that the pension rules had not been in force for a very long time before 1875-6.

10,417. And therefore they had not attained their normal development?—Yes.

10,418. Now passing on to the English charge net?—The English net charge has risen from 1,096,000*l.* in 1875-76 to 1,686,000*l.* in 1893-94.

10,419. Well, that is a very large increase; how do you account for that?—I cannot compare the details of 1875-76 with those of 1893-94, but I can compare them for 1878-79 and 1893-94. The figures for 1878-9 do not differ very largely from those that I have given for 1875-76. The chief increase in pensions payable in England is due to an increase of 136,000*l.* in uncovenanted service pensions.

10,420. But the increase is considerably larger than that, is it not?—Yes, there is an increase in the fund payments.

10,421. But I am taking the net. The net in 1875-76 was 1,096,000*l.*, now it is 1,700,000*l.*?—Yes, the increase in England is made up of the following items: civil annuity funds, 221,000*l.*; civil funds, 237,000*l.*; military funds, 89,000*l.*; Indian navy fund, 8,000*l.*; making a total, after deducting an increase in medical retiring funds of 25,000*l.*, of 530,000*l.*, which, together with 60,000*l.* on pensions, civil, marine, judicial, public works, and other heads, make up the total increase of 590,000*l.*

10,422. Still 1,100,000*l.* a year rising in something like 18 years to 1,700,000*l.* a year, which is an increase of rather over .50 per cent., is a very big one?—Yes, but I do not think you can mix up the two different classes of pensions. The funds are subscribed to by the members of the services, and, at the time the funds were taken over, for various reasons, by the Government, actuarial calculations were made as to the benefits which could be given with reference to the capital which was taken over, and the subscriptions that were expected, and 530,000*l.* is the increase due entirely to those fund transactions. Then again it must be remembered that a considerable amount of the subscriptions comes in in India and not in England, so that you have to take part of the increased charge against the increase in fund subscriptions in India. Then, lastly, the annuity deduction from the Civil Service is not credited at all, it is taken by deduction from expenditure.

10,423. Evidently this account gives not at all a true view of the financial effect of the Civil Service pension system?—No. It is not confined to pensions proper, but includes pensions which are, in whole or in part, subscribed for.

10,424. Inasmuch as you have the whole charge of the pension, and no credit on the other side for the 4 per cent. deducted from the pay of the Civil Service?—Yes. This is one instance.

10,425. But ought not the account to show the sum deducted, because, drawn as it is, it gives a very unfair view as against India?—Government considered the matter, and the Secretary of State finally directed that no separate account of the annuity fund should be kept, that the deduction should be treated simply as a deduction from the salary, and that the pension should be charged in full to Government. Of course the plan of still keeping a separate account might have been adopted, but it would have been expensive, and, as Government was bound to make these payments and pensions, it did not consider that there was any real benefit to be gained by incurring expenditure for keeping up very minute accounts.

10,426. (*Mr. Jackson.*) Then does the expenditure appear so much less?

10,427. (*Chairman.*) The expenditure on pensions appears so much more?—The expenditure for salaries appears so much less.

10,428. The idea of the thing was that a civil servant provided out of his salary 400*l.* a year pension for himself. He does not provide so much now, the whole of that 400*l.* a year is left out of view, without a note to tell you of it.

10,429. (*Mr. Jackson.*) In fact it appears as less expenditure?—As less expenditure for salary under the service heads.

10,430. And therefore it is doubly unfair, because, if you compare the amount of pension with the amount of salaries so reduced, you would make it appear still more disproportionately large?—Yes, that is true.

10,431. (*Chairman.*) That is the way the Civil Service contribution was knocked on the head in England. The contribution went to the Exchequer, but it was not shown any more than here.

(*Sir Ralph Knox.*) They were stated as revenue.

(*Chairman.*) You got out of the accounts the sum paid into the Exchequer.

(*Sir Ralph Knox.*) But in the Indian accounts they do not do that.

10,432. (*Chairman.*) In India they do not bring it in at all as a receipt; but, of course, when you speak of

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the increase, it is fair to remember that, if there has been a larger number of civil servants coming on pension, there has been also a larger amount deducted from their salaries?—Yes, and this refers not only to the annuity funds, but also to the civil funds, and also to the military and medical funds.

10,433. Yes, only in their case the receipts are brought to credit, are they not, they are not deducted from the pay?—Yes, they are brought to credit as revenue.

10,434. (*Mr. Jackson.*) If it were possible to ascertain the amount of expenditure on salaries, would the growth in salary be somewhat proportionate to the growth in pension?—There is a falling off in the salaries of the Indian Civil Service, comparing 1893–94 with 1875–76.

10,435–6. In the aggregate total amount?—Yes.

10,437. (*Sir Ralph Knox.*) The salaries of the covenanted Civil Service you mean?—Yes, under the principal heads. I have not taken out the whole of the salaries of the Indian Civil Service, but the greater part of them fall under land revenue, and law and justice, and under those heads there is a considerable reduction in the salaries paid to the Indian Civil Service.

10,438. (*Mr. Mowbray.*) Is that owing to a reduction in numbers, or owing to a reduction in pay?—It is partly owing to a reduction in numbers, and partly owing to this deduction of 4 per cent.

10,439. (*Mr. Jackson.*) And to the introduction of cheaper labour?—Well, that might not affect the total charge for the Indian Civil Service; the substitution of cheaper labour would, and that has been carried into effect to a great extent. In such a case the increased charge, of course, appears under one head and the reduction under another.

10,440. (*Chairman.*) I do not quite follow the argument with regard to the increase under the funds. You showed that a very large part of this increase was due to payments on account of the funds, did you not?—Yes.

10,441–2. But I did not quite follow you as to why that increase had taken place or what the explanation of it was?—The pensions from the funds are now charged to Government, entirely in this country; the donations, which used to be paid to the funds when they were treated as separate funds managed by the service, were paid in India in Rx. And therefore there was no charge in England for the civil funds, for instance, in 1875–76.

10,443. And what does that charge amount to now?—That charge comes to 242,000*l.* The fund has been taken over, and the charge in England is a new charge since 1875–76 as far as the civil funds are concerned. Then in the case of the civil annuity fund, the charges for pensions have very largely risen, namely, from 262,000*l.* to 483,000*l.*, an increase of 221,000*l.*, owing partly to the whole of the pension being charged to Government.

10,444. I am very much puzzled by this. We gather from you that salaries have decreased, that pension regulations have not been made more liberal, and yet the charge of the pensions has increased?—Nearly half the pension was not charged at all to Government in 1875–76; it was charged to the annuity fund.

10,445. As far as England goes?—Yes.

10,446. And those annuity funds have been eaten up in current expenditure?—The capital of the funds was credited to current revenue.

10,447. (*Mr. Jackson.*) Was it used for the purposes of current revenue?—Yes.

10,448–50. (*Chairman.*) I think you said the year 1878–79 was the first year that would form a basis for a comparison?—Yes, for a detailed comparison. The total net increase, other than in the funds, is only about 60,000*l.* between that year and the present.

10,451. (*Mr. Jackson.*) And you gave us a figure of 530,000*l.* as being the amount of the increase in the service funds?—Yes.

10,452. (*Chairman.*) But why should there have been that increase between 1878–79, which I understand to be a fair year as a basis of comparison, and 1893–94 or 1895–96. There the increase is something enormous?—No, it is only 66,000*l.* in the ordinary pensions.

10,453. 530,000*l.*?—No; that was the difference in the fund pensions between 1875–76 and 1893–94. In 1878–79 I have only taken out the difference for the charges other than those for service funds.

10,454. And what does that leave the service fund charge in that year?—I did not take that out.

10,455. But would you not get it by simply deducting the other charges from the gross?—Yes; but I have not got here the gross for 1878–79; I can get them, if desired.

10,456. Has there been much increase since 1878–79?—Yes, there has been a considerable increase.

10,457. In the service funds, I mean?—Yes.

10,458. But why should there be in the service funds?—Because of the same reasons which apply in the other cases.

10,459. But in 1878–79 I thought we got to an end of the eating up of the capital?—The eating up of the capital does not affect the question of the charge in England at all. The eating up of the capital only affects the Indian charge. The capital is credited in India; the English charges are affected by the amount of the actual pensions paid now. In some cases the charge is quite new, in others the full pension is paid now, whereas only the Government share was charged to Government before; and in yet others the fund payments had not reached their maximum.

10,460. That is in 1875–76?—Yes.

10,461. (*Mr. Jackson.*) And therefore, as regards the period 1875–76, there were two operations going on; one was that you were crediting capital to revenue, and the other was that you were bearing in India charges which are now paid in England?—Yes, the charges to Government in 1875–76, as far as the Civil funds are concerned, were merely donations to the funds paid in India.

10,462. (*Chairman.*) Do you think, Mr. Jacob, you could put before us a short paper, showing these different causes which have affected the growth of the superannuation grant, so that we may understand the reasons, and if possible arrive at some conclusion as to what is the real net increase?—I do not know that it would be possible to say what was the real net increase, because the 4 per cent. deduction is not credited to Government.

10,463. (*Mr. Jackson.*) Can it be estimated?—I could try to estimate it.

10,464. (*Chairman.*) Yes, I should think that would be best; it would be very desirable if you could show us that?—And then you must show a new charge as a new charge; there is nothing to take off against it. The civil funds were not in the possession of the Government in 1875–76, so that the whole of that charge in England is a new charge.

10,465. What, of course, the Government ought to have done in sound finance was to have invested these funds that they took over, and applied the income of the fund in aid of the expenditure?—I am not prepared to say that that would have been any more sound finance than the actual course which was followed.

10,466. Do you really justify applying capital in aid of current expenditure?—The Government was bound to make certain payments, whether the assets taken over came up to the value of these payments or not. The only effect of keeping separate accounts would have been to increase the expenditure of Government. I do not know what advantage Government would have derived from finding out after 40 or 50 years that the fund did not meet a certain proportion of the charges.

10,467. But they took over certain monies, as I understand it?—Yes.

10,468. And those monies were capital monies?—Yes.

10,469. Up to that time had they been invested?—A certain amount of them had been invested with Government, and Government allowed interest upon them at rates which had been agreed upon.

10,470. Then up to that time the process had been to invest the monies, and I suppose the interest went in diminution of the charge up to that time, did it not?—The interest was the charge against Government.

10,471. If Government borrowed the money it paid the interest, but what was done with that interest?—It was paid over to the funds.

10,472. And applied in payment of the liabilities of the funds, I suppose, as far as the interest went?—Yes.

10,473. When the Government took it, instead of going on with that system and applying the annual produce of the fund in aid of the annual expenditure of the fund, they had two or three years of a very good time, spending the capital in diminution of the expenditure?—I do not see that it was a particularly good time.

10,474. Well, it reduced the expenditure, did it not?—Yes, it reduced the expenditure for the time being, but the other course would have increased the expenditure for all time, or as long as the funds remain in existence.

10,475. (*Mr. Jackson.*) But might they not have cancelled debt with the capital amount?—The debt was cancelled; but as the charges were in future to be brought to account as ordinary expenditure, it seemed proper to credit the assets to some head or other.

10,476. (*Chairman.*) But I thought you said that they applied these funds in 1875–76 in reduction of the expenditure?—In certain cases they did. In the case of the civil funds they credited the whole amount as an extraordinary receipt at once, and cancelled debt to the same amount.

10,477. (*Sir William Wedderburn.*) I think some ambiguity has arisen from the use of the words "Civil Fund," which I think covers two separate branches, namely, the annuity fund and the provident branch?—In Bombay it covered the two separate branches; in the other provinces the civil funds and the annuity funds were separate.

10,478. They were quite separate branches in Bombay too; but what you have been saying is only applicable to the annuity branch, is it not?—No, it applies also to the civil fund.

10,479. That is to say to the Widows and the Family funds?—Yes.

10,480. (*Chairman.*) I confess I cannot unravel this account at present. Would you look into it to see if you could explain it to us?—I am afraid I shall not be able to make it any clearer than the figures I have already given, but I will endeavour to draw up an explanatory memorandum showing how the increase has occurred.*

10,481. Before leaving the subject of pensions, I should like to ask you if you have obtained further details as to the increase in the military pension charges for the Indian services which you said you would try to obtain?—In question 5520 I was asked to obtain and submit to the Commission further particulars as to the increase in those charges.† The Table, which I put in, gives details of them for each year from 1875–76 to 1890–91, and for 1893–94. These details were formerly taken out year by year, but in recent years this has not been done, the labour involved being considerable; for 1893–94, they have been specially compiled for the purposes of this inquiry.

The following are the figures for 1875–76 and 1893–94.

	1875-76.		1893-94.		Increase.	
	No.	Charge.	No.	Charge.	No.	Charge.
		£		£		£
Colonels' allowances	201	210,134	501	535,668	300	325,534
Retired Pay.						
Staff corps	1,399	403,499	1,370	611,848	29	208,349
Engineers	84	29,472	180	116,548	96	87,076
Artillery	255	88,673	259	144,703	4	56,030
New regiments	72	16,718	84	32,488	12	15,770
Warrant officers	64	3,874	283	26,573	219	22,699
Medical	418	126,683	431	192,167	13	65,484
Ecclesiastical	97	27,286	151	46,433	54	19,147
Total	2,389	696,205	2,758	1,170,760	369	474,555

* *See* Appendix 34. † *See* Appendix 24.

	1875-76. Charge.	1893-94. Charge.	Increase.
	£	£	£
Capitalised value of annuities granted on retirement.	75,775	—	−75,775
Lord Clive Fund.			
Pensions	121,908	—	−121,908
Payments to representatives.	1,589	767	−822
Indian family pension fund (net).	−902	8,841	9,743
Pensions to widows and families.	—	76,087	76,087
Miscellaneous charges.	2,250	14,364	12,114
Total	1,106,959	1,806,487	699,528

The total increase in the retired pay is 475,000*l.* Then there has been a decrease in the pensions from Lord Clive's Fund of 122,000*l.*, and in the capitalized value of annuities granted on retirement of 76,000*l.*; and there has been an increase in pensions to widows and families of 76,000*l.* There were a few other small decreases and increases, but the total net increase is 700,000*l.*

10,482. (*Sir William Wedderburn.*) Giving a fixed pension of 1,000*l.* a year to the covenanted Civil Service had rather the effect of inducing their early retirement, I think; that is to say, if they went on serving, they continued their subscriptions to the fund and the annuity became less valuable, but they did not get any more from the Government?—Yes; that would certainly have a tendency to induce early retirement.

10,483. I dare say you know cases where civil servants have served so long as to have received no pension at all from Government—that is to say members of the Civil Service paid and more than paid the whole value of their annuity?—I have heard of such cases. I believe such cases have occurred, but I could not name any.

10,484. I think Mr. Samuel Mansfield was one? (*Sir Donald Stewart.*) Sir Richard Temple?

10,485. (*Sir William Wedderburn.*) The rate of pensions for Europeans of the covenanted Civil Service has been fixed to a certain extent with reference to the tropical climate and the expatriation, I presume?—I believe so.

10,486. So that, if pensions were given for similar services, they need not be so large, if they were given to natives of the country, who would not be expatriated and who would be accustomed to the climate?—The pensions given to natives do not cost Government so much (allowing for exchange) as those given to the Europeans.

10,487. So that there might be a considerable saving in this department by the larger employment of natives in the service?—The pension charge would, no doubt, diminish, if natives could be employed in substitution for Europeans to any extent.

10,488. So far as they could be employed, there would be a saving in this pension charge?—Yes, in the general Civil Service, not in the Indian Civil Service; the natives who enter the Indian Civil Service after examination in England get the same pensions as Europeans.

10,489. But that seems a little excessive, does it not, as they do not suffer from these particular inconveniences?—They have to come to England to pass the examination, and I do not see how it would be possible to make a distinction in this respect between them and Europeans.

10,490. (*Mr. Naoroji.*) In the return of East Indian salaries, there are two items in connexion with the pension about which I want a little explanation. The return is made in 1892. There is one item, "retired pay and pensions," 1,897,385*l.* paid in England, and the other item is mentioned in this way, "pensions towards which officers have contributed," and that is a separate item of 1,154,534*l.* Am I to understand that in the first item where it is simply said "retired pay and pensions," there is no contribution from the officers?—I should suppose that is the case. I have not got the return before me now. I should suppose that the first figure represents pensions which have not been subscribed to.

10,491. Then that is the explanation of these two items described in different ways?—Yes; that is probably the distinction between them.

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10,492. So that they are of two distinct characters?—I should suppose so.

10,493. One includes contribution, and the other does not include any contribution?—Yes.

10,494. (*Sir Donald Stewart.*) One is civil and the other is military, that is all the difference, is it not? Military officers do not contribute anything?—A great many civilians do not either; I mean those not belonging to the Indian Civil Service.

10,495. I referred to the Covenanted Service?—Yes, the members of what used to be called the Covenanted all contribute, but the charge mentioned by Mr. Naoroji includes the charge for uncovenanted pensions as well.

10,496. (*Mr. Mowbray.*) Has there been any tendency, do you think, to earlier retirement of late in consequence of the pension in sterling being larger in proportion to the pay than it used to be, owing to the fall in the rupee?—I believe that there has been some tendency towards that, but I doubt if it has on the whole greatly affected the number of retirements, because the large fall in the value of the rupee has a tendency in the opposite direction, making men want to draw their higher salaries longer.

10,497. At any rate it is not sufficient to have caused an increase in the pension list?—No, I think a very large part of the increase in the pension list is owing to the very large number of civilians that were recruited in two or three years from 1861 to 1866 in different provinces. Those have all retired or have been entitled to retire within the period between 1875–76 and 1893–94, and a very large number of them have retired.

Stationery and Printing.

10,498. (*Chairman.*) I think the next head, Mr. Jacob, is Stationery and Printing. Could you give us some description of the arrangement under which stationery is provided and printing is done for the Government?—There are three central Stationery Offices, one at each of the presidency towns, which either purchase stationery in India or receive it when sent out from England, and distribute it to the various offices which draw their stationery from them.

10,499. Now who is the head of the Stationery Office at Calcutta. What is the title of the officer?—He is the Superintendent of Stationery and Stamps.

10,500. And has he a large office under him?—Yes, he has. The whole Stationery Office at Calcutta cost in 1893–94, 16,600 Rx. The general establishment consists of 56 clerks and examiners and 27 servants, besides a special establishment of 29 clerks and 16 servants for the "form" branch.

10,501. In the Finance and Revenue account of the Government of India for 1893–94, the Government Central press establishment is thus divided: superintending officers, 2,109 Rx.; establishment, 46,540 Rx. How does that compare with the figure which you have just given me?—I was giving you the charge of the stationery office; printing charges are quite separate.

10,502. But would the Stationery Office be included in that 47,000 which I have just been mentioning?—No; the Stationery Office in Calcutta is charged under Bengal. The whole cost of the office is shown separately, 16,600 Rx., on page 100; that was the figure I gave you.

10,503. To what department of Government would the Superintendent be responsible?—He is under the Financial Department, but not directly under the Government of India. The Calcutta Superintendent is immediately under the Government of Bengal.

10,504. And the same with the Stationery Offices at Bombay and Madras?—Yes, they are under those Governments, and are charged separately.

10,505. The total charge for 1893–94 is put down at Rx. 683,181 in the revenue accounts for 1893–94?—Yes.

10,506. Does that comprise the whole cost of stationery in India, or have departments any power of spending money upon stationery and printing?—It comprises the whole charge for printing by Government presses, and it comprises all the principal charges for stationery. In some of the smaller offices and departments officers can incur petty charges for stationery purchased in the country, which are charged among their office contingencies.

10,507. Is the printing done by contract with printing houses, or is it done by the Government itself?—Most of the Government printing is done by Government presses, but there is a contractor in Calcutta who prints Government forms; he does a considerable amount of that work—in fact, all the form work.

10,508. Is the head of the Stationery Office responsible for making contracts for the supplies of stationery and for printing work?—The head of the Stationery Office is responsible for purchases of stationery in India, but for any large amount he has to get the sanction of the superior officer—the Board of Revenue in Calcutta.

10,509. I thought you said just now it was under the Finance Department?—Yes, that is the Department of the Government of India that he is under, but he is immediately under the Board of Revenue.

10,510. And therefore any contracts that he enters into would be subject to the approval of a higher officer?—Yes, any large contracts would; he might make some small and ordinary contracts without such sanction.

10,511. The Board of Revenue would occupy the position which the Treasury occupies here? The Controller of the Stationery Office has considerable powers; but I think I am right in saying that he would be liable to the control of the Treasury?—Yes. I do not remember what the exact figure to which the Superintendent is restricted is, and I have not been able to find out here, but I know his powers of making a direct contract are limited, and he has to obtain the sanction of the Board of Revenue, and possibly of the Provincial Government, for any big contract.

10,512. And the head of the Stationery Office in Bengal, I should gather from what you say, is in no way superior to, and has no controlling power over, his corresponding officers in Madras and Bombay?—No, he has no control over them.

10,513. They are responsible in their respective Presidencies, to what higher officers?—In Madras the Superintendent is immediately subordinate to the Board of Revenue; and in Bombay he is immediately subordinate to the Provincial Government.

10,514. (*Mr. Mowbray.*) Does the Bengal office supply the Punjab and North-Western Provinces?—Yes, it is the only central office for that side of India. Bombay I think supplies, besides it own offices, part of the Central Provinces, and Madras supplies the Madras Presidency. Bengal supplies the whole of the rest of India. Its cost is very much greater than that of the Madras or Bombay offices. The Stationery Office in Madras cost Rx. 2,864, and in Bombay Rx. 2,802, against Rx. 16,600 in Bengal.

10,515. And then, I suppose, the Bengal Government gets a credit from the Governments of the Punjab and the North-Western Provinces for goods supplied to them?—The Government of India does. Though the Stationery Office is managed by the Government of Bengal, the purchase of stationery for the central stores is treated as an Imperial charge, and the Government of India gets credit for stationery supplies to all the Provincial Governments.

10,516. The accounts are treated as Imperial, although the actual office is under the Government of Bengal?—The charge for the Stationery Office itself is provincial, but the charges for stationery purchased for the central stores are Imperial.

10,517. (*Chairman.*) And the way that is brought to account is that the expense of what they call "India General" is stated at Rx. 82,000, and from that is deducted the value of stationery supplied from the central store to the several Governments, amounting to Rx. 209,000?—Yes.

10,518. Showing a net gain over the expense under that particular head of "India General," of Rx. 127,526?—Yes, there is an exactly corresponding charge to that first item of Rx. 193,238 under the various Provincial Governments.

10,519. It is rather a curious circumstance that the charge of the Stationery Office in India corresponds almost exactly with our stationery charges here. The gross charge in India in 1893–94 was Rx. 683,000. Deduct from that the receipts, which are 85,000, and the net charge practically comes to Rx. 600,000. The gross charge in the English estimates of 1895–96 is 638,000*l.*, and the receipts 110,000*l.*, leaving a net charge of 528,000*l.* But I observe that in this year, 1893–94, stationery was supplied from central stores to

the several Governments. amounting to Rx. 209,000, whereas the stores got in England, that is to say, the charges in England, were only some 45,000*l.*?—Yes; a large amount of the stationery is purchased in India.

10,520–1. Would you explain to us the system under which that is done? Are there central stationery stores in which a large amount of the stationery required is laid up, or is the purchase of stores only from time to time, just as required?—The Stationery Offices in the presidency towns are large store offices, where they store stationery to a large amount. Of course, when it is economical to order a manufacturer to send a large supply of paper direct to the Punjab or the North-Western Provinces, that is done. Though the amount is brought on the accounts of the Stationery Office, the stationery actually passes direct from the manufacturer to the office where it is required.

10,522. I see that in 1893–94 the total amount spent on the purchase of stationery in India was Rx. 294,000?—Yes. That is the correct figure for all purchases of stationery in India charged under this head. It includes the purchase of some stationery not passed through the accounts of the central stores.

10,523. That was the value of the stationery purchased in India; and if you add the amount spent on purchases of stationery in England, on printing and on bookbinding, the total amounted in that year to Rx. 345,000?—Yes.

10,524. The Indian system, as I understand it, is central depôts, to which the bulk of the stores are consigned. Of these central depôts there are three, at Calcutta, Madras, and Bombay, of which that at Calcutta is the largest and most important. Purchases of stores are made by the Governments of Bengal, Madras, and Bombay, acting as agents for the Imperial Government; and the stores, when received in the central depôts, are afterwards issued to the various Provincial Governments and Departments, which, however, have a certain discretion to buy stationery stores for themselves?—Yes; but it is only "country" stationery which may be procured otherwise than from the central stores. All European stores must be obtained from the central stores.

10,525. Then I see Rx. 209,000 stated as the amount of the issues from the central stores ("India General")?—Yes.

10,526–35. The account shows next the amount of stores which each of the Provincial Governments has received from the central stores; and the total of these amounts agrees with the amount credited to the Imperial Government on account of issues from the central stores to the Provincial Governments?—Yes.

10,536. What I want to follow is this; I see on one side that the value of stationery supplied from central stores amounted to 209,000 altogether?—Yes; that includes supplies to the Post Office and Telegraph Departments too.

10,537. Than if you take the value of stationery supplied to the several Governments, it amounts to Rx. 193,238?—Yes.

10,538. That looks as if it should comprise all the stationery issued from central stores?—It comprises all the stationery issued from the central stores to Provincial departments, not to Imperial departments.

10,539. Well, and which do you call Imperial departments?—There are various departments classed as Imperial, such as the Opium, and the Government of India secretariats, the Salt Department, the Accountant-General's Department, and so on.

10,540. What I want to see is, where are the issues that correspond to that credit of Rx. 209,000?—I have taken out the figures in this table (which I hand in) and which shows the credit and debit exactly corresponding. The credit to the Imperial Government is Rx. 193,238; the various Provincial Governments are charged for stationery supplied from central stores, which total up to the same figure; they are given in detail against each Province, but I have added them together in this table, and they just cancel the credit to India.

10,541. But in addition to that are there any other issues?—There are issues to Imperial departments.

10,542. Therefore that is not an exhaustive statement of the total charge to the Stationery Offices?—The total charge is an exhaustive statement and includes all purchases of stationery.

10,543–4. Very well, then, what would be the purchase of all stationery in India?—The purchase of all stationery for India was 294,000 in India and 45,000 in England.

10,545. That makes it clear, therefore, that the Stationery Office is a great central store which creates its stocks by purchases for which provision is made in the estimate?—Yes.

10,546. It issues out of that a large amount of stores to the different provincial departments?—Yes.

10,547. But in addition to that it has an account with what you call the Imperial departments?—Yes.

10,548. But where in this budget do the issues from the store to the Imperial Departments come to charge? You bought in that year Rx. 350,000?—Yes.

10,549–50. You only account for the issue of 200,000 Rx.?—Yes, to other than Imperial departments. For the whole of the Military departments, for instance, there is no charge made on that account of stationery issues; but the difference between the amount charged for purchase of stationery and the stationery issues either goes into stock or is supplied to Imperial departments.

10,551. If you get within this estimate the whole amount paid for the purchase of stationery, which, of course, is quite a proper charge against the estimate, ought you not to have in a note somewhere the amount realised by the stores supplied to Imperial departments?—I do not see how it would be realised. The charge is Imperial to begin with, and it would only be Imperial when it was charged to an Imperial department.

10,552–3. If you bring into this vote a very large sum for the purchase of stores, should you not show also the disposal of the stores issued to the Imperial as well as to the Provincial departments? For instance, to the Opium department?—We show the whole charge for the purchase of stores.

10,554. But you do not show anywhere the stores supplied to Imperial departments. Ought there not to be a note to that?—A note could be made. A detailed statement of the issues to each Imperial department is actually submitted to the Government of India, and is reviewed by it.

10,555. If you want to show a complete statement, ought you not to put a note that so much stores in the year have been issued to the Imperial departments?—Yes. That would be necessary to show the issues.

10,556. (*Mr. Jackson.*) In other words, to make up a balance between the amounts which you purchased and the amounts which you issued, you want the amount which has been issued to the Imperial departments in order to make a balance. One way of doing it is to deduct the amount which you have issued to the Provincial Governments, but then that only leaves an amount which, it is assumed, is debited to departments. But, under the head of "Army," for instance, is it shown in the accounts, or could the storekeepers show, say, what portion of the stores has been issued for the Military Department?—Yes, the Superintendent could say, and he does say; he submits a statement to Government showing the actual issues to each individual department, and that is reviewed by Government.

10,557. (*Chairman.*) In the Army estimates, should we find any statement of the stationery stores used by the Military Department?—No, I do not think you would.

10,558. (*Mr. Jackson.*) You really cannot say then how much of the balance of Rx. 100,000 has been used by the Military and how much by the Opium department, and how much by the other departments?—We can say, but I cannot show it from the accounts.

10,559. (*Mr. Mowbray.*) But can you show whether the whole balance has been issued to the Imperial departments, or whether any of it represents an increased stock in hand?—Of course in any given year a part of it might represent an increased store; but on the whole the running account for a series of years would give you the issues to the Imperial departments, because there would be no very large increase in the stores.

10,560. But at the same time that balance does represent, or might represent, an increase in stores?—In some years it would represent that, because, for instance, English stores might be received in the cold weather, and be issued after the close of the year.

10,561–2. (*Chairman.*) In our Civil Service estimates the stationery estimate shows the purchases and the

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actual receipts for sales of stationery; but at the end of the English estimate there is a statement of how this stationery is intended to be used, and you can see what the cost of printing and stationery, for instance, in the War Office, is expected to be for the year?—Yes, in the estimates we do give details of the department to which the stationery issued from central stores to Provincial Governments is supplied. I was taking the published accounts before; but in the estimates we have a detail of every department to which stores are supplied.

10,563. I should have thought that it would have made the thing more complete if there had been a note put to the accounts showing what had been supplied?—There would be no difficulty in doing that, because a statement is prepared and submitted to the Government of India every year. I am not sure whether it would be ready quite so early as this volume is published, but I think arrangements might be made to have it ready by that time.

10,564. Could you give us the charge of the stationery in 1875 and the recent years?—Yes. The total net charge in 1875–76 for stationery and printing was 426,336 Rx., and in 1893–94 598,683 Rx., showing an increase of 172,347 Rx.

10,565. That covers the whole charge?—Yes.

10,566. The charge in India has increased in rather greater proportion than the charge in England, I think, has it not?—Yes. That is owing to the substitution of stores purchased in India for stores purchased in England. The policy has been to purchase stores made in India as far as possible.

10,567. I see under "Charges in England" the charge, which was entirely for stores, was in 1875–76 209,000*l.*, and in 1893–94 it was only 51,000*l.*; that is in accordance with that policy which you have told us of, namely, that of buying goods manufactured in India wherever possible?—Yes.

10,568. (*Mr. Jackson.*) Are the stores you buy from England bought through any Government department here, or are they bought direct from the contractors?—They are bought through the Stores Department of the India Office. I think it is generally in communication with the Stationery Office here.

10,569. (*Chairman.*) Can you distinguish the charges for stationery from those for printing?—Yes. The charges for stationery were in 1875–76 243,000, and in 1893–94 350,000, an increase of 107,000; and for printing 174,000 in 1875–76, and 238,000 in 1893–94, an increase of 64,000. The India Office charges for stationery and printing also come under this head, and amount to Rx. 10,000 and Rx. 11,000, giving an increase of Rx. 1,000. This last increase is entirely due to exchange, the sterling charges having fallen from 9,000*l.* to 6,000*l.*

10,570. Do you know whether the increase of the expenditure, apart from exchange, is due to any increase in the prices of articles, or is it simply to larger stocks being required, because the public service is increasing in dimensions?—Purchases are made in India only when they can be made cheaper than in England; the prices that we pay for our stationery stores have fallen largely. In the last 20 years the increase is entirely due to the increase of establishments supplied.

10,571. And therefore, I suppose, we may expect that on the whole, as the work of the Government of India is increasing, this will be an increasing rather than a diminishing charge?—Yes, the charge does increase slightly every year.

10,572. (*Mr. Jackson.*) I take it that the reduction has been mainly in materials, not so much in printing or labour?—The reduction has been chiefly in materials.

10,573. (*Chairman.*) The printing establishment charges appear to be rather higher?—I have taken out of the account of 1893–94 the printing establishments and charges, and I find the amount for the superintending officers a little over Rx. 12,000, and for the establishmments both of the central government and the provincial governments about Rx. 172,000.

10,573*a*. Is it the case that every person employed in printing for the Government is a Government officer, and that they come under the head of establishment? Because I presume that means the total charge of salaries and wages of printing done throughout India, does it not?—There is very little printing that is done for Government otherwise than through the Government presses. Forms, as I have already said, are printed by a contractor. There are also some small items shown in the account for printing done by private presses, but they are quite insignificant. The presses also get some printing done for them at contract rates.

10,574. And therefore that 170,000 really represents the charge of an enormous printing establishment?—That is the charge for establishments in provincial Government presses, and certainly represents a large establishment. But I may say that the permanent establishment has been reduced as far as possible, and temporary hands are employed to whatever extent is possible. Also the composing is, wherever possible, paid for at piece rates.

10,575. (*Mr. Jackson.*) But it would not be possible to get all the printing done outside, would it?—Not the bulk of the printing, I think. We employ a contractor for printing Government of India forms which are seldom altered and of which very large numbers are required.

10,576. All these accounts and statistical reports, and so on?—All these are printed by the Government presses.

10,577. (*Chairman.*) I see under this head of "Stationery and Printing" there is a charge for official postage. Is it your custom in India that the departments pay their postage, or does the Post Office allow their letters to pass free?—No, the departments actually pay for the postage. There are special service stamps, which are supplied to Government officers and are used for all official communications.

10,578. I suppose they do not actually have to pay for them, do they?—The Government has to pay for the making of them.

10,579. But when I see "official postage 400," is that actually paid over to the Post Office for those stamps?—Yes, it is paid to the Treasury for the stamps; the Treasury generally supplies the service postage stamps.

10,580. And the sums paid to the Treasury form part of the Post Office receipts?—Yes, there is a credit for them to the Post Office Account.

10,581. The next head, I think, is "Miscellaneous." Can you tell us what the charges are that come under that head?—The principal charges are for petty provincial and local establishments, remittance charges, books and periodicals, charitable donations and relief of vagrancy, rewards for the destruction of wild animals, special commissions of inquiry, and rents, rates, and taxes. These are, I think, all the principal charges in India.

10,582. Why are the remittance charges put down here? Would they not more properly form part of the Finance Department charges? I presume they are charges connected with the remittance of treasure from place to place?—Yes, they are charges for the remittance of treasure.

10,583–4. There is no heading for the charge in the Finance Department?—There is no other heading, I think, under which they could conveniently come. I may observe that the remittance charges are much more than covered by the premiums that we get from the sale of bills. It is only for the last few years that that has been so. We have been trying as far as possible to extend the use of supply bills for remittance purposes, and we are able to make a little revenue out of them.

10,585–6. Can you compare the charges for 1875–76, and 1893–94 under this "Miscellaneous" head of "Miscellaneous"?—It is not possible to do this, owing to the re-cast of the accounts. I can give the principal charges for 1893–94, and for 1884–85. They are as follows:—

	1884–85.	1893–94.
	Rx.	Rx.
Petty, provincial, and local establishments.	75,466	64,833
Remittance charges - -	26,036	23,462
Books and periodicals - -	8,210	6,078
Charitable donations and relief of vagrancy.	27,995	28,533
Rewards for destruction of wild animals.	24,519	11,913
Special commissions of inquiry.	7,792	22,758
Rents, rates, and taxes -	31,428	21,673
Various, *i.e.*, various other petty items.	51,225	49,944
Total - -	252,671	229,194

10,587. Now, would you compare with those the receipts?—The receipts are:

	1884–85.	1893–94.
	Rx.	Rx.
Premiums on bills, and gain by exchange on local transactions.	21,857	40,162
Unclaimed deposits - -	72,672	56,319
Sales of land, houses, stores, durbar presents, &c.	16,481	18,121
Government audit fees -	6,333	13,170
Rents, rates, and taxes -	65,633	103,953
Fees, fines, and forfeitures -	25,616	41,495
Revenue of Berbera, Bulhar, and Zaila.	—	23,147
Sundries - - -	123,095	125,099
Total - -	331,687	421,466

10,588. You give rents, rates, and taxes, as a receipt under this head?—Those are almost entirely rents which are charged to Government officers occupying Government buildings.

10,589. Therefore the upshot of this is that this miscellaneous head in 1884–85 cost 252,000 and earned 331,000, leaving a balance of about 80,000 to the good; and in 1893–94 it cost 229,000 and earned 421,000, being something more than 190,000 to the good?—Yes, but the charges and receipts do not necessarily relate to each other. I mean, for instance, the rents, which bring in over 100,000*l.*, have no corresponding charge against them under this head.

10,590. There is a head of charge for rents, rates, and taxes?—Yes, but the charge head is almost entirely rates and taxes. There are a few rents paid for Government offices, but most of the Government offices are the property of the Government.

10,591. Is there any other remark that you would make upon that head?—No, I think not.

10,592–3. Then next we pass to the Mint. How many Mints are there in India?—There are two, one at Calcutta and one at Bombay.

10,594. Who is the head of the Mint—of these separate mints—what is his title?—There is a Mint Master both at Calcutta and Bombay.

10,595. Whom is he subordinate to?—To the Financial Department of the Government of India.

10,596. Does he report to the Financial Secretary?—As regards all questions of the amount of coinage he is immediately subordinate to the Comptroller General, but as regards the administration of the establishment and so on, he reports to the Finance Department. Even then in many cases his reports go through the Comptroller General.

10,597. And the head of the Bombay Mint, is he also subject to the Central Finance Department?—Yes.

10,598. Not to the Provincial Government?—No.

10,599–600. (*Mr. Jackson.*) Would the purchase of metal be made by one individual or one department?—At present we purchase only copper, and the Calcutta Mint coins all the copper. Silver we have not yet bought for coinage purposes.

10,601–2. (*Chairman.*) But before the closing of the Mints you bought silver, did you not?—No, we merely coined it; we did not buy it.

10,603. And the same with gold?—Yes, we coined gold too.

10,604. What was the net result of the Mint work in 1875–76 and 1893–94?—In 1875–76 there was a net receipt of 83 Rx., and in 1893–94 of 136,275 Rx. Before the mints were closed the revenue depended almost entirely upon the amount of silver brought to be coined. We charged a seignorage of 2 per cent. upon the coinage of silver.

10,605. Therefore, it did not signify to you whether silver was rising or falling?—Not as far as the Mint receipts were concerned.

10,606. What is expected to be the result now? I do not think you have given us one of the years since the closing of the Mints?—No, the actual net charge for the Mint in 1894–95 was 16,800 Rx.

10,607. But in other years you made a profit, did you not?—Yes, the change is owing to the closing of the Mints. We do not now get the seignorage on the silver; the only receipts of importance we get now are the profits on the coinage of copper.

10,608. I see in England there is a charge for the assay of Indian coins. Why do you send coins over to England to be assayed?—We are bound to do that. They are assayed by the Mint here.

10,609. (*Mr. Jackson.*) That is a check, is it?—Yes, we send a certain number of coins home every year to be assayed.

10,610. (*Chairman.*) Was the increase in the seignorage the cause of that very large gain in 1893–94 as compared with 1875–76?—There was also a gain on silver coinage credited in that year; it was practically the seignorage and a little more. That receipt occurred in connexion with the silver of certain banks which had not been taken over at the time the mints were closed, but which we took over on special terms. There was also a rather larger gain than usual on copper coinage in that year.

10,611. Is the establishment in Calcutta a large establishment?—It does not cost very much on the whole; it costs 24,000 Rx. in Calcutta.

10,612. But I suppose now that the Mint has been closed for silver, the work of the Mint has very considerably diminished, has it not?—Oh, very much diminished, especially in Bombay.

10,613. Have you reduced the establishments in consequence?—Yes, we have reduced them largely; but we cannot reduce them below a certain minimum, if the Mints are to be kept ready for working.

10,614. Can you tell us what the estimate of the establishment is now, as compared with what it was when the Mint was in full work?—The total charge in India for the two Mints in 1893–94—that was a year, though, in which the Mints were closed for part of the year—was 84,000 Rx.

10,615. The establishment?—No, the establishment alone was 54,000 Rx.

10,616. (*Mr. Jackson.*) Is that the estimate or the charge?—That was the actual charge in 1893–94.

10,617. And the estimate for 1896–97?—I cannot give the details for anything beyond 1894–95.

10,618. (*Chairman.*) But in 1894–95 the Mint was closed, was it not?—Yes, but we had not reduced to the extent that we have now. The charge was 42,000 Rx. in 1894–95 for establishments, but the total charge for the Mint in 1896–97 was estimated at 53,000 Rx.—that is the gross charge—against a gross charge of 91,000 Rx. in 1893–4.

10,619. And in the current year you know that it is considerably reduced?—Yes, the establishment was considerably reduced in 1894 and 1895.

10,620. You have not lost sight of the fact that, while the Mint remains closed, the annual working expenses ought to be made smaller?—We have not lost sight of that. I know that the establishment has been largely reduced.

10,621. (*Mr. Mowbray.*) Does that apply to Calcutta?—There have been reductions in the establishments of both Mints. The reduction has been greatest in Bombay, because Calcutta used to coin very little silver before, chiefly copper.

10,622. But there was some silver coined there?—Yes, some silver was coined in Calcutta; and there has been some reduction in Calcutta, but the reduction has been rather larger in Bombay.

10,623–4. (*Chairman.*) Do you suppose that the reduction in the Mint establishment for this year is such as would probably bring the two ends of the account together?—It will bring them very nearly together, I think if the coinage of the British dollar increases. In 1895–96 the budget estimate was for a small net profit, but we did not realise quite so much on account of the British dollar as was anticipated, and the actuals worked out to a net charge.

10,625. (*Mr. Jackson.*) But your sources of profit are very limited now practically?—There is nothing

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practically now except the profit on the coinage of copper and of the British dollar.

10,626. (*Chairman.*) Do you not occasionally do coinage for other states?—Yes, we do. We get a small revenue from that. That is shown under "Miscellaneous" receipts of the Mint.

10,627. (*Mr. Jackson.*) It is suggested that other states do coinage for you sometimes, is it not?—Yes; but I do not think there is any ground for that suggestion.

10,628. (*Chairman.*) By the way, you, Mr. Jacob, are practically the head of the Mint, are you not?—As far as the extent of its coining operations is concerned.

10,629. Have you had any reason to suppose that there has been much extra coining of rupees at the mints of the Native States?—No, there has been very little coinage at the Native States' mints. Just when the mints were first closed there was some extra coinage in a few such mints. One or two of the States thought they could make a profit by coining, and they did increase for a time their coinage operations.

10,630. You were aware that one of the objections made to the closing of the Mints was that the Native States might possibly coin to a considerable extent?—Yes.

10,631. That fear which, if I remember right, we were told need not influence us very much in our consideration of the question, has not been realised?—No, on the whole there has been comparatively little increase in the coinage of the Native States.

10,632-3. (*Mr. Jackson.*) The Native States' coinage does circulate, does it not?—It circulates just on the borders of the Native States, but not anywhere far from them.

10,634. Would it be refused, for instance, in Calcutta?—Oh yes, we should never take it in Calcutta.

10,635. It is not legal tender outside the limits of the Native States?—No, it is not.

10,636. (*Chairman.*) I think that carries us through most of the expenditure departments, and brings us to the Famine Relief Fund. You have told us generally the arrangements under which the Famine Relief Fund is constituted. I am right in calling it "Fund," am I not?—We do not call it a fund, we call it a grant.

10,637. Was not the original idea that a certain sum was either to be laid out in reproductive works or to be set aside?—Yes, but it is always expended in the year in which the grant is made.

10,638. Was it the original intention that it should always be expended in the year?—I think so.

10,639. Perhaps you can give us a sketch of what the arrangement was or is?—I think the general policy of the Famine Relief and Insurance Grant was explained in some detail at a previous examination. The amount was at first fixed at Rx. 1,500,000, but I may observe that Sir James Westland in the last Budget Statement announced that the grant in future might be reduced to 1,000,000 instead of 1,500,000.

10,640. Has it been maintained at a million and a half?—Not always. Financial pressure during some years has compelled the Government to withhold the grant, but from 1889-90 it was restored to the extent of 1,000,000, and in 1891-92, 1892-93, and 1893-94, the whole amount of 1,500,000 was provided; 1,000,000 has been provided since then, and, according to the announcement in the Budget Statement for 1896-97, that is the amount to be provided in future.

10,641. Did it begin with 1877-78 or with 1878-79?—It began with 1881-82; there was direct expenditure for famine relief before that.

10,642. But the new arrangement took effect from 1881-82, did it?—Yes.

10,643. What amount would you say on an average has been provided since then? Has over a million been provided every year?—No, some years no charge was made under Famine Insurance.

10,644. But would a million be too high an average for the whole time, do you think?—The average is a little over a million, including the loss on the working of the Indian Midland and Bengal Nagpur Railways.

The actual charges against Famine Relief and Insurance (including that loss) have been as follows:—

	Rx.
1881-82	1,567,886
1882-83	1,495,972
1883-84	1,522,813
1884-85	1,548,357
1885-86	1,529,271
1886-87	460,832
1887-88	376,607
1888-89	508,518
1889-90	1,062,009
1890-91	1,082,350
1891-92	1,500,000
1892-93	1,500,000
1893-94	1,489,569
1894-95	1,000,000
1895-96 (Revised Estimate)	1,000,000
1896-97 (Budget Estimate)	1,000,000
Total	18,644,184
Average	1,165,261

10,645. (*Mr. Naoroji.*) You said in some years the charge was not provided?—Yes. I should have said only very small amounts were provided.

10,646. But in those years the revenue was collected that was intended to provide that charge, was it not?—No revenue was remitted during those years.

10,647. No revenue was remitted? The revenue was collected, though the provision was not made?—I do not think it can be said that any particular revenue is assigned to this.

10,648. No, but there was no less revenue collected on account of that grant being withheld?—No.

10,649. (*Sir James Peile.*) But the Famine Grant is in fact merely a surplus of revenue assigned to this purpose when there is a surplus?—Yes.

10,650. If there is no surplus you cannot assign it?—No, not without extra taxation.

10,651. (*Chairman.*) When your finances admitted it, the full sum of 1,500,000 a year was provided?—Yes.

10,652. What was done with it, supposing that in a particular year the total amount was not required for the relief of famine, or for the construction of protective works?—For a year or two the surplus was used in the actual redemption of debt, but latterly the surplus has been used merely to reduce our borrowing.

10,653. For other productive works?—Yes.

10,654. Though they might not be works immediately connected with famine relief?—Well, it is considered that, if we reduce our borrowing, it is just the same as actually redeeming debt.

10,655. Then you put it in this way: supposing you had provided in one year 1,500,000 Rx., and, for some reason or other, you were not able to pay more than a million for famine relief purposes pure and simple, you would then have 500,000 Rx.; and supposing you were borrowing for an ordinary commercial railway, you would have applied that 500,000 Rx. in reducing the borrowing required for that commercial railway?—We should have reduced the amount that we borrowed by that amount.

10,656. You look upon that as tantamount to the reduction of debt?—Yes.

10,657. (*Mr. Jackson.*) In using it so, you did not set up any fresh account for it?—We opened a head in our accounts for reduction of debt; we charged the balance of the famine grant to that head, and credited it finally to Government on our books.

10,658. (*Chairman.*) Then, from that point of view, you treated it as a fund, because you considered you had to account for the balance?—We had to account for the balance year by year; but we always used up the whole amount that was granted by Government.

10,659. And you never carried the balance forward from year to year?—No.

10,660. And what is the rule about it now? Is it a million that is now granted?—It was announced by Sir James Westland in the last budget statement that the Government considered that a million would now be sufficient.

10,661. (*Sir James Peile.*) On what ground?—On the ground that the expenditure already incurred has formed a considerable insurance against famine, and that the expenditure to be incurred for famine relief in the future is not likely to be so great as it has been in previous famines.

10,662–3. That is to say, most of the protective railways have been made?—Yes, and a large amount of money has also been spent on protective irrigation works.

10,664–5. Sir James Westland, I suppose, would argue that there has been already a very substantial outlay for the object which the Government had in view, when they established the Famine Relief Fund; that it never could have been the intention to carry such a big fund as that on for ever; and that now the time has come to reduce it?—Yes, I think that is the view.

10,666–7. (*Mr. Jackson.*) But I take it that there is also this answer. The famines occurred in certain centres of population, which, either by reason of their want of communication with other districts or of their want of irrigation works, were subject to great distress in certain seasons. Now those districts have been mainly opened up by means of railway communication, and mainly supplied with irrigation works: and, therefore, so far as that area is concerned, the works of protection have been provided?—Yes, I think that that is an equally important justification for reducing the grant.

10,668. (*Sir James Peile.*) The Famine Commission laid down a programme of protective railways in 1880?—Yes, they did.

10,669. And nearly all those railways have now been made?—Yes.

10,670. (*Chairman.*) I see at page 108 of the Finance and Revenue Accounts, a summary of capital expenditure on the construction of protective railways and irrigation works, amounting to 7,196,000 to the end of 1893–94, beginning with 1881–82?—Yes.

10,671. Would that represent the whole of the outlay on protective works under the Famine Relief system?—That represents all that has been charged to the Famine Relief Grant for the construction of protective works, both railways and irrigation. It does not include the amount taken against the Famine Relief Grant on account of the net loss on the Indian Midland and Bengal-Nagpur Railways, which are reckoned as protective works.

10,672. In those 13 years to 1893–94 that would represent the total expenditure on account of famine relief?—On the construction of protective works charged against the Famine Relief Grant.

10,673. But is there anything else paid out of the Famine Relief Fund?—There is also the amount that has been charged for the reduction of debt.

10,674. That I understand?—And then there is the direct expenditure for famine relief; that also is charged to this head.

10,675. And has that been large?—No, it has not been large in any year since 1878–79.

10,676. But that makes up the famine relief service.—Yes. But the Secretary of State has also allowed the net charge for the two protective railways (already mentioned) which have been constructed by companies, to be taken as a charge against the Famine Insurance Grant.

10,677. They will not come under that 7,196,000?—No.

10,678. Did you find money for them and pay it over to the companies?—We have lent those companies money, and they have provided a certain amount by raising capital.

10,679. (*Mr. Jackson.*) But, of course, the loan to them is kept entirely separate and distinct?—Yes. And the net charge for these railways is not actually shown against Famine Relief and Insurance; it is taken against the Railway Revenue Account; but in our Accounts the amount of the net charge for these two railways is reckoned as forming part of the total provision to be made for Famine Relief and Insurance, and the Famine Insurance grant actually charged is reduced by that amount.

10,680. (*Chairman.*) These being protective railways, were they expected to pay, or did you lend to the companies without asking them interest, or only asking them for a small interest?—The arrangements are a little complicated, but we get our interest if the earnings cover it. Their interest is the first charge.

10,681. Are these railroads completed yet?—The Indian Midland, I suppose, is completed. I do not know of any extensions to that line that are contemplated. But the Bengal-Nagpur system is not completed yet.

10,682. And therefore you do not know whether they are working to an extent to enable you to get any of your money back?—They work at a net loss at present, both of them. It was the knowledge that they probably would do so for a time, at any rate, that led the Secretary of State to allow the net loss upon them to be reckoned as charged against the Famine Insurance Grant.

10,683. (*Mr. Jackson.*) But have they ever been assured of the interest on the capital laid down?—We guaranteed that.

10,684. (*Chairman.*) I think there remains one Department, the Civil Buildings and Roads, with which we have not dealt; perhaps you would tell us the arrangements made for executing civil buildings and constructing roads?—For the most part the administration of this department is made over to local governments. Some of the charges in connexion with Imperial departments, such as the post office, telegraphs, and salt, are retained as Imperial charges, but even those works are generally carried out by the Provincial Governments, who make a charge to the Government of India for the use of their establishments.

10,685. Then as far as the larger part of that work, namely, the buildings and roads, is concerned, the central Government knows nothing at all about it?—They are not concerned with the details.

10,686. Can you compare the charges under this head in 1875–76 and 1893–94?—Yes. The gross expenditure in India was 3,241,388 in 1875–76 and 4,484,378 in 1893–94, against which there were receipts of 487,877 in 1875–76 and of 585,847 in 1893–94, and the net expenditure in India was therefore 2,753,511 Rx. in 1875–96 and 3,893,531 Rx. in 1893–94. Besides this there were net charges in England of 76,884*l.* in 1875–76 and 62,583*l.* in 1893–94.

10,687. That shows a very considerable net increase. Can you give us the reason of it?—Part of that is Imperial expenditure and part provincial. The gross Imperial expenditure in India in 1875–76 was 323,000, and in 1893–94 690,000. The greater part of that increase is accounted for by the addition of the works in Upper Burmah, the whole expenditure of which is at present retained as Imperial. The expenditure in Upper Burmah was 299,000, and the increase is 367,000, so that all but 68,000 is accounted for by Upper Burmah. Under "Provincial and Local" the expenditure varies largely with the balances of the Provincial Governments and with their general financial position. It is a head of charge, the expenditure on which can be most easily increased without incurring any large permanent liability. Consequently the Provincial Governments generally spend their surplus balances of a temporary nature on public works.

10,688. Can you make any separation between buildings and roads in the expenditure?—I have not taken out the figures; the figures for communications and for buildings are given separately in the accounts.

10,689. That expenditure on the roads is not a very heavy expenditure, is it?—The accounts do not give a total for Imperial, provincial, and local, all taken together, under the various sub-heads of Buildings, Communications, &c., but it can be taken out from the detailed accounts, if desired. I can say, however, that the expenditure on Communications furnishes the greater part of the charge under this head.

10,690. Well, would you look at the "Classified "Abstract of Expenditure from Provincial Funds on "roads and other works of communication"?—That gives the charges separately for Provincial funds.

10,691. That gives provincial funds something like 683,000 Rx.?—Yes, but there is also about 20,000 Rx. incurred in the Civil Department (*see* p. 167 of the Finance and Revenue Accounts of 1893–94), which makes the total about 704,000 Rx. for "Provincial."

10,692. And then from Imperial funds there is an expenditure of 260,000, is there not?—Yes.

10,693. Those sums make up an expenditure of very nearly 1,000,000 Rx. on roads, do they not?—From

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Imperial and Provincial funds it is 964,000 Rx.; but there is the local expenditure, too.

10,694. The local expenditure is additional?—There is 1,123,000 from local funds.

10,695. The total, therefore, would come very nearly to 2,000,000?—Yes, just a little over 2,000,000 Rx.

10,696. On roads?—Yes.

10,696*a*. And there is nothing else except buildings, is there?—There is some expenditure on what is called "miscellaneous public improvements," but it is not very large. The total expenditure on that sub-head is 228,000 Rx. "Establishments" also cost 882,000 Rx. and "Tools and Plant," "Miscellaneous," and "Suspense," 72,000 Rx.

10,696*b*. Now, is a large proportion of the charges here local?—Yes, a very large proportion. The local charges in 1893-94 amounted to 1,677,000 out of a total of 4,484,000.

10,697. Then there is a certain number of charges in England that keep pretty constant. In 1875-76 they were 94,435*l*. and in 1893-94 88,411*l*. Could you give us any details of them?—Yes; the charges are for the Royal Indian Engineering College, 24,000*l*. in 1875-76, and the receipts 17,000*l*., leaving 7,000*l*. as the net charge in that year. In 1893-94 the charge was 29,000*l*. and the receipts 26,000*l*., leaving a net charge of 3,000*l*., and there were also some alterations and additions to buildings which brought up the total net charge to 4,500*l*. Then the rest of the charges are chiefly made up of the furlough pay of military and civil officers of the Public Works Department; that charge amounted to 56,000*l*. in 1875-76, and to 50,000*l*. in 1893-94. The stores came to 10,000*l*. in 1875-76 and 3,000*l*. in 1893-94.

10,698. How far would that sum of 2,000,000*l*. that we have roughly arrived at, represent the total expenditure on roads? How are the by-communications kept up in the provinces?—That includes the expenditure upon all roads, except municipal roads and village roads.

10,699. And municipal roads would only be those within municipal boundaries?—Yes. They are charged to municipal rates.

10,700. But that would not include the communications between village and village?—No, there is hardly any charge upon Government accounts for that unless they happen to lie on a road which is considered important enough to keep up from either Provincial or Local funds. Inter-village communications are generally mere fair-weather tracks, unbridged and unmetalled.

10,701. Then this 2,000,000*l*. is merely expenditure upon the main channels of communication between town and town?—Yes.

10,702. That is all the charge that falls on the Government in respect of roads?—Of civil roads. There are some charges under "Military Works" for military roads.

10,703. (*Sir James Peile.*) Does that include local fund roads?—Yes.

10,704. (*Chairman.*) Do you consider that the increase, which I think you have shown us is a large one, of the Imperial expenditure on civil buildings needs any explanation? I think you showed that the Imperial charge on civil buildings had very nearly doubled in the time, did you not?—Yes, but the increase was not wholly for buildings. It included some charges for communications. I stated also that nearly the whole of that increase was due to the expenditure in Upper Burmah.

10,705. And I think we gathered that, as far as the provincial expenditure goes, that is very much dependent upon provincial financial prosperity?—Yes, to a large extent.

10,706. In good years they spend a good deal of money; in bad years they economise?—Yes. There is an immense field for expenditure on public works in India, and almost any amount that is available could be spent on them.

10,707. Under what department of the State are those civil buildings and roads?—Under the Public Works Department.

10,708. The Public Works Department carry these works out, just as they carry out the irrigation works and the railway works, I suppose?—Yes, there is a separate branch for the roads and buildings.

10,709-10. And is the central office of that branch at Calcutta?—There is a Public Works Secretary to the Government of India, and his Department maintains the general control over the whole of India.

10,711. But there are branches of the Public Works Department in the several provinces?—Yes, every Provincial Government has a Public Works Secretariat.

10,712. You put in this interesting return of the increase of army pay, colonels' allowances, and retired pay, between 1875-76 and 1893-94. Under the head of colonel's allowances the increase is from 210,000*l*. to 535,000*l*., the numbers increasing from 201 to 501. Is that due to the increase of the army, or do you know what is the cause of such an increase as that?—It is entirely due to the increase in the number of officers who have become entitled to colonels' allowances between those two dates.

10,713. But is the larger number of officers becoming entitled due to a change in the regulations in their favour in the meantime?—Yes. I fancy that is the case.

10,714. (*Sir Donald Stewart.*) That is so. It is entirely in consequence of a regulation which is called the Cranborne decision, under which all officers of the Staff Corps, whatever their position, became entitled to colonels' allowances after 38 years' service. It is rising to a maximum, and it is supposed that it will reach it in 1900 or thereabout?—Yes, within the next five years.

10,715. And then it will diminish, because that regulation no longer exists. It does not apply to officers who are now entering the service.

(*Chairman.*) It only applied to the officers in the service at the time?

(*Sir Donald Stewart.*) Yes. To all who entered the Staff Corps before a fixed date.

10,716. (*Chairman.*) There is another heading upon which there has been a very large increase—the Staff Corps pensions, which rise from 403,000*l*. to 611,000*l*.?—Yes; that is due to an increase in the scale of pensions. The principal rise took place before 1881 (your lordship will see the present figure had been almost reached in that year), when special pensions were offered with a view to reduce the ultimate charge for colonels' allowances. In that year an increased scale of pensions was granted; but the charge has not increased largely since then, chiefly because the special pensions falling in have counterbalanced the new pensions granted. An increased scale of pensions for the Engineers and Artillery was also sanctioned in 1878. The number of Engineer officers also has largely increased.

10,717. Another head of increase is the Medical. 418 officers earned 126,000*l*., and now there are 431, a very small increase in number, and they earn 192,000*l*.?—Yes; the scale of medical pensions has been increased. Some difficulty was experienced at one time in recruiting for the Indian medical service, and it was found absolutely necessary to increase the pensions offered.

10,718. (*Mr. Naoroji.*) With regard to the educational institutions, in former days, when the Indians were not sufficiently educated, it was only natural that professors, and teachers, and inspectors should be Englishmen; but now, when the colleges and the universities have been turning out Indians of very great attainments, if Indians instead of Englishmen were employed in the Education Department (excepting perhaps for one or two purposes, such as English language and literature, or some such important subject in which an Englishman would be the best teacher), would not that diminish very much the expenditure of the Education Department?—Yes; but I believe that the employment of natives in the Education Department has been very largely extended.

10,719. And if it is extended further it will tend towards economical expenditure?—The employment of natives undoubtedly would diminish the expenditure, but I am not sure that I can say it would be more economical.

10,720. I mean that you have men of equal ability and knowledge among the Indians who could be employed at a lower salary?—I do not know that I could say of equal ability and knowledge.

10,721. I am taking it that the Indian Universities have done their work, and produced many men of great attainments and quite as able as any other set of men;

otherwise, the Universities are doing no work? --Undoubtedly the Indian Colleges have turned out many scholars who have proved themselves at the University examinations to be men of great attainments. And I believe several of these men have been employed, and are employed, by the Education Department.

10,722. If that employment were extended more and more, it would be more economical?—Doubtless; and I should suppose it will be more extended as greater numbers qualify themselves for such employment.

10,723. At less salaries. Certainly there is a large number of educated youths sent out from the universities from whom a sufficient number can be obtained who could be perfectly qualified to do those duties?—The Education Department is not a very favourite Department. I think that natives of India of great attainments, as a rule, prefer employment in other Departments.

10,724. Yes, but I am talking of the Education Department like all other Departments, wherever a native can be found qualified to fill a certain post will it not be economical to employ him instead of necessarily putting in the European? That is the question. It is only natural?—I should say so, where a native can be employed with due regard to efficiency.

10,725. Wherever he can be employed?—He can be engaged at a lower salary.

10,726. Yes, he can be engaged at a lower salary; two-thirds is the proportion laid down by the Secretary of State?—The difficulty is to get a sufficient number of qualified natives.

10,727. The difficulty in fact arises because they are not allowed to enter, not that there is any difficulty in getting them. The difficulty is that Government will not employ them. If the Government laid down regular rules and regulations, according to which these appointments were to be given by certain proper competition and a fair trial, then we should know whether there were qualified persons or not?—I should say that, the employment of natives being cheaper, the Provincial Governments would employ them, wherever they considered that that could be done consistently with efficiency and good administration.

10,723. Is any system adopted by which properly qualified natives can be employed as a matter of right? Is there any system adopted by which anybody may compete and get a proper place? There is no such system; there is no fair trial given?—There is no general system of competition for the higher appointments in the Education Department, either for Europeans or natives.

10,729. If this can be done, and if the Indian element can be introduced and made larger and larger, the expenditure will be more economical, being at a less salary?—Yes, as far as it is possible to do so consistently with efficiency.

10,730. And there is this advantage that it would be an economical advantage to India that so many of the Indians would be provided for, instead of persons coming in and supplying their places? There would be the double advantage; not only the actual amount of saving on the expenditure, but the actual economical effect upon the country itself. Well, the same questions will apply, I say, to the Public Works Department. From the engineering colleges engineers are prepared in large numbers, and yet India employs them very sparingly, and does not give sufficient encouragement to them to come out and do the work of their country. If a sufficient number of engineers were employed from the Indians, then, on the same ground, there would be economising of expenditure, would there not?—I do not think so at present. The Provincial Service system is being gradually extended to the Public Works Department. But, as far as I know, no large number of natives in that Department are as yet paid at a lower rate than the Europeans.

10,731. But they could be obtained if there was a regular system of employing Indians, and they were allowed to rise in the service. We know that natives of the same acquirements and knowledge can be obtained at a less salary, which would be only reasonable, and the Secretary of State insists that they should be paid at two-thirds the salary?—I do not know whether that is possible at present to any great extent in the case of the engineers.

10,732. If they are fairly employed and if a fair opening is given to them, they cannot ask as high salaries as are given to Europeans coming from a distance?—Many of those employed hitherto have received the same salaries as Europeans.

10,733. That may be because there are only very few employed, and Government cannot make a distinction; but if there is a regular system of employing the best they can get at such salaries as the natives are willing to accept, the natives will accept them with very great pleasure?—The matter has been under consideration, and the extension of the Provincial Service system to the Public Works Department has been sanctioned, but I do not think it has been brought into force so far to any great extent.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

At the India Office.

TWENTY-SECOND DAY.

Wednesday, 17th June 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor General of the Government of India, recalled and further examined.

Mr. S. Jacob, C.S.I.

17 June 1896.

10,734–6. (*Chairman.*) Mr. Jacob, we are going to take up to-day the collection of revenue, beginning with the land revenue. The land revenue constitutes about 40 per cent., does it not, of the total revenue of India?—No, not so much as that at present. The land revenue in 1893–94 was 25,590,000 out of a total gross revenue of 90,565,000.

Mr. S. Jacob, C.S.I.

17 June 1896.

Land Revenue.

10,737. Perhaps the per-centage of 40, which I have seen, refers only to the tax revenue: is that so?—Possibly. Taking the principal heads of revenue it only forms 25 out of 60 millions that would be a little more than 40 per cent.

10,738. (*Mr. Jackson.*) About 25 per cent. of the whole?—Rather more than that per-centage of the whole; 25,000,000 out of 90,000,000.

10,739. I thought you said 95,000,000?—About 28 per cent.

10,740. (*Chairman.*) What is the first head under the class of direct demands upon the revenue?—The first heads are "Refunds and Drawbacks" and "Assignments and Compensations." These are, however, general heads which relate to all or several of the principal heads of revenue. They have subheads distributing them over the various heads of revenue; and the charges coming under these two heads can probably be most conveniently taken up with the charges of the particular revenue head to which they relate. The next head and by far the largest of the heads coming under the general class of "Direct Demands on the Revenue" is the head of "Land Revenue."

10,741. Why is the land revenue head so large and important?—Land revenue is the most important of all the revenue heads of the Government of India, and further the land revenue charge head comprises not only the direct charges for the collection of that revenue, but also the charges for the settlement of the revenue and the general charges of district administration in many other departments.

10,742-3. What are the subheads coming under the general head of land revenue?—There are general charges of district administration, survey and settlement, allowances to district and village officers, land records and agriculture, commission on collection of revenue, management of estates, and the Inam Commissioner in Madras.

10,744. The actual charge of collecting land revenue has increased considerably, has it not, between 1875-6 and 1893-4?—Yes; the charge falling under the head of land revenue has increased from 2,907,000 to 4,022,000.

10,745. That is an increase of over 38 per cent., is it not?—Yes.

10,746-8. Can you give us gross and net receipts of land revenue in those years?—They are as follows:—Gross receipts in 1875-6, 21,540,000, in 1893-4, 26,336,000, making an increase of 4,796,000. Charges in 1875-6, 2,906,000, and in 1893-4, 4,021,000, showing an increase of 1,115,000. The net revenue in 1875-6 was 18,634,000, and in 1893-4 it was 22,315,000, giving an increase in the net revenue of 3,681,000.

10,749. Can you tell us the per-centage of the increase in the gross first, and then of the net?—The per-centage of increase on the gross revenue is 22¼, and on the net revenue 19¾.

10,750. Therefore, the per-centage of increase, whether on the gross or on the net, is considerably less than the per-centage of increase on the charge of collection?—Yes, it is less.

10,751. The charge increased 38 per cent., the net revenue nearly 20 per cent., and the gross revenue 22 per cent.?—Yes.

10,752. And the increase is progressing, is it not, because the budget of 1895-6 shows an increase of 160,000 over 1893-4, but possibly you would speak of that with some reserve, as it is only a budget estimate?—Yes. The charge is increasing, but not at the rate shown by comparison of actuals with the budget estimate. The revised estimate for 1895-6 is only 4,087,200, and very likely the actuals may be lower even than that.

10,753. You have given us some tables which show what I may call transverse sections of this expenditure. For instance, the first table gives the progress of the charge in each province, and I see from that that the charge in Madras has risen by 50 per cent. from 641,000 to 959,000 Rx.; has the revenue itself risen in a like proportion?—No, the revenue has risen by about 20 per cent.

10,754. In Bombay, on the other hand, the charge has been stationary—663,000 in 1875-6 and 669,000 in 1893-4. Has the revenue in Bombay remained stationary?—No; it has risen by about 27 per cent.

10,755. Can you explain to us the reasons for the large increase in Madras and the stationary character of the charge in Bombay?—The charge in Madras has increased by 318,000, out of which an amount of 254,000 (443-189) occurs in local charges, and is covered by local receipts coming under another head (provincial rates). Deducting this charge, the increase in imperial and provincial charges is only 64,000, or about 10 per cent. In Bombay the charges of district administration have remained stationary, partly because a large saving has been effected in travelling allowances, which counterbalances the increase in salaries and establishments. A saving has also been effected in survey and settlement charges, which counterbalances an increase in the record and village officers' charges.

10,756. Can you give us a little more explanation about the reason of the increase in Madras? I gather from your answer that, in order to make the comparison fair, either a large portion of expenditure, now charged to land revenue, should be deducted, or else certain receipts now credited to provincial rates should be included on the revenue side; is it not so?—Yes. I think the most correct plan would be to deduct the local expenditure. That expenditure is not an expenditure for collection of revenue, but is a charge for certain village servants, to meet which a special cess has been levied which is credited under provincial rates; so that I think the more correct plan would be to take that expenditure out of the account altogether.

10,757. Why is it charged against land revenue, why not against provincial rates, to which it seems more particularly to belong?—The revenue is in the nature of a provincial rate, but the charges are in the nature of a charge for land revenue administration.

10,758. I do not quite follow the connexion. If the revenue is not land revenue, why does the expenditure in connexion with it fall upon the head of land revenue?—The expenditure is for village servants, who are a portion of the land revenue administration, but the revenue is a provincial rate—a rate levied in addition to the ordinary land revenue.

10,759. I have no doubt that the question has been well thought out; but would it not be better that both the revenue and the charge of collecting that revenue should come under the same head?—The charges shown under the land revenue head are not the charges for the collection of the provincial rates, but the charges to meet which the provincial rates were levied. As regards the provincial rates, it happens almost in every case that the charges incurred appear under another head of account; there is hardly any expenditure against provincial rates, but there is a very large revenue, which is levied for the purpose of meeting expenditure under several of the service heads—for instance, under Education and Medical, we saw that a portion of the charge was met out of the provincial rates, and similarly this land revenue charge is met out of the provincial rates. They are levied for special purposes, but the charges are taken under the head of account to which they appertain.

10,760. (*Sir James Peile.*) But in Madras did they employ additional establishments for the collection of these rates?—If there is any special charge for collection it is very small, and it would be shown under the expenditure head of provincial rates.

10,761. You showed a great increase in Madras, and said it was on account of provincial rates?—The increase in the charge is for village servants, which is met from the provincial rate. A cess was imposed to meet the cost of the village servants.

10,762. That was a new charge?—To a great extent it was a new charge. There were charges in 1875-6, but the increase is 254,000. The charge has increased from 189,000 to 443,000.

10,763. But were new people employed at that time for the first time?—I think what was really done was that Government took over establishments which were previously paid by the village community, and levied a cess to meet the charge. They were not new establishments in one sense; they were already employed and paid by the village community, but the management by the village community was bad, and the Government accordingly took over the charge and levied a cess to meet it.

10,764. (*Mr. Jackson.*) The service is still performed for the benefit of the village community?—Yes, or at any rate it is one for which the village community were responsible.

10,765-7. (*Chairman.*) But it is charged to land revenue?—Yes.

10,768. Could you point out under what head in the Finance and Revenue Accounts this increase has occurred?—In allowances to district and village officers—the last item under Madras in the accounts of 1893-4—315,488—and also under district charges of Land Records and Agriculture—the last charge under land records—153,159.

10,769–70. You consider that the proper way of accounting for this increase, is to remove it from the charge for land revenue, when we are considering what the cost of collection has been?—Yes, I should say so, when you are comparing 1875–6 with 1893–4.

10,771. That would take 254,000 off the increase, which you told us was —— ?—318,000.

10,772. I am taking the whole of the land revenue; the expenditure, you told us, had risen from 2,906,000 to 4,021,000?—I do not think it is possible to consider all the provinces taken together in that way. The system of administration is different in each province, and, if it is desired to arrive at the reasons for the increase, that can only be done by considering each province in detail.

10,773. What I mean is this: if you charge land revenue with expenditure which does not really belong to land revenue, the proper course, when we are merely considering what the increase of the charges of collection are, would be to take off from the total increase whatever sums you show us do not properly belong to collection of land revenue?—Yes.

10,774. For instance, here is an extraordinary circumstance, namely, that the outside figures show an increase of 38 per cent. in the cost of collection, while an increase of only 20 to 22 per cent. is shown in the receipts realised. But that large per-centage would be considerably diminished if you took off from the total increase—which I think you have given us as 1,115,000—254,000; it would be reduced to 861,000?—Much more than that would have to be taken off, if you were to deal with the whole of the provinces together. The whole of the increase in the local charge ought to be taken off, because that is entirely met either by local rates or local cesses of some kind or another.

10,775. Those rates or cesses would not be included in the land revenue as revenue?—No; they are included under provincial rates.

10,776. Can you give us any idea of what those figures are?—The whole of the local charges in 1875–76 were 410,000, and in 1893–94, 963,000.

10,777. Does that include the 254,000?—Yes, that includes the 254,000. It gives a total increase of 553,000 under local charges.

10,778. 553,000, which taken from 1,115,000 makes very nearly one half?—Yes.

10,779. (*Mr. Jackson.*) If you can take that figure, the increase of revenue has more than kept pace with the increased cost of collection?—Yes, that is so.

10,780. (*Chairman.*) Roughly speaking, of course, the real increase would be just one half of the apparent increase?—Yes.

10,781. The per-centage would be something like 19 in 38?—Yes, it would be something about that.

10,782. Which you might fairly state was an increase *pari passu* with the increase of revenue?—Yes, but further reduction would have to be made, if you are comparing the charges for the two years, because large charges were incurred in some provinces in 1893–4 for survey and settlement. Those charges are only incurred when a settlement is proceeding, and the revenue that comes in results much later than the charge

10,783. Yes, but, as far as that goes, that is a service which is taken simply and solely for the promotion of land revenue?—Yes, but comparing the charges for two given years you may find that in one of the years settlement charges were proceeding much more rapidly than in the other year.

10,784. But still there is much difference between the two; in one case, as a matter of convenience of account, you have charged against land revenue a number of expenses which have nothing to do with land revenue; those charges account for one-half of the increase in the charge of collection since 1875–6?—I should not say they had nothing to do with the land revenue; they are certainly connected with the land revenue administration, but they are covered by special receipts, which are levied with the object of meeting the charge.

10,785. But that points rather to the result that the proper way to deal with the matter would be to add these receipts rather than deduct the expenditure, does it not?—I should not say so, because the charge was incurred in 1875–6, although it was not brought on the Government accounts; it was met by the village community without passing through the Government accounts at all; so that you could not compare 1875–6 with 1893–4 by adding the expenditure in one year and leaving it out in the other.

10,786. But you are face to face with a very heavy increase. That heavy increase has been caused in part by tacking on new services, and it is important to see how far that very large increase is not due to a mere increase of the ordinary service in the districts since 1875–6?—That is the point I want to bring out. Similar charges have been taken over by Government, not only in Madras but in two or three other provinces. In the North-West Provinces, for instance, and in the Central Provinces the Patwari fund, which was outside the Government accounts in the earlier year, has now been brought into them, the revenue and the charges both appearing on the Government accounts.

10,787–8. But does the revenue appear under land revenue or under another head?—The Patwari rates come under provincial rates.

10,789. You see the difference I want to call your attention to is this. We are investigating the increase, and of course we are anxious to make the comparison as fair as possible. If part of that increase is due to new services which have been undertaken, and which, as you say, are, in your opinion, akin to land revenue service, and if these new services are not more than covered by a fresh rate levied and brought to account under another head, of course the per-centage of increase would remain very large. If you left these charges on the expenditure side, and brought in the rates levied against them to the income side, the increase would be very much larger than if you deducted this large sum simply from the expenditure side, leaving the income side untouched?—No, I do not think it would be larger.

10,790–1. Supposing there is an increase of 1,000,000 Rx., and one half of that increase is due to these special services, if you simply deduct the special services, you are left with only an increase of 500,000 Rx., which would diminish very much the per-centage of increase. But if, on the other hand, against that 500,000 Rx. you levied 500,000 Rx. in new rates, and added that on to the income, making it 22,500,000 Rx. instead of 22,000,000 Rx., and left 500,000 Rx. as part of the expenditure, the ratio of increase would be very much larger than if you simply deducted the 500,000 Rx. from the expenditure?—No, I do not think it would be larger.

10,792. I think it would?—Unless the charges have increased in the meantime, because you must take the corresponding charge in 1875–76.

10,793. It seems to me perfectly obvious?—I do not think it is.

10,794. You have got 22,000,000 Rx. of land revenue?—Yes.

10,795. And the increase, shown on the face of the figures, of 1,100,000 Rx. makes a per-centage of increase of 38 per cent. If you simply deduct that 500,000 Rx., as we propose to do, thus reducing the 1,100,000 Rx. to 600,000 Rx., the result is that you bring the per-centage down to something very near 19?—Yes.

10,796–8. If, on the contrary, you leave that 1,100,000 increase untouched and on the other side put in the new rates, your increase is left at 1,100,000 Rx., but it is an increase of 1,100,000 Rx. upon 22,500,000 Rx. It seems to me clear that that will leave the per-centage of increase not indeed 38, but over 30. Can we agree upon a method of statement?—No; I do not agree that that is the fair way of stating the case.

10,799. We agree that, supposing you were to do that, it makes a very great difference in the per-centage?—I do not see what the per-centage of the collection charges on the revenue has to do with a comparison of an absolute increase in the charges as between two given years.

10,800. When we began this conversation, you pointed out most rightly that a part of that increase of 1,100,000 Rx., in fact one half of it, is due to services which are new, which were not borne on the budget of the receipts in 1875–76. Then, naturally, it occurred to us that, if this caused a large part of that increase, the 1,100,000 Rx. is an excessive increase to show as an increased charge of collection. That we are agreed upon?—Yes.

10,801. And then came the question, how can you state most clearly the result? And I asked, should we add the revenue that is collected against these new services to the income? Of course, if you do that, you bring in the receipts from the cesses or rates on the income side, leaving the charge of collection as it is. You, for very sufficient reason no doubt, objected to doing that; and then came the alternative method of deducting that 500,000 Rx. from the increase of the expenditure. But, if you want to have a fair statement of the increase of expenditure, these two processes bring out very different results?—Yes.

Mr. S. Jacob, C.S.I.

17 June 1896.

Land Revenue.

10,802. What I want to get at, then, is which is the process which you think the fairest and most complete?—What I should say is that it does not matter much whether you add the expenditure in both years or whether you leave out the expenditure in both years; provided there has been no increase in the interval, the net result would be almost the same. There would be a slight increase in the initial amount which would slightly diminish the per-centage of increase, but there would be no difference in the actual amount of the increase, whether you added the charges in both years or left them out in both years.

10,803. Then your view is, as I understand it, that the correct way of stating the matter would be to add to the charges of 1875-76 the expenditure on these charges which now figure in the budget?—No; to deduct the new charges from the present charges is, I think, the correct way. They are met by revenue which is especially levied with the object of meeting them. If we could not have levied the revenue to meet the charges, we should not have incurred them.

10,804. But do you remember you stated that you thought these charges were akin to land revenue charges, that they properly belonged to them; that was the point which puzzled me. If they properly belonged to them, then ought they not to be classed under land revenue charges? If, on the contrary, they are not properly land revenue charges, are they not better put out altogether?—They are land revenue charges proper, I think; but I see no reason why we should not credit to provincial rates receipts levied to meet land revenue charges, when we credit under that same head revenue which is levied to meet educational or medical charges. No objection was taken to that when the educational and medical charges were being examined, and I do not see that there is any difference between that point and the land revenue.

10,805. (*Mr. Jackson.*) Is not this the point which Lord Welby is trying to bring out? You gave us the figure of 4,022,000 Rx. as being the expenditure?—Yes.

10,806-7. And 2,907,000 Rx. as being the revenue?—No; 2907,000 Rx. was the expenditure in 1875-76 and 4,022,000 Rx. in 1893-94. The gross revenue was 21,540,000 Rx. in 1875-76, and 26,336,000 Rx. in 1893-94.

10,808. That makes a difference of 4,000,000 Rx. to 5,000,000 Rx. in the revenue?—4,796,000 Rx.

10,809-10. But 4,022,000 Rx. is the expenditure in 1893-94 and 2,907,000 Rx. in 1875-76?—Yes.

10,811. But if you deduct the additional expenditure of 500,000 Rx. from the charge in 1893-94 that reduces 2,907,000 to 2,400,000?—It is the figure for 1893-94 that has to be reduced by 500,000 Rx.; so that 4,022,000 Rx. becomes 3,522,000 Rx.

10,812-13. And if you take 2,900,000 Rx. from that, that leaves about 600,000 as the difference?—Yes.

10,814. If you put it the other way you add only 500,000 Rx. to the total of 26,336,000 Rx., is not that so?—Yes, if you add the revenue in.

10,815. Then does it not leave the resulting difference as showing a larger per-centage of increase under that form than it does under the other?—Yes, if you add in only the revenue and expenditure to the figure of 1893-94, but if you add the revenue and expenditure to 1875-76, it not being new expenditure, the net difference will be exactly the same.

(*Chairman.*) I understand what Mr. Jacob's view is now, I think; he prefers adding to the expenditure of 1875-76.

10,816. (*Mr. Jackson.*) A charge which was not borne?—It was not borne by Government, but it was an existing charge which was borne by the village community.

10,817. (*Chairman.*) Have you got the figure?—No, I cannot give you the figure, because it was not borne on the Government accounts.

10,818. Then, if you have not got the figure, it is not possible to show it in that form, is it?—No; that is why I say that, the most correct way would be to deduct the expenditure in 1893-94, and leave it out altogether in both years in making the comparison.

10,819. If it is a land revenue charge, it is a question with me whether it ought to be deducted; but if it is a charge against these provincial rates, then it is a charge which may most fairly, in reckoning what has been the true increase of charge of collecting the land revenue, be deducted?—It seems to me that the question of the increase in 1893-94 as compared with 1875-76 must be kept separate from the question of what the proportion of the charge on the revenue in the one year is as compared with the proportion in the other.

10,820. However, I think, without labouring this point, further, we may be agreed so far. Your view would be that, in order to show fairly the progress of the cost of collection as compared with revenue, these sums, against which are set certain receipts which appear under another head of revenue, should be deducted, since they are not included in the account of 1875-76?—Yes, quite so.

10,821. And, therefore, in discussing the true increase in the cost of collection you would recommend us to take that increase at the 600,000 Rx. instead of the 1,115,000 Rx.?—Yes; on the figures I should say that; but I also should explain that the charges shown under the land revenue head are not entirely charges of collection; they include the charges of district administration, which is just as much a civil department as any of the other civil departments—law and justice, and so on.

10,822. It is a civil department, it is true; but it is a civil department which exists only for the collection of the revenue?—No, certainly not; not only for the collection of land revenue.

10,823. What does it exist for?—It exists for the purpose of the general district administration, and it includes charges for the collection of the excise and assessed taxes, and various other revenues.

10,824. But you only debit the collection of land revenue with a part of the salaries of collectors, commissioners, and deputy commissioners in 1893-94?—Yes, the rest is charged to Law and Justice, as I explained under that head.

10,825. Does the part of these salaries debited to land revenue include so much of these salaries as represents the work done by the Excise?—Yes; for instance, there is no charge for collectors' and assistant collectors' salaries made against excise or assessed taxes, or any other parts of the revenue which they administer.

10,826. At all events there is a difficulty in separating that part of these salaries belonging to the excise. You would, therefore, leave it there?—I think the correct way is to compare the whole of the charges under these heads, land revenue, stamps, provincial rates, and assessed taxes, with the whole revenue.

10,827-8. When we have finished we may very likely have a few questions to ask you on the result of grouping them together. But at present should you be content if we take the 600,000 instead of the 1,115,000 as a measure—perhaps not a complete but a sufficient measure—of the progress of the cost of collection?—Yes, I think that would give you a correct measure of the real increase of charge under this head.

10,829-30. Of course you see my object is this: I have been taking up these figures, and I am startled by this very large increase of 38 per cent. That is as it appears on the figures in the Finance and Revenue accounts. Of course in the interests of the Indian administration, and to show their case fairly, it is extremely desirable to bring out clearly that this is only a nominal increase, not a real increase, and judge the administration by the real increase. That is the point that is in my mind.

10,831. (*Mr. Buchanan.*) Is this 500,000 Rx. that you deduct distributed in the accounts of 1893-94? Is the bulk of it the Madras charge for allowances to district and village officers?—The bulk of it is the charge for allowances to district officers, but not only in Madras.

10,832. (*Chairman.*) I think you have told us about 350,000 of it arises in Madras out of 550,000; therefore 200,000 is in other provinces?—254,000 Rx. is in Madras.

10,833. Out of 554,000 Rx.?—553,000.

10,834. Very well; that leaves 300,000 in other provinces?—Yes; that occurs under the heads, district charges, land records and agriculture, and allowances to district and village officers.

10,835. But the result of what you have been saying brings out this fact, as far as we are able to ascertain it, that, after you have made what we think is a reasonable deduction, the per-centage of increase of the charge of collection is not bigger than the per-centage of increase on receipts?—Yes.

10,836. Well, now, besides that there are some striking cases of increase. Take the Central Provinces. The charge is more than double, 169,000 Rx. to 78,000 Rx. In Lower Burmah the charge is double, 220,000 Rx. to 110,000 Rx. Can you give us any explanation of these increases?—In the Central Provinces the increase is mainly due to the survey and settlement charges, which have increased by 40,000 and to the charges for land records, which have increased by 45,000, of which 6,000 is due to the agricultural and settlement department, and 33,000 to local

charges covered by local revenue under provincial rates. The increase under settlement charges is due to settlements having fallen in; in 1875–6 there was practically no expenditure (2000 only) for settlements. The increase in the local charges is due to the inclusion in the accounts of the revenue and charges of the Patwari fund. In Lower Burmah the revenue has increased in almost the same proportion as the charge, from 824,000 to 1,609,000, and here also the settlement charges have increased from 3,000 to 47,000. The increase of revenue, which is a result of the settlement operations, comes in later than the charge.

10,837. Then the larger part of those increases is increase of expenditure incurred with the view of eventually increasing the revenue?—Yes.

10,838. (*Sir James Peile.*) It is of a temporary nature?—Yes, the settlement charge in any district is of a temporary nature; the land records expenditure, however, is of a permanent nature.

10,839. (*Chairman.*) In Bengal also the increase is very large, if not quite at the rate of the Central Provinces and Burmah. It has increased from 283,000 to 472,000?—In Bengal the increased charge is largely due to survey and settlement work, the increase in which is 89,000; to Government estates charges 24,000 (the revenue of Government estates having increased from 180,000 to 367,000,); and to land records 8,000 charges. The balance occurs under district administration.

10,840. Then may I take it that in 1875–6 there was comparatively little of this survey work, which, I suppose, is undertaken with the view to establish more correctly what ought to be the land revenue quota?—In some provinces there was comparatively little, but in other provinces the expenditure was greater under survey and settlements in 1875–6. The whole increase in the provinces, other than Madras and Bombay, between 1875–6 and 1893–4 was 61,000, and there was a decrease in Madras and Bombay in the survey charges.

10,841. What I mean is that the expenditure on surveys has been a continuing one, it is in no sense a new expenditure since 1875–6?—Not the whole expenditure on surveys; but a considerable part of this expenditure has been brought under the head of land revenue, which used not to come under it. The survey charges were made provincial in 1878–9—after 1875–6—and it was only then that a considerable part of the revenue survey charges were brought under the land revenue head.

10,842–4. Where were they charged before?—They were charged under "Survey," under the major head of "Minor Departments."

10,845. In the next section you give a comparison of charges in 1875 and 1893 according to the character of the expenditure. And here I notice a new head of charge called "Land records and agriculture." There was no such item in 1875–6 or 1884–5, but in 1893–4 it amounted to 945,000. Can you explain to us the nature of this new charge?—The increase is partly due to the transfer to this head of the cost of direction of the agricultural department; but is mainly owing to the policy of employing permanent land record establishments, with the view of lessening the temporary cost formerly so heavy when a settlement was in progress. In Burmah it is partly met by a reduction of the payments for commission, and in Madras by a special cess; in the North-West Provinces, the Punjab, and the Central Provinces, the increase is attributable to a change of system (already mentioned) by which the receipts and expenditure on account of the Patwari funds were brought into the Government accounts, from which they had previously been either wholly or partially excluded.

10,846. Where had the agricultural expenditure been charged before?—It was first charged under the head of "Minor Departments," but a great part of that is new expenditure incurred since 1875–6. I think the North-Western Provinces were almost the only province which had a real agricultural department in 1875–6.

10,847–8. Could you show me under what head of expenditure the Agricultural Department would be found in the Statistical Abstract?—It comes in now under land revenue.

10,849. Yes, but where would it come in in the earliest year of that Statistical Abstract? You spoke of "Minor Departments." I want to see where we shall find it charged then, so as to see whether there is any corresponding decrease?—I do not think the minor department charges are given in the Statistical Abstract.

10,850. What I want to know is under what section of the budget it would come?—Under "Minor Departments." That is the head of the budget.

10,851. (*Mr. Jackson.*) It does not give it in such detail, does it?—No; it gives the total.

10,852. (*Chairman.*) Does it not come in the Statistical Abstract for 1893–4?—No; there it occurs under land revenue.

10,853. But under what major head would Agricultural Expenditure be included in those earlier years?—Under "Minor Departments."

10,854. But this Statistical Abstract does not make such sub-division as that; therefore it appears under some other head?—No, it does not appear.

10,855. Is it omitted entirely?—Several heads are omitted there in that statistical abstract.

10,856. It is included in the total?—Yes.

10,857. I want to know under what head it comes?—It fell under "Minor Departments," and I gave some information about it when I was being examined on that head.

10,858. There is no corresponding decrease under the head of "Minor Departments"?—That includes about 70 or 80 different departments. You could not by merely looking at the totals see the difference.

10,859. The increase shown here, 945,000, which covers land record and agriculture, is in part a transfer, and is a very big one not to cause any corresponding decrease in some other department?—I might explain that only a small part of the increase is due to the transfer of the cost of direction of the agricultural departments, and that the greater part was covered by the land record establishments which were met to a large extent by special cesses, and by the Patwari fund.

10,860. On the other hand an item headed "incorporated local funds" occurs in 1875-6, but not afterwards. Will you explain to us the nature of that charge?—Those were the local charges. At the time that statement was submitted we were not able to distribute the charges for 1875–6, but we have since distributed them, and they fall under those two heads.

10,861. Under the heads of agriculture?—"Land records and agriculture," and "allowances to district and village officers."

10,862. A large increase of 302,000 is shown on the general charge of district administration. You devote two tables to the analysis of this charge. Taking the second table first, the larger part of the increase occurs under the head of salaries, namely, 282,000, or 46 per cent., and even if a decrease under the head of establishments of nearly 40,000 Rx. be deducted, a net increase of 242,000 remains. Can you give us any explanation on this head?—In 1882–83 it was found necessary, as has already been explained under Law and Justice, to improve the pay of the subordinate executive service at an estimated cost of 50,000 Rx. Further, in many provinces the staff of deputy collectors, who are natives of India, has been increased, the cost being partially met by a reduction in the number of covenanted civil servants employed in the department. To these two causes may be attributed a large part of the increase of 174,263 Rx. that has occurred in salaries and establishments apart from Upper Burmah.

10,863. Upper Burmah is excluded?—Yes.

10,864. Has there been any notable increase in the numbers of the staff employed, or is that increase, which you have just been mentioning to us, chiefly due to the increase of pay?—There has been a very large increase in the staff employed, too. I gave the exact details under Law and Justice. These charges are mainly divided between Law and Justice and Land Revenue. As regards this head, the salaries of the Indian Civil Service have diminished, notwithstanding the inclusion of the exchange compensation allowances, by 19,000 rupees, and the salaries of deputy collectors and of tahsildars and other subordinate officers have increased by 148,000.

10,865. Does that decrease in the salaries of civil servants arise from fewer Europeans being employed and more natives, or from a reduction in the salaries of the Europeans?—It is chiefly due to a reduction in the number of English civil servants.

10,866. They are replaced by natives whenever possible?—Yes.

10,867. In all these charges we must bear in mind that Upper Burmah has been added to the empire since 1875–76, and, from the analysis under provinces, I notice that that province accounts for 82,000 Rx. Do other annexations cause any part of this increase?—Yes, there have been some other annexations; for instance, Beluchistan which accounts for about 12,000 of the increase,

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and there have been also additional Lushai districts in Assam and Bengal which were not British territory in 1875–76.

10,868–9. Would that make a notable sum?—The Lushai districts would make about 2,000 in Bengal. They would not account for a large sum.

10,870. Then we will not dwell upon it. In Lower Burmah also the increase is very large—over 60 per cent. We are now dealing with the charges for district administration alone, but I think you pointed out to us that in Lower Burmah the land revenue has doubled?—Yes, it has very nearly doubled.

10,871. In Bengal the increase is 28 per cent. In "India general" it is 74 per cent., and in Madras it is 12 per cent. In Bombay there is an actual decrease. Are there any explanations you wish to offer upon these points?—The increase in Bengal occurs 20,000 in deputy collectors, 19,000 in their establishments, 16,000 in special establishments covered by special fees, and 21,000 for process service charges covered by process fees, which make a total of 76,000. There is a net decrease under other heads of 8,000, which gives an increase of 68,000 in Bengal. Then in "India general" the increase is entirely accounted for by Beluchistan. In Madras the total increase is 42,000 Rx., and is made up of charges for deputy collectors 10,000, office establishments 10,000, travelling allowances 6,000, and other contingencies 16,000. Exchange compensation allowance comes to 7,000, but this is more than covered by a decrease of 10,000 in the higher salaries.

10,872. Even when the allowances to district and village officers, the land records and agriculture, and unclassified local charges, are added together there is still an increase on those two heads of nearly 100 per cent.?—Yes; that I have already explained by the additions which have been made which were covered to a large extent by the additional provincial rates. They are almost entirely local charges.

10,873. One is struck by the moderation of the charge in Bombay throughout this land revenue heading in the Budget. What is the reason of that?—I have already explained that there has been a decrease in settlement and survey charges, and also the travelling allowances have been reduced in Bombay. There they have a special system of permanent travelling allowances, and a large reduction was effected in that item on the report of the Finance Committee. I do not think the amount of the charge taken by itself is particularly moderate, though the increase since 1875–76 may have been so.

10,874. You mean to say in 1875–76 you would not have said that it was a very moderate charge?—No; I mean compared with other provinces.

10,875. With reference to that, we see that in Bombay the charge has been stationary, but I think you told us that there had been a very considerable increase in the revenue?—Yes; there has been a considerable increase.

10,876. You gave us the figures before. I think you gave us the figures as 27 per cent. increase?—Yes, that was the figure.

10,877. But on the whole, if the revenue has increased 27 per cent. while the charge for collection has remained stationary, would you not say that that is a satisfactory result, especially when in the rest of India, after making all allowances, the increase of the charge for collection is so much higher?—The result is certainly satisfactory, but whether the expenditure is moderate now or not, depends entirely upon the standard in 1875–76.

10,878. I think the standard is higher in Bombay, if anything, than in the other provinces in 1875–76?—In 1875–76 and now too. There is certainly a larger proportion of covenanted civilians employed in Bombay than in most of the other provinces.

10,879. So that on the whole it is a question whether the scale in Bombay is not even now a high one instead of being a moderate one?—I do not think it is high with reference to the system. Bombay is managed entirely, or almost entirely, upon the Ryotwari system, under which the revenue has to be collected from the tenants themselves.

10,880. But could you give us the revenue in Bombay?—The revenue in Bombay now is 4,716,000.

10,881. Have you got what it was in 1875–76?—3,706,000.

10,882. Well, then, the total charge of collection in Bombay in 1893–94 is 669,000; would that seem to be a large proportion—and 663,000 in 1875–76?—The proportion has now been reduced.

10,883. The proportion has been reduced, but would you say that 663,000 in 1875–76 shows a heavy charge as compared with the whole?—I think it was considerably heavier than the average charge.

10,884. What was the total revenue in 1875–76?—21,540,000, and the total charge in India 2,902,000.

10,885. That was very nearly one-seventh?—Yes, it would be very nearly that.

10,886–9. And the Bombay charge would be rather higher, would it not?—Yes; the percentage was about 13½ for the whole of India, and about 18 for Bombay.

10,890. Therefore, the basis, as it was in 1875–76, in Bombay shows rather an expensive per-centage as compared with the rest of India. What is the charge for commission? In some provinces, I see, the collectors of revenue are paid by commission. What is the reason for the adoption of that in some provinces and not in others?—It is simply a continuation of a practice prevailing from ancient times.

10,891. Is it a good system, do you think?—I think, where it is in accordance with the customs of the country, it may be a good system; but in Assam the more generally prevailing system is to some extent superseding the collection through hereditary officials paid by commission.

10,892. There is a charge for the management of Government and encumbered estates. Can you explain to us the nature of this charge which is practically confined to Bengal and the North-West Provinces?—Government estates are estates of which the rental, temporarily or permanently, belongs to the Government. They sometimes come into the Government possession, owing to the refusal of the settlement by the proprietor. In such cases of refusal Government sometimes takes over the estate, making the proprietor an allowance, called *malikana*, and manages it directly. The charges are for the collection of revenue, outlay on improvements, and cost of settlement. In Bengal the outlay on improvements has been fixed at 12 per cent. upon the revenue from the estates.

10,893. These Government estates appear to be almost confined to Bengal and the North-West Provinces?—That is because of the system which prevails there. In Bengal the amount is largest, and there, in former times, the Government used to re-settle with another proprietor the permanently settled estates which came into their hands; but now they have adopted the policy of keeping the management of the estates in their own hands, and this system is much more profitable than the former.

10,894. (*Mr. Jackson.*) Has there been much increase of that system?—Of course Government cannot take over the management unless the estates happen to fall into their hands under some law.

10,895. But in the event of such a case as you describe, where an owner refuses to accept a settlement, you said that in that case the Government took them in hand and managed them and made the proprietors an allowance?—That is chiefly in the North-Western Provinces. The amount is not really very large there, and the charge is rather less in those Provinces now than in 1875–76; but in Bengal the charge has largely increased from 16,000 to 40,000.

10,896. In a case like that, would the whole charge of management of the estate fall upon the expenditure?—Yes.

10,897. Therefore, relatively, if that went on, that would apparently increase the cost of collection?—Yes; but I think in this case the revenue from the estates has increased almost as rapidly as the charge, if not quite—the revenue has increased from 180,000 in Bengal to 367,000; it has more than doubled.

10,898. Can you tell us why no estates fall into the hands of Government in other provinces except those two?—The systems of administration are so different in different provinces. In Bengal the management of estates can be assumed by Government under certain conditions when the revenue falls into arrears.

10,898*a*. In other provinces they cannot?—Not directly as a rule.

10,899. (*Sir James Peile.*) It will happen particularly under what we call the zemindari system?—Yes.

10,900. That is to say, where there are large landholders, say, middlemen between the Government and the cultivator?—The land law is very strict in Bengal. If the revenue is not paid in at the fixed date, the estate is at once confiscated.

10,901. (*Chairman.*) Passing now from the charges of collection, we find large amounts deducted from the gross

land revenue under the head of assignments and compensations, and refunds. What is the nature of the assignments and compensations?—The assignments and compensations consist of payments to holders of rent-free grants who are called inamdars, and the malikana, already mentioned, which is paid to excluded proprietors; pensions in lieu of resumed lands; and some small compensations—amounting to 11,000 Rx. or 12,000 Rx.—paid to Native Governments for lands made over by them.

10,902–3. You spoke of excluded proprietors; are those people who have not accepted a settlement, and whose estates the Government have therefore taken over?—Yes.

10,904. These grants have risen from 829,000 in 1875–76 to 1,056,000 in 1893–94, or 27 per cent. That is rather a large increase, is it not?—Yes, the increase is more than accounted for by the rise in Bombay; the rent-free grants in that province have risen from 475,000 in 1875–76 to 786,000 in 1893–94, and I may explain that these Bombay payments are almost entirely book adjustments. The land revenue in these cases is really alienated, but in Bombay the system is adopted of passing the revenue and the *per contra* charge for the rent-free grants through the accounts.

10,905. And not in other provinces?—No, not in other provinces.

10,906. The whole of this increase arises under the head of rent-free grants and occurs in Bombay, which shows an increase of 311,000 Rx., or more than the whole net increase over India under the head of assignments and compensations?—Yes, the principal reason of the increase is re-settlement. At a re-settlement the annual value of the land revenue assignments, or rent-free grants, is re-assessed, and is increased just as the ordinary land revenue assessment increases.

10,907. How far are those perpetual charges?—The book adjustments are absolutely perpetual charges, and they form the bulk of the payments—708,000 out of 786,000 in Bombay, and 119,000 out of 151,000 under pensions in lieu of resumed lands, also in Bombay. Some of the other grants are perpetual, but the malikana is not always so; sometimes the proprietors are excluded for a time only.

10,908. The charge for pensions in lieu of resumed lands represents a considerable sum. Will you explain this charge to us?—The Bombay charges are book adjustments, as in the case of alienated lands. The increase in this case is nominal, and arises out of the increased assessments; the increased grants on re-settlement are covered by a corresponding increase in the revenue. The reduction in the other charges for rent-free grants in that province is due to some large grants having fallen in. In the other provinces the charges under rent-free grants, &c., consist for the most part of malikana or allowances to excluded proprietors. Under the pensions in lieu of resumed lands, the reduction in the Punjab arises in what are termed maafee or rent-free tenures. The charges in Madras fell to 27,375 Rx. in 1880–81, since which they are being gradually reduced.

10,909. I suppose the refunds are mere repayments of revenue levied but not due, and therefore refunded to the person from whom they were levied?—Yes.

10,910. The increase under this head, you say, is due to an accident, and, therefore, does not call for remark?—It is a decrease.

10,911. That is to say, in 1875–76 there was an accidental increase?—There was a large erroneous credit which had to be refunded.

10,912. Is surplus revenue ever applied to buy up these assignments, compensations, and pensions, so far as they constitute a permanent charge on the land revenue?—Only when they become very small in amount. Sometimes owing to sub-division the amount becomes very small, and in those cases the grant may be resumed by a capital payment.

10,913. There is no settled policy of reducing these charges, so far as they are perpetual, by buying them up?—No: of course, as I pointed out before, the greater part of the charges are merely book adjustments. The alienated revenue is brought to credit on one side, and charged off against the service for which it was made on the other side.

10,914. (*Mr. Jackson.*) Is there any rule as to the number of years' purchase, or does it vary in particular cases?—There are rules laid down for each province; I have not got them at hand, but I am pretty sure that there are rules laid down varying for each province and according to the nature of the tenures.

10,915. (*Chairman.*) Except for book-keeping reasons, if revenue is only brought in on one side and paid out on the other, there is no object in admitting it?—I do not see the object in this case. The Bombay Government considers it a very important matter that these grants should be passed through the accounts, but I think that the view of the Government of India is that it is an unnecessary refinement.

10,916. I suppose the account headed "Abstract Account of Land Revenue" (at page 27 of the Finance and Revenue Accounts of 1893–94) is a gross account, is it not?—Yes.

10,917. In it various other heads of revenue besides the ordinary land revenue appear. For instance, in Bombay there is a receipt of 983,119 Rx. for assessment of alienated lands. What is the description of this receipt?—That is the revenue side of the adjustments which I have mentioned under assignments.

10,918. Adjustments that are passed through the accounts?—Yes; they are credited on one side and charged on the other.

10,919. In Lower Burmah the capitation and house tax amounting to 390,000 Rx., is reckoned as land revenue. Why is this?—That has always been a part of the land revenue system of Burmah since the time we took it over. In some cases, where we have settled the land permanently, the capitation tax has been abolished, being merged in the land revenue assessment, but there is a provision in the Burmah Land and Revenue Act that a capitation tax may be levied under certain specified conditions. In certain of the large towns it has been converted into a land tax.

10,920. Then, again, in Bengal there is a receipt of 47,850 Rx. for the improvement of Government estates. Is that a receipt of the same nature as that which you have just been describing to us?—Yes. It is really a special distribution between imperial and provincial of the revenue collected from Government estates. It is the special grant of 12 per cent. on revenue—mentioned above—made for outlay on the improvement of the estates, and credited specially as a Provincial receipt.

10,921. Is it a grant out of the land revenue for the improvement of the estates?—It is a grant out of the revenue of the estate. But it may be more accurately described as a special distribution of the revenue of the estates between Imperial and Provincial.

10,922. Then there is a large receipt throughout all the provinces described as "Fisheries and other receipts classed "as miscellaneous land revenue." What are these?—The largest amounts occur in Burmah, 617,000 Rx. in Upper Burmah, and 205,000 in Lower Burmah. There are some inland fisheries in these provinces, which belong to Government, and which are let out at rentals which are credited to land revenue; but the bulk of the revenue coming under this head is the capitation tax, which has already been explained. In the other provinces also there are miscellaneous credits, larger or smaller, of various petty items of land revenue, the largest being in the Punjab.

10,923–4. Those are, I suppose, small miscellaneous receipts which find their home under land revenue?—Yes, small miscellaneous receipts which do not come under any other subhead.

10,925–6. I will try to bring out the per-centage of cost of collection in the different provinces. Taking the land revenue as levied in the different provinces; the North-Western Provinces and Oudh show a receipt of 6,054,373Rx., against which the charges connected with collection amount to 777,660, that is nearly 13 per cent.?—Yes.

10,927. In Madras there is a receipt of 5,488,492 Rx., against which the charges connected with collection amount to 959,562 Rx., that is nearly 17½ per cent.?—Yes.

10,928. In Bombay there is a revenue of 4,715,794, against which the charges connected with collection amount to 669,073, rather more than 15 per cent.?—Yes.

10,929. In Bengal there is a revenue of 3,871,432 Rx., and the cost of collection is 472,522 Rx., rather more than 12 per cent.?—Yes.

10,930. In the Punjab there is a revenue of 2,445,535, and the cost of collection is 382,210, rather more than 15 per cent.?—Yes.

10,931. In Upper Burmah there is a revenue of 722,809, which is nearly all fishery, I understand?—No, it is not nearly all fisheries; that includes the capitation tax in Upper Burmah.

10,932. Oh, there is a capitation tax in Upper Burmah as well as in Lower Burmah?—Yes.

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10,933. Then Upper Burmah revenue was 722,809, cost of collection 219,089, rather more than 30 per cent.?—Yes.

10,934. Lower Burmah revenue, 1,609,106 Rx., cost of collection 220,417, about 13¾ per cent. ?—Yes.

10,935. Central Provinces revenue, 692,222 Rx., cost of collection 169,291, nearly 24½ per cent. ?—Yes.

10,936. Assam, revenue 561,728 Rx., cost of collection 100,587, rather over 16 per cent. ?—It is nearly 18 per cent. there.

10,937. "India general," revenue 175,044 Rx., charges of collection 51,062, nearly 30 per cent. ?—Yes.

10,938. The heavy per-centages in Upper Burmah and "India general" are, perhaps, intelligible. The first is a new annexation, and, as we have seen in other cases, not yet settled. The latter probably includes charges of central administration. Is that the case? Would that explain those two very high per-centages, both of them 30 per cent. ?—No; I do not think there is any charge for general administration there.

10,939. It is a very high per-centage. Of course the revenue is very small?—Yes; the revenue is small, and when that is the case the cost of collection must be proportionately higher.

10,940. Then, I suppose, Burmah is still in course of settlement, is it not?—Yes.

10,941. But are you able to explain the very heavy per-centage in Madras and the Central Provinces compared with Bengal and Bombay?—I have already explained the case of Madras. That is owing to the inclusion under Provincial Rates of the local revenue levied to meet some special charges.

10,942. Yes; and the Central Provinces?—In the Central Provinces it is owing to the survey and settlement charges.

10,943. They were exceptionally high?—Yes; they were only 2,000 Rx. in 1875-6, and 42,000 in 1893-4. There were also 33,000 on account of the Patwari fund, the revenue from which is credited under Provincial Rates.

10,944. Which latter comes in in both years, I suppose?—It was not brought into the accounts in 1875-6.

10,945. The whole charge for India, I think, works out at a sum of about 15 per cent. ?—Yes, 15·3.

10,946. Is that considered a reasonable charge; or has it ever been discussed whether the charge ought to be lower?—It should be remembered, as I said before, that the charge is not only a charge for the collection of land revenue, but is also a charge for general district administration; and that in addition it includes large charges for the supervision of the collection of other heads of revenue.

10,947. Therefore, when we come to the other heads of revenue, we ought to find a low per-centage?—The per-centage of cost of collection is very low under the other principal Revenue heads.

10,948. From the Statistical Abstract, I see that in the 10 years to 1893, the per-centage would be about the same, after making allowance for land revenue due to irrigation. That per-centage, therefore, seems to be a fair average, does it not, of what the almost normal cost of collecting the revenue amounts to?—Yes, I think so, subject to the explanation I have just given.

10,949. Do you consider that the machinery of administration is more expensive in the provinces which show a heavy per-centage?—In the different provinces it is heavier or lighter according to the revenue system in force. Bengal is certainly cheap, because there, under the terms of the permanent settlement, the zemindars are bound to pay in their revenue at head-quarters, so that there is very little cost in collecting it; the value of the permanently settled estates is generally so great, that a man will very seldom run any risk of losing his estate by failure to pay the revenue on the prescribed date.

10,950. On the other hand, you have given a reason for supposing that in Bombay the system is rather an expensive one?—Yes, it is more expensive than in some of the provinces, owing to the special system of revenue administration in force there.

10,951. Is the general organisation of establishments and machinery the same in the different provinces, or does it vary with the provinces?—The general principle of the system is very much the same. There is almost always a district officer in each district who has charge of the whole revenue administration of the district, but the actual details of administration differ very much according to the land revenue system in force in the various provinces.

10,952. What is the principle of the administration? In some of the provinces there is a Board of Revenue, is there not, which supervises the whole revenue collection, land revenue, stamps, excise, and so on?—Yes.

10,953. But that is not uniform, is it? In other places there is a Commissioner, is there not?—Yes, there are Financial Commissioners, too, in some provinces, who take the place of the Board of Revenue. I think Bombay is the only province which has not anything corresponding to a Board of Revenue. It has only separate Commissioners, who control the collection of revenue in the various districts of their local divisions. There, however, there is also a special Commissioner for certain of the heads of revenue—excise and opium and salt.

10,954. Then under these Commissioners come the head officers in the different districts, I suppose, collectors and magistrates?—Yes, under the Boards of Revenue and the Commissioners.

10,955. And these collectors and magistrates are divided into grades, are they not?—Yes.

10,956. Is a first-class collector and magistrate always in a big district, and is that big district sub-divided into what I may call the collectorates of second and third class magistrates?—No; there is only one district officer in each district.

10,957. Then what is the difference of district or of responsibility of work assigned to a first-class man and to a second and third class man?—The theory is that the more experienced men are in the larger districts, but tha is not always carried out in practice. It would cause considerable administrative difficulties if it was necessary to transfer a man from one district to another for a short time, in order to give him the higher pay to which by merit and standing he was fairly entitled. The grades are, as a rule, purely personal.

10,958. Therefore we have first of all, in most cases, the Board, under which there are the provinces parcelled out into districts which have at the head of them a magistrate and collector. Under him are the officers actually engaged in the work of collection?—In some provinces there are Commissioners between the Board and the district officer; and then again in the district itself there are tahsildars, or mamlatdars as they are called in Bombay, in charge of separate sub-divisions of the district, and they do a considerable part of the collection of the revenue under the control and superintendence of the assistant collectors, and the deputy collectors sometimes.

10,959. Then each magistrate and collector for a district has a certain number of assistant collectors attached to him?—Yes, the assistant collectors are members of the Indian Civil Service; the deputy collectors are natives.

10,960. There are a certain number of native Indians in the Indian Civil Service?—Yes, there are those who have passed the examination.

10,961. Then what is the method of collection? Do the deputy collectors see for each village that the sum which is recorded as due by that village is paid, or what is the check upon the actual people who go round and collect the money?—In the Revenue department there is always an official whose special charge it is to keep up the records of the amount due from each field, or village, or estate, as the case may be, and the amount of revenue due is always checked by this officer before it is received into the Treasury. The Treasury office does not itself check the amount due, but relies upon the Revenue department to see that the amount due is properly certified.

10,962. By the Treasury you mean the Accounts Department?—I mean the Treasury office of the district; the department which actually receives the money paid in.

10,963. The district treasury receives the money on the order of the Revenue department?—On the order of the Revenue department.

10,964. Then is any independent check applied to these receipts? For instance, does an officer of the Accounts department examine the books and ascertain, either by test or otherwise, the amounts that are payable, and that those sums are paid?—No, the Accounts department does not check the receipts of land revenue with reference to the amounts due. The land revenue returns are submitted to the Commissioners and the Board of Revenue, and they check the actual recoveries against the demand.

10,965. And ascertain that the sums brought to charge are actually levied?—Yes. The Accounts department either submits returns to the Board of Revenue for the purpose of comparison with the returns which it receives from the Revenue Department, or certifies the correctness

of these departmental returns, as may be found most convenient in the case of each kind of revenue.

10,966. (*Mr. Naoroji.*) You said there was a reduction of European servants. Can you give us a detailed list of posts and their salaries occupied by Europeans in the two respective times which are now being compared?—No, I am afraid I could not do that. It would have to be specially prepared in India.

10,967. Could you prepare one for us?—No, I could not prepare it. The returns which were made some time ago in answer to Parliamentary requisitions for information as to salaries drawn by Europeans and natives occasioned an immense amount of labour.

10,968. But then, when an assumption is made that there is a reduction, one cannot check it or verify it?—You can certainly check it by the amount of charge; the charge has been reduced.

10,969. The amount of charge may be greater by the increase of Europeans, or less. That can give no idea at all of the real number of Europeans employed?—I separated the charges for the Indian civil servants, from the charge for deputy collectors who are entirely natives, and they show a decrease in the Indian civil service charges and an increase in those for deputy collectors.

10,970. But you have not only got Europeans in the strictly covenanted civil service, but you have also Europeans besides in other departments, and what we want is the number of Europeans and the cost of their salaries—of all the Europeans. Unless we have got these figures, we can make no fair comparison?—I was merely referring in my evidence to the Land Revenue department.

10,971. Yes, taking the Land Revenue department by itself as it would be applicable to all other departments, it is necessary that we should have the number of Europeans employed at the two different periods, so that we may know whether there is an increase or a decrease of the employment?—I am certain that there is a decrease in the Europeans.

10,972. There is no means of checking it?—Yes, certainly there is. The charge has diminished, and a large number of posts which were formerly reserved to Europeans have been thrown open to natives, and are actually occupied by natives.

10,973. It would be better for us to know what posts have actually been transferred in this manner to natives, and what posts have been taken away from Europeans. It would be much more satisfactory to know all these details, because the general impression is that there is every possible increase of Europeans made?—I think that impression is wrong. For the Land Revenue department, I have no doubt, I could make out a statement of the appointments which under the provincial system have been thrown open to natives of India.

10,974. What is the objection to giving us a detailed list of the posts and their salaries in the Land Revenue department of Europeans at these two different periods? I do not see any objection to that. That would be satisfactory?—The only objection is the great labour that would be involved in it.

10,975. Well, but we want information, and the labour is not a consideration?—I believe the Secretary of State refuses to have such a statement prepared.

10,976. (*Sir Ralph Knox.*) What period does the Parliamentary Return cover?—The Parliamentary Return comes up to quite a recent year.

10,977. (*Mr. Naoroji.*) The one of 1892, you mean?—Yes.

10,978. That gives only the total, and you cannot make any comparison between this 1892 and the previous year?—No.

10,979. I should be very glad if I could get a similar return for 1875-6.

10,980-1. (*Chairman.*) I was looking the other day in the India List, which contains the names and offices of the officials of India, at the Land Revenue department in the different provinces, and I observed that down to a certain point the Europeans predominated—I say predominated, because I observed a few names of native gentlemen in those high posts. But below that point as far as I could see, with very rare exceptions, all the officials are natives?—Yes; the proportion of natives is immensely higher than that of Europeans, taking them altogether.

10,982. Would not the India List for 1875-6 as compared with that for 1893-4 give a very fair idea of the relative numbers at the two dates?—It would give some idea of it. I could not vouch for its absolute accuracy, but I could make out a statement of the kind if that were desired.

10,983. (*Mr. Naoroji.*) This is the Parliamentary Return of 1892 to which you have referred, I think, in which Europeans, Eurasians, and natives are separated (*exhibiting return*)?—Yes.

10,984. And their salaries are given, beginning with 1,000 rupees and upwards; but this is for 1892. If we want a comparison with the other year with which we are making all these comparisons, we ought to have a similar return for that year; and, until that is done, we can hardly make any comparison?—There was an earlier return, I think, and the two returns would give you a pretty fair idea.

10,985. There was an earlier return in 1878, but it was never printed, it was never published.

10,986. (*Sir Ralph Knox.*) It exists?—Yes, it exists.

(*Mr. Naoroji.*) Can we not get it?

10,987. (*Chairman.*) Will you ascertain?—Yes, I will.

10,988. (*Mr. Naoroji.*) If we get this 1878 return published with this 1892 return, we can form some accurate idea of what the comparative employment of Europeans is. As to the excess of natives that is only natural. You have the whole of the inferior subordinate service to be performed by natives, and to quote the number of natives as compared with Europeans is certainly unfair. It is the higher posts only, where the Europeans are employed, that ought to be compared, to see how many Europeans are employed and how many natives or Indians. It is no use saying there is a large Indian service; there must be a large Indian service. I do not see the use of going down to clerks and all that, and saying there is a very large number of natives; but limit it to posts in which the salary is, say, 1,000*l.* If we get the return of 1878, made on Mr. Bright's requisition, printed, we can compare that with this, or abstract it to the same extent as this. It is a very large return, because it is going into every detail, as I understand it?—Yes, it goes into great detail.

10,989. But then if a small abstract like this be made, that would be enough for our purpose?—Yes, I will see if I can give that.*

10,990. (*Sir James Peile.*) You are aware of the fact, I think, that in 1880 the recruitment for the higher civil service—the European civil service—was reduced one-sixth?—Yes.

10,991. That was done in order to make room for natives in that vacant space left by the vacated one-sixth?—Yes, it was.

10,992. And since that, to carry that into effect, in conformity with the recommendations of the Public Service Commission, certain orders have been passed constituting a provincial civil service, and assigning to that service, which consists mainly of natives or practically entirely of natives, certain reserved appointments of the higher civil service?—Yes, that is so.

10,993. I suppose, with the consent of the India Office, you could get us a list of those appointments?—I think I could.

10,994. What are called the listed appointments?—I think I should be able to get that out.

10,995. Perhaps you are aware of the number of judges' appointments in the North-West which are listed; do you happen to know?—No, I cannot say at this moment. I believe I gave some evidence on that point in my examination on Law and Justice. As to the number of Europeans and natives employed now in the Judicial Department, I have put in a statement already.

10,996. (*Mr. Naoroji.*) Then with regard to the services that were set aside for the Indians in 1880, is not that increment altogether nullified by the Secretary of State having cancelled the statutory service altogether. Is not that really cancelled altogether, though the Act of 1870 still exists?—The provincial service system has taken the place of that system.

10,997. Then that is cancelled, is it not?—Appointments are not made now under the rules of 1880.

10,998. In substituting the provincial service, are not actually the number of appointments lessened than what the Indians would have got under the Act of 1870?—I do not think so.

* I have since ascertained that the return, which is very bulky, was laid on the table of the House of Commons, but has never been printed.—S. J., 11th August 1896.

Mr. S. Jacob, C.S.I.

17 June 1896.

Forests.

10,999. Well, I should like it if you could ascertain. Then, again, under the Act of 1870 these appointments were as part and parcel of the Indian Civil Service; these provincial appointments are not, and it is a lower grade of service, is it not?—They are paid about the same rate as the men were paid who were appointed under the Act of 1870.

11,000–1. Yes, but they cannot go any further; whereas by the Act of 1870 the whole civil service was open to those who were appointed under that Act. By the rules of the provincial civil service they are restricted only to a certain number of subordinate situations, and they cannot go any further?—I have not referred to the orders about the provincial civil service very lately: I should like to refresh my memory before making any statement about it, but my impression is that the pay that they receive is just as high under the provincial civil service system as that which was given to the statutory civil service.

11,002. Yes, that is true. But then the number is reduced as well as the prospects. They are limited to a certain grade only, while under the Act of 1870 they could have risen to any post like other civil servants?—I am not aware of how far that is the case.

11,003. (*Sir James Peile.*) Provided only that they were fit for such posts, I think?—Certainly.

(*Mr. Naoroji.*) Yes, of course; but then they are now deprived altogether, whether they are fit or not.

(*Sir James Peile.*) Not at all.

(*Mr. Naoroji.*) You have cancelled the whole thing.

(*Sir James Peile.*) I do not admit that for a moment.

11,004. (*Chairman.*) We will now pass on to the Forests, if you please. Will you tell us, are the forests of India all only worked for the purposes of revenue, or generally with a view to the improvement of the country?—They are worked for the improvement of the country, but they do, as a matter of fact, generally produce revenue.

11,005. I mean rather what is the main object of the administration, to produce the largest revenue obtainable, or to make the net revenue a subsidiary point to working the property with a view to the improvement of the country, to keep the forests from decay?—Some of the forests were practically being worked out before the Indian Forest Department was instituted, and I think it may be said that the main object in constituting the Department and in taking the forests over was to preserve, protect, and improve them; it has, however, been found possible to work them so as to obtain a very considerable amount of net revenue; and this point has been kept in view throughout.

11,006. Are the forests a large property, that is to say, does the State own the forests as such, or in what form has the State become the proprietor of them?—Most of the forests in India originally belonged to the Government just as the land does, and, unless they have alienated it, the property still remains with them. Certain rights have been obtained by village communities over certain forests, grazing rights, and the rights to collect firewood, and the like, but subject to these rights the property remains with the Government, unless the forests have been included in a settlement.

11,007. In fact, the property in the land is, so to speak, inherent in the Government. The agricultural land has been leased out or granted out to proprietors; in the forests, where there is no such inducement to occupy and cultivate, the land has remained in the hands of the Government?—Yes; there are, however, large forests which have been included in estates settled under the land revenue regulations, but any that have not been alienated remain the property of the Government.

11,008. Would you state to us the net revenue derived from forests in 1875–6, and 1893–4?—The net revenue was in 1875–6, 277,000 Rx.; in 1893–4, 817,000 Rx.

11,009. Can you tell us the charges also?—Yes, the gross revenue was 697,000 in 1875–6, and the charges 420,000. The gross revenue in 1893–4 was 1,723,000, and the charges 906,000.

11,010. Therefore, if the charges have increased, the revenue has increased somewhat faster?—Yes, the amount of the net revenue has increased.

11,011. Well, you see the revenue has increased from 697,000 to 1,723,000, which is something like $2\frac{1}{2}$ times as much, is it not?—Yes.

11,012. While the expenditure has not much more than doubled?—But the first item includes Upper Burmah, the revenue of which is 230,000.

11,013. The 1,723,000?—Yes, in the 1,723,000, the gross revenue.

11,014. Then, on the other hand, is not the expenditure of Upper Burmah heavy?—No, the expenditure there is 52,000 Rx.

11,015. What would be the result if you left Upper Burmah out of account? Of course the figures for 1875–6 do not include anything for Upper Burmah?—No.

11,016. Well, if we take out the gross revenue of Upper Burmah from the 1,723,000 Rx., what would be the result?—It would be 1,493,000 Rx.

11,017. And the expenditure?—854,000 Rx.

11,018. Then it would still remain true that the revenue has increased rather faster than the expenditure?—Yes, just a little faster.

11,019. Because 420,000 has rather more than doubled—very slightly more?—Yes, the revenue has advanced faster, though not very much.

11,020. But I notice that the net revenue is estimated to diminish in the Budget of 1895–96, as compared with the actual net revenue of 1893–94?—I think the Budgets are always made cautiously in respect of the net revenue from forests. There is some uncertainty about the revenue, and the expenditure is often over-estimated.

11,021. At the same time the expenses have been estimated to increase; but I suppose, as you have told us before, we must not lay too much stress upon the Budget?—No, I think not. The Revised Estimate for 1895–6 puts the gross revenue at 1,687,000 Rx., the expenditure at 941,000 Rx., and the net revenue at 746,000 Rx.. This is nearly 100,000 Rx. better than the original estimate, and it is possible that the actuals may be still better.

11,022. As far as establishment is concerned the increase is 200 per cent., and the increase in the net revenue is almost identically the same?—Yes, the establishment charges have increased from 138,000 Rx. to 413,000 Rx.

11,023. That is an increase of 275,000 Rx. on 138,000 Rx.?—Yes.

11,024. Which is very nearly 200 per cent.?—Yes, it is practically 200 per cent.

11,025. Does not that seem to you rather a large figure?—I do not think the figure is large, considering the revenue that has been obtained. The great advance that has been made in forest conservancy since 1875–76 has necessitated the employment of a larger number of officers on the Forest establishment.

11,026. I see that the salaries of the superior officers have increased almost in the same ratio?—Yes; that is very largely owing to the increase in the number of officers; there has been only a slight increase in some of the salaries; I doubt if there has been any at all, except in the lower grades.

11,027. That points rather in the direction of my first question on this branch of revenue; I asked you whether the forests were administered simply in the interests of the revenue, or whether they were administered with a view to the improvement of the country. Of course, in the latter case, one quite understands more highly paid officers being employed?—I think that the Governments now, at any rate, very seldom incur fresh expenditure, unless it is anticipated that it will be at least covered by increased revenue. The pay and position of the lower grades has certainly been improved of late years.

11,028. Well, in this case the establishment charges have increased faster than the revenue?—Yes, taking the establishment charges alone, but taking the whole of the charges the increase has been about the same.

11,029. Of course the establishment charges really represent the administration?—Yes.

11,030. It rather leaves upon one's mind that the administrative establishment, probably for very good reasons, is heavy?—That does not include only the administration; it includes also the subordinate establishments.

11,031. But it is only fair to include the administration when you are dealing with the establishment?—Yes; but they have increased in a greater ratio than the salaries.

11,032. By how much?—From 30,000 Rx. to 117,000 Rx.

11,033. That is by 86,000 Rx.?—Yes, nearly four times.

11,034–6. It is not quite 200 per cent.?—It is nearly 300 per cent.

11,037. Yes, that is true, 300. You have told us much of the increase is due to Upper Burmah?—A large proportion of the increased charge is not due to Upper Burmah; 52,000 Rx. is the total charge under "Forests" in that province.

11,038. Has the improvement been general in all the provinces?—There has been an improvement in almost all of the provinces. The Central Provinces are the only province which shows any very marked decrease. There a greatly increased subordinate staff was sanctioned in order to put the Forest department into a state of efficiency. It was expected that there would have been a corresponding development of the revenue, but as yet this has not been realised.

11,039. Are there any refunds or assignments to be taken against this head of revenue?—There are refunds, no assignments; but the refunds are very small. They were 3,000 in 1875–76, and 4,000 in 1893–94.

11,040. (*Sir James Peile.*) There is a third object with which the forests are conserved, is there not, that is for supplying fuel, and other things for the use of the people?—Yes, that is one of the objects.

11,041. And I think the revenue is somewhat handicapped, is it not, by the benefits which the people are allowed to take out of the forests in minor produce, pasture, and things of that sort. I mean if they were strictly conserved and the people were entirely excluded, the revenue might be a good deal larger?—Yes, certainly it would be.

11,042. (*Chairman.*) In asking whether the administration of the forests is being directed to the general improvement of the country, I had in mind that large expenses may be incurred in renewing forests, which would not be incurred if revenue was simply kept in view. There is a theory that the increase and preservation of forests has an influence on the rain supply, and I wanted to know whether these are the objects chiefly kept in view by the administration, as apart from simply turning the last penny they can?—The object is certainly not merely to turn the last penny they can, but I think that as a rule increased expenditure is incurred with the object of eventually, at any rate, increasing the revenue.

11,043. We will now pass to the Opium Department. Can you give us the opium revenue and charges in 1875–6 and 1893–4?—The gross opium revenue in 1875–6 was 8,471,425 Rx. and the charges were 2,219,000. In 1893–4 the gross revenue was 6,628,000 Rx., and the charges 1,877,000 Rx.

11,044. Therefore the fall in the charge almost corresponds with the fall in the revenue. Would you find that as a general rule?—No; the revenue and expenditure in any given year are not really very closely connected. The charges depend mainly on the extent of the cultivation, the nature of the crop and the price paid by Government to the cultivator; while the revenue depends chiefly on the number of chests sold and the prices ruling in the Chinese market. These factors are to a great extent independent of each other, so that the charges may rise owing to a good crop, while the revenue may fall owing to a reduction in the number of chests sold or to a fall in the price of opium in China.

11,045. There are two methods of raising the opium revenue, are there not? In Bengal the Government sells opium itself; whereas in Bombay it charges a duty. Is there not that difference between the two systems?—Yes, but in Bombay the duty is levied upon importations from Native States; there is no opium cultivated in the Bombay Presidency itself.

11,046. The Government charges a duty upon opium when it passes out from Native States to the ports?—Yes.

(*Sir James Peile.*) It is a transit duty.

11,047. (*Chairman.*) A transit duty. The revenue for 1893–4 is considerably less than the average of the previous 10 years; is it not a very small revenue?—Yes, it is considerably less; there has been a succession of bad seasons, six seasons running have been bad, the whole opium reserve has been exhausted, and we now can sell only a much smaller amount than we could a few years ago.

11,048. I call attention to the fact that the cost was reduced; but at the same time would you not look for a considerable reduction in the charge, if there is a smaller revenue raised?—In the long run there would be a reduction in the charge generally, but not necessarily in any given year. You might have a very favourable crop when you were selling a very small number of chests.

11,049. But if the crop were very small you might have a very high price, might you not?—The price does rise generally, if the number of chests sold is reduced owing to the crop being small and our stock being reduced, but the rise is not necessarily exactly proportionate to the decreased number of chests sold.

11,050. I see in the Finance accounts the largest part of the expenditure is incurred in payment to cultivators; therefore, I suppose, if you were selling the opium at a high price in consequence of a small crop, you would have to pay the cultivators a higher price too?—We do not pay the cultivators any fixed proportion of our receipts, but if there is a succession of bad crops, as there has been lately, the cultivation might show a tendency to fall off, and in that case we might have to raise the price paid to the cultivators. We did have so to raise it in 1894.

11,051. Now, taking the accounts of 1893–4, the payments to cultivators were, in the current year 485,000, and in the past year 1,194,000 Rx.—on what basis are those payments made? The cost of production of Bengal opium is given at page 31, and the payments to cultivators amount altogether to nearly 1,700,000—in fact, nearly the whole expense is payment to cultivators?—Yes.

11,052–3. Well, if the crop is short, opium becomes more valuable; I suppose, therefore, more has to be paid to the cultivator?—No, we should not pay him with reference to the market value of the opium at the time we take it over.

11,054. What would you pay him upon?—We pay him with reference to the price agreed on at the time the cultivation was commenced; and that price is fixed with reference to the amount we want to procure in order to keep up our sales.

11,055. You would say to the cultivator, if you will cultivate so many acres of land in opium, we will pay you so much?—We have a fixed price for the crude opium.

11,056. So that, whether the crop is good or bad, the man only gets the same price?—Yes, as long as the fixed price remains unaltered; that is, of course, liable to alteration by Government, before the commencement of the season; and, as I have already stated, in 1894, after six successive bad seasons, we were obliged to raise the price, or else the amount that we should have received would have fallen off very seriously, and would have necessitated a further reduction in the number of chests sold.

11,057. Was the payment to cultivators "for the past year" a further payment on account of the loss of the cultivators?—No, the distinction in the accounts between payments for the current and for the past year is merely owing to the system. We give the cultivators advances at the beginning of the season. These are payments for the current year. Then, when they bring their crop in, we pay them the balance, taking off the advances made in the previous year, so that these are really the payments for the past year. In every year there are payments of the balance due for the past year, and advances for the current year.

11,058. Are there any assignments in this branch of revenue?—Yes, there are some small assignments. In 1893–4 we paid about 5,000 rupees, chiefly to the Native States in Bombay, from whom we have taken over the Opium administration.

11,059. Has there been any increase in the establishment charges?—Yes, there has been an increase in the charges for establishments from 77,000 Rx. in 1874–5 to 88,000 Rx. in 1891–2, I am obliged to take those two years because the details in the accounts do not admit of comparison for the years usually taken, viz., 1875–6 and 1893–4.

11,060. Is there any reason for this increase?—Yes, the increase occurs entirely in the Benares agency, where the number of sub-deputies in the 17 years has risen from 9 to 16, and of assistants from 26 to 33, causing an increase of 9,120 Rx., which considerably exceeds the increase of 7,824 shown under agents' establishments.

11,061. I make the charge for establishments higher than what you do. The three items, superintendents, opium factory, and district staff amount to something like 185,000?—But the whole of that would not be establishment charges; that includes the charges for contingencies and travelling allowances falling under those heads.

11,062. (*Mr. Mowbray.*) The Opium revenue all comes to the Government of India, does it not?—Yes, it is Imperial; there is, however, a small portion that is credited under excise.

11,063. But substantially it is all Imperial?—Yes, the main portion of it is.

11,064. But it is not an Imperial Department?—It is managed by the Government of Bengal, but the charge is Imperial.

11,065. And it was suggested by a Commission in 1883 that a Department of the Government of India might be formed to deal with the whole of the opium revenue?—That has been suggested.

Mr. S. Jacob, C.S.I.

17 June 1896

Salt and Stamps.

11,066. Has your attention ever been directed to that subject?—I have never had to report upon it in any way officially.

11,067. And you could not express any opinion as to the financial results which might ensue, either in the direction of increasing the revenue, or in the direction of increasing the expense?—I do not think it likely that there would be any very great improvement in the administration. The Board of Revenue of Bengal has had the Department under its administration for a great many years, and I should say myself (without having gone into the matter at all closely), that it manages it just as well as, or better than, an officer immediately under the Government of India would.

11,068. (*Chairman.*) We will pass on to the Salt Revenue, is that a rising revenue?—Yes, the revenue does rise gradually.

11,069. I see that, taking the average from the Statistical Abstract from 1866 to 1875, it was about 5,800,000 odd Rx.; from 1882 to 1892 about 7,400,000 Rx.; and in 1893–94, 8,229,000 Rx. Can you give us the charges in 1875 and 1893?—The charge in 1875–76 was 509,000 Rx., and in 1893–94, 474,000 Rx.

11,070. Therefore, there has been a decrease in the charge?—There has been a decrease on the charges shown; but in 1875–76 the charges included certain treaty payments, which are now shown under assignments. They amounted to 70,000 Rx. in 1875–76. If they were taken off there would be a small increase of 36,000 Rx. instead of a decrease of 34,000 Rx.

11,071. And to what is that real increase due?—The increase occurs almost entirely in Bombay, but Bombay cannot be taken separately now, owing to the complete change of system which has taken place since 1875–76. The Inland Customs Line was abolished in 1879, and the great changes, that have in consequence taken place in the administration of the salt revenue in Northern India, render it impossible to give a comparison in detail of the various provinces. In Northern India the result was a large decrease in the charges owing to the abolition of the Customs Line, but the abolition of that line rendered it necessary to employ preventive establishments in Bombay as well as to increase the establishments employed for the manufacture of salt, and the result has been a total net increase.

11,072. A small net increase?—Yes.

11,073. Are the salt charges Imperial or provincial?—They are mainly Imperial. There are a few miscellaneous charges which are taken against provincial. The provincial charges in 1875–76 were only 1,000 Rx., and in 1893–94, 57,000 Rx., but the increase is owing to a change in the distribution of the charges.

11,074. The provincial charges are included in the Finance Accounts?—Yes.

11,075. Are there any charges for refunds and assignments to be taken against salt?—Yes, there are some. The assignments amounted in 1875–76 to 45,000 Rx., and in 1893–94 to 367,000 Rx. The increase is almost entirely due to the arrangements which were made with Native States between 1870 and 1878, for taking over the principal salt sources in Central India, which led to the abolition of the Customs' Line.

11,076. Under these arrangements does the Indian Government pay to the Native States a certain sum every year?—Yes, it pays to the Native States a certain sum every year; a fixed sum to several of the Native States, and also a small royalty on the salt which is extracted at the Sambhar Lake.

11,077–8. But does that arrangement allow for any increase of consumption? I mean, if the Indian Government pays a fixed sum, that, as it were, assumes that the consumption remains stationary. One would expect in such a case as that that there would have been some arrangement by which, if the consumption increased, the Native States would get some benefit from it: if it were decreasing, perhaps the contrary?—They really are made over on a fixed rental, that is what it practically comes to, subject to the payment of a royalty in one case.

11,079. How is the administration of the salt revenue organised, whom is it under?—The salt revenue in Northern India is under a Commissioner, who is immediately under the control of the Financial Department of the Government of India, but in Bombay, Madras, and Bengal the establishments are under the control of the Provincial Governments.

11,080. Has the Commissioner under him the manufacturing establishments?—Yes; he has establishments at all the principal salt sources, the Sambhar Lake and other salt sources in Rajputana, and at the Punjab salt mines too.

11,081. And the same organisation, generally, I suppose, obtains in Bengal, Madras, and Bombay?—In Bengal the revenue is almost entirely collected by means of a customs duty.

11,082–3. It is an import?—It is imported, chiefly from England.

11,084. The import from England is something like 20 per cent., is it not, of the whole consumption?—Yes, rather over 20 per cent.

11,085. Out of this charge for collection, 474,000 Rx., should I be right in gathering that the cost of the raw material is represented by, first of all, manufacture and excavation of salt under "India general," 25,000 Rx.; under Madras, "purchase and freight of salt," 22,000 Rx.; and under Bombay, "salt purchase and freight," 35,000 Rx.; making a total of 82,000 Rx. Would that be the cost of what I call the raw material?—No, that would not be the whole cost of the raw material to Government, because the establishments are engaged in the extraction of the salt, and in supervision of the work generally.

11,086–7. Clearly that is part of it; but I mean as far as the raw material goes. The establishments are used in working it up into a manufactured article?—No, the fixed establishments are employed in actually extracting it. Those charges are merely extra charges for excavation and manufacture.

11,088. You get by the sale of salt 8,228,000, and it looks as if the cost of the material which is turned into an article which realised that large sum was 123,000 Rx.?—We do not get that merely by the sale of the salt; we get that chiefly by the duty on the salt. We get only 211,000 Rx. from the sale of the salt.

11,089. You get an excise duty on the salt?—Yes, we have an excise duty and an import duty.

11,090. That excise duty has nothing to do with the material?—No, we levy that in addition to the price, whatever it may be.

11,091–2. Then, in addition to that, you have got a preventive service which costs about 83,000 Rx. altogether?—Yes.

11,093–4. And the preventive establishment and the purchase and manufacture together make 165,000 Rx. out of 474,000 Rx.?—Yes.

11,095. There have been a great many changes in recent years in the rate of duty, have there not?—Yes, there have been several changes.

11,096. Take from 1875–76; have they been on the balance reductions or increases?—On the balance, I should say, there has been a slight increase, though there have certainly been intermediate decreases.

11,097. What is the duty on import?—The present rate of duty on import is 2 rupees 8 annas per maund of 82 lbs.

11,098–9. (*Sir James Peile.*) Not on the duty on import—the excise?—It is the same, 2 rupees 8 annas per maund.

11,100. (*Mr. Naoroji.*) Is that customs duty or excise duty—2 rupees 8 annas per maund?—Both.

11,101. That is since 1887–88?—In January 1888 the general rate was fixed at 2 rupees 8 annas.

11,102. (*Chairman.*) Then we will pass on to the Stamps, if you please. Stamps have been a distinctly growing revenue, have they not?—Yes, the revenue grows very steadily.

11,103. I see from the Statistical Abstract that, taking the 10 years from 1883–84, they rose from 3,500,000 Rx. to 4,500,000 Rx. Is that due to increases of duty or is it due to increase of property and transactions?—There has been practically no large increase of duty since 1879.

11,104. Therefore, those years, 1883–84 to 1893–94, with an average of 4,200,000 Rx. a year, would represent very fairly the growth of the revenue, would they not?—Yes.

11,105. Can you say what the revenue was in 1875 and again in 1893?—The revenue in 1875–76 was 2,799,000 Rx., and in 1893–94, 4,457,000 Rx.

11,106. And what has been the increase of the charges during that time?—The charges have increased from 110,000 Rx. to 156,000 Rx.

11,107. Where does that increase arise?—Chiefly in the discount on the sale of stamps, including commission to vendors, which has risen from 45,000 Rx. in 1875–76 to 70,000 Rx. in 1893–94.

11,108. You have already given us a reason for expecting a very moderate per-centage of the cost of collection in the case of these other branches of revenue, namely that

a part of their proper charge is borne by the land revenue, but 156,000 Rx. on 4,457,000 Rx. is a very small per-centage, is it not?—Yes, very small, a little less than 3½ per cent. That includes the charges for the supply of stamps from England.

11,109. Under the heading of "India General" in the charges for collection, there is a large minus entry of 80,394 Rx. under the head of "stamps supplied from central stores charged in the accounts of other provinces by deduction from India." How is that explained?—That is the charge for the stamp paper. It is first charged against the central stores when it is received from England, and then, as it is supplied to the various provinces, a deduction from that charge is made by a charge to the province concerned.

11,110. But do the charges of collection include the stores bought from England?—64,000 Rx. of the expenditure in 1893–94 is for that charge, including exchange.

11,111. I suppose those payments in England are purely for stores, are they not?—Yes, they are entirely for stores.

11,112. Are the charges for stamps Imperial or provincial?—They are divided between Imperial and provincial in the same proportion as the revenue. That is, at present, three-fourths to provincial and one-fourth to Imperial.

11,113. Are there any refunds or assignments under this head?—There are refunds, no assignments. The refunds are not large, 37,000 Rx. in 1875–76 and 52,000 Rx. in 1893–94.

11,114. Taking now the revenue, somewhere about two thirds are received from the sale of court fee stamps?—Yes.

11,115. These are proceedings in the Courts of Justice?—Yes.

11,116–7. Anything else under that head? That is revenue which we have taken into consideration already in considering the budget of the Courts of Justice, have we not?—Yes.

11,118. Therefore that is revenue arising from purely Government proceedings, is it not? When we come to sale of commercial and other stamps, those are the stamps levied on the public?—Yes.

11,119. Can you give us at all what their increase has been? I see in 1893–94 they were 1,368,399 Rx.?—In 1875–76 the sale of commercial stamps brought in 769,421 Rx., so that there has been an increase of 598,978 Rx.

11,120. What would be included under "sale of commercial and other stamps"?—They are not all purely commercial transactions; powers of attorney and various other documents not purely commercial in their nature are charged with stamp duty.

11,121. Would that head include stamps on the transfer of land?—Yes.

11,122. Receipt stamps also?—Yes.

11,123. I suppose you have in India some form of death duties, have you not?—Yes; there are small succession duties in certain cases.

11,124. You do not levy them by means of stamps?—Yes; we do.

11,125. But that duty is not included here?—It is shown under court fee stamps. The fee is levied by the Court when the application is made for administration. There is no death duty apart from an application for probate or administration.

11,126. It is a simple duty upon taking out the letters of administration?—Yes, but it is levied in the form of a per-centage upon the value of the estates.

11,127. You have no complicated system of death duties in India?—No.

11,128. Would you be able to tell us how much of that 3,063,463 represents probate?—No; the different court fee stamps are not distinguished in the accounts.

11,129. The increase in Bengal in the charges seems to have been very heavy, from 23,000 Rx. to 63,000 Rx.?—Yes; that is only in proportion to the increase in the revenue. The revenue has increased very much in Bengal.

11,130. Is it quite correct to reckon under court fee stamps a probate stamp? As we over here generally understand court fee stamps, we mean the stamps taken in actual judicial proceedings. We should not reckon, for instance, under that head a stamp levied on the probate of a will; and when we were talking about these courts of justice we noticed, if you remember, how very nearly the receipts in the Courts of Justice, including, as it appears, probate revenue, covered the expenses, so that in reality a very small charge for Courts of Justice was laid upon the taxpayer. The reason why I asked whether you could break those sums up, and see how much goes to probate, is a doubt in my mind whether the sums levied on probate would properly be reckoned under court fee stamps?—They are levied purely for judicial proceedings; no fee is levied unless a man comes into court and takes out probate of the will or letters of administration; and the proceedings are taken in the ordinary civil courts.

11,131. Well, you may say that the procedure here is something of the same kind; an executor has to take out his probate. That, I suppose, must be done before a court?—Yes; I should think so.

11,132. We should not reckon that as part of the court fee stamps, we should reckon it separately?—I suppose it depends on whether you levy a duty independently. You levy what is really a succession duty in this country, whatever be the form in which it is levied?

11,133. Yes; but I mean the probate duty the court can levy for allowing the property to pass?—Yes.

11,134. The fees fall for payment on the persons entitled to the property?—Yes.

11,135–6. Supposing 2,000,000 Rx. out of that 3,000,000 Rx. were derived from probate, it would be a question in my mind whether you could properly set that as against the charges of the court?—The amount of the probate duty is very small indeed. The natives, as a rule, do not take out letters of administration or probate on succession.

11,137. But the wealthy people are obliged to do so?—No, they are not. Under the Hindu law the property often vests in the family; there is no succession. And, further, neither in the case of Hindus nor of Mahomedans nor of Buddhists is the taking out of any Court certificate on succession compulsory.

11,138. If they have not any occasion to take out letters of probate or administration and the amount is very small, it is not worth asking questions about?—It is very small. Natives are allowed to take out probate of a will if they choose, and in a few cases they do; but it is quite the exception.

11,139. What advantage does it give them?—It merely gives them proof of title in certain cases where the property is not vested in the family, or where disputes may have arisen.

11,140. Then I think the next branch is the Excise?—Yes. Excise.

11,141. The Excise has been almost a more elastic revenue than the Stamps, has it not? Taking 1883–84 as the basis, it has risen from 3,836,000 Rx. to 5,388,000 Rx.?—Yes. The increase has been from 2,494,000 Rx. in 1875–76 to 5,388,000 Rx. in 1893–94.

11,142. And what were the charges in those two years?—The charges were in 1875–76, 87,000 Rx., and in 1893–94, 193,000 Rx.

11,143. Have you there the per-centage that that 193,000 Rx. bears to the present revenue?—It is about 3½ per cent.—just a fraction over.

11,144. That very nearly corresponds with what we had arrived at in the case of the stamps?—Yes.

11,145. And what was it in 1875–76?—A little under 3½ per cent.

11,146. So that the per-centage has rather increased?—Yes, it has increased very slightly.

11,147. Can you tell us to what that increase is due?—The increases have occurred chiefly in three provinces, Bengal, Madras, and Bombay. The increase in Bengal is 34,000 Rx., in Madras 41,000 Rx., and in Bombay 29,000 Rx. The increased charges have been incurred almost entirely in the interests of better administration of the excise, and the largest increases in the revenue have taken place in the same provinces; in Bengal 608,000 Rx. has increased to 1,215,000 Rx.; in Madras 635,000 Rx. has increased to 1 287,000 Rx.; and in Bombay 398,000 Rx. has increased to 1,072,000 Rx.

11,148. The increase, you say, has been incurred to improve the revenue; has it been in the way of increasing the number of officers so as to prevent evasions of the Excise law?—The increase has been occasioned partly by measures adopted in the interests of good government, apart from any expectation of improved revenue. But where the charges have increased most, the revenue has increased most also. There has, however, been an increase of establishments. The superintendence has increased from 3,000 Rx. to 6,000 Rx. between 1875–76 and 1893–94; and

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collectors' establishments from 48,000 Rx. to 86,000 Rx.; and in Madras there has been a special system introduced, under which the Salt and Excise are managed by the same establishment, a certain proportion of the joint charges being debited to Excise. There the charge has increased from 20,000 Rx. at the time when there was a separate establishment, to 61,000 Rx. in 1893–94.

11,149. Are there any assignments or refunds chargeable against this head?—Yes, the refunds have increased considerably. They occur chiefly in Bombay. They have increased from 3.321 Rx. to 35,000 Rx., and the charge occurs almost entirely in Bombay, and appears to be only on account of revenue collected on behalf of those Native States, in which we have taken over the administration of the excise. Then assignments and compensations have also increased, and that too is especially in Bombay. and owing to the same arrangements. In some cases a fixed annual sum is paid to the Native States whose excise administration we have taken over. There was nothing paid on that account in Bombay in 1875–76, but, under the arrangements which have been since made, 37,000 Rx. was paid in 1893–94.

11,150. How are the charges distributed between Imperial and provincial?—Three-fourths of the charge are Imperial and one-fourth provincial, and the revenue is distributed in the same proportion.

11,151–3. Of the Excise revenue the larger part is for "License and Distillery Fees and Duties for the sale of Liquors and Drugs," including license fees and farmers' rents, distillery fees, and a duty called the "still-head duty," which make up between them over 3,500,000 Rx. out of the total of 5,388,000 Rx. License fees for the sale of opium and the duty on opium consumed in India, amount to about 1,000,000 Rx. In fact, the Excise revenue mainly consists of duties on the manufacture and sale of spirits and on the consumption of opium?—Yes, the duty on opium is the principal item after those on the manufacture and sale of spirits. There is also a duty on ganja which produces about 167,000 Rx.

11,154–5. Is ganja the intoxicating hemp, which they smoke?—Yes. They also drink some preparation from this drug.

11,156. I think we heard from you and Sir Henry Waterfield, at the beginning of our inquiry, an opinion that the excise duties had been increased, did we not?—Yes.

11,157. Well, inasmuch as there are only two main duties, do you suppose the increase has been very considerable?—We got information from India, and I think it has been put in.*

11,158. Yes; you do not recollect it?—No, I do not remember the exact figures.

11,159. My recollection is that the increase was notable?—There had been an increase, I know. I cannot remember just now what the exact increase was.

11,160. The excise duties are really confined, more or less, to intoxicating articles of consumption?—Yes, entirely to intoxicating articles of consumption.

Provincial Rates.

11,161. The next heading is the Provincial Rates. Will you describe to us how this heading comes to form an item of revenue?—The provincial rates are rates which are collected for special purposes, in addition to the land revenue and generally at a fixed per-centage upon the land revenue.

11,162. Are they settled by the Provincial Government, or are they settled by the Central Government, but levied by the Provincial Government and used for Provincial Government purposes?—They are very largely used for purely local purposes, but some of them are provincial rates which are used for the general purposes of the Provincial Government.

11,163. Can you describe of what they consist generally?—They consist of rates for schools and hospitals and roads, and cesses for the district post, for village service and Patwaris, and in one or two provinces there is a small rate levied on Wards' estates for the charges of the establishments which are required in connexion with their management.

11,164. But the chief part of this revenue consists of the cess on land for the expenditure on roads?—Yes.

11,165. And, in fact, nearly all these headings are cesses on land?—Yes; they are almost entirely cesses on lands.

11,166. And the charges of collecting those cesses are charged against Land Revenue?—Generally that is the case; they are collected with the land revenue in every instance almost.

11,167. Would it not be reasonable to class those receipts—for the purpose of comparing the growth of the land revenue—with the land revenue, leaving the charges of collection as they are? You think that method not so correct as deducting the charge of collecting these items?—I think the other would be the most correct method if the new charges were entirely new, but some of them were incurred before, though not brought on the accounts.

11,168. You see that 500,000 Rx. odd, which we have deducted from the cost of collecting the land revenue, for the purpose of comparison, ought to come against this head of revenue, ought it not? As it stands now, we have a receipt of 3,500,000 Rx with the rather absurd appearance of the charge against it being only 53,000 Rx.?—Of course that charge does not represent the real cost of collecting the provincial rates.

11,169. If we put in the charge under Land Revenue we get nearly 600,000 Rx.?—Yes; but that is not the cost of collecting, that is the charge to meet which the cesses are collected.

11,170–1. Is not that the charge of collecting the cesses?—No, not the charge of collecting them, it is the charge to meet which the cesses are imposed.

11,172. Did these provincial rates exist in 1875?—Yes, but the amount levied then was small as compared with the present.

11,173. Can you give us the figures?—Yes, it was 1,942,000 Rx. in 1875–6, and 3,515,000 Rx. in 1893–4.

11,174. Has there been any material increase in the charges for the collection of the provincial rates?—No, there has been a very slight increase, merely from 53,000 Rx. to 54,000 Rx.

11,175. Where do these charges mainly occur?—The charges occur mainly in Bengal.

11,176. And why are they large there?—Because in Bengal the rates are collected by a separate establishment. They were imposed by an Act of a much later date than the permanent settlement, and they are not subject to exactly the same conditions as the land revenue under the permanent settlement.

11,177. Therefore the charges will nearly represent the cost of collection in Bengal?—Yes, but of course the supervision charges come under the head of land revenue; and also included in this is a charge for the reassessment from time to time of the revenue for the purpose of local rates.

11,178. What is the nature of the charges incurred in each province?—In Lower Burma the charge is now 3,000 Rx., which is almost entirely for commission paid for the collection of the rates, and in Assam it is also commission. There it is very small, only 300 Rx. The increase in Bengal I have already mentioned. There is a joint establishment there for the collection of local and provincial cesses, and about 13,000 Rx. is due to the appointment of an establishment for valuation and revaluation, with a view to increase the revenue. In the North-Western Provinces a small establishment is maintained for the collection of the Nazul Fund (escheats and lapses). In the Punjab the allowance formerly paid to lambardars (headmen) and patwaris (village officers) for collecting the local rate was discontinued in 1889; the present charge is the patwaris' share of the commutation fees. In Bombay the charge is a commission for collecting the local cess.

11,179. I think you have said the charges under this head are solely provincial?—They are provincial or local.

11,180. The next head is the Customs. The Customs of late years have undergone a good deal of alteration, have they not?—Yes, they have undergone several alterations; from the 1st April to the 16th August of 1875 imports into India were taxed at 7½ per cent., and for the remainder of the year at 5 per cent. Liquors paid special rates; cotton piece goods paid 5, twist 3½, and iron 1 per cent., throughout the year, and there were certain other exceptions Then later on the import duties were entirely abolished except on arms, ammunition and military stores, and on liquors, and, to a very small extent, on opium and petty articles. In 1888 a duty of 6 pies per gallon was imposed on petroleum. On the 10th of March 1894 the import tariff was re-introduced, the general rate being 5 per cent., and for the last three weeks of the year 1893–94 duties were levied under it; but cotton manufactures were exempted until a further Act was passed on the 27th of December 1894, when they were subjected to a duty of 5 per cent. In February 1896 a further change was made in the cotton duties. The import and excise duties of 5 per cent. on cotton yarns were abolished, the import duty

* *See Waterfield*. 679–97, and *Bernard*, 1726–1816.

on manufactured goods was reduced from 5 per cent. to 3½ per cent., and an excise duty of the same amount (3½ per cent.) was imposed on cotton goods of all counts manufactured in Indian mills. As regards exports, a duty of 3 per cent. was, in 1875–76, levied on cotton goods, hides and skins tanned, oils, seeds, and spices; 4 per cent. on lac, 3 annas per maund on grain, and 3 rupees per maund on indigo. By the tariff of 1875 the only export duties were on indigo 3 rupees per maund, on rice 3 annas per maund, and on lac 4 per cent. In February 1880 the duties on indigo and lac were removed.

11,181. From the Statistical Abstract I gather that up to 1893–94 there were no duties on cotton goods?—There were in 1875–76.

11,182. There were in 1875–76, but between 1883–84 and 1893–94?—No, there were none.

11,183. During that period the chief article taxed was liquors, was it not?—Yes.

11,184. On other articles imported the receipts were only Rx. 392,000. The export duties bring in a considerable amount; are those export duties on anything else except rice?—No, the export duties now in force are levied only on rice, either in its husked or unhusked form.

11,185. Then there is an item called "land customs"; is that between native territories and British India?—That includes also goods passing between the foreign European settlements on the continent of India and British India. They are very slight; the revenue and the charge are very small.

11,186. The total revenue from sea customs did not exceed about 1,600,000 Rx. a year, in 1893–94?—In 1893–94 the gross customs revenue was 1,682,000. Rx.

11,187. But in the budget of 1895–96 it had gone up to 4,815,000 Rx., had it not?—Yes, it has risen very much. The Budget figure for 1896–97 is slightly lower—4,482,000 Rx.—owing to the changes made in February 1896, as just mentioned.

11,188. How much of that comes from the cotton goods?—The amount in 1895–6 was expected to be a little over 1,200,000 Rx.

11,189. Therefore, out of that increase of 3,000,000 Rx., from 1,600,000 Rx. to 4,814,000 Rx., about 1,200,000 Rx. would be due to cotton goods?—Yes. But in 1896–97 the amount comes down to about 1,000,000 Rx., owing to the changes already mentioned.

11,190. Are there any new duties on articles of export?—No.

11,191. Then can you tell us the revenue in 1875–76 and in 1893–94, and the charges at those two dates?—The revenue in 1875–76 was 2,724,000 Rx., and in 1893–94 1,682,000 Rx.; the charges were 188,000 Rx. and 144,000 Rx. respectively.

11,192. But now, if we take 1895–96, those charges have increased, have they not?—Yes; first with the imposition of the general duties, and again with the imposition of the cotton duties.

11,193. In the budget they were 210,000 Rx., were they not?—Yes, in the Budget of 1895–96.

11,194. Was that increase of staff necessarily required to levy the new duties?—That was the estimated charge; but the revised estimate for 1895–96 is 201,000 Rx.

11,195. Well that would give a little over 4 per cent., would it not, on the revenue return of 4,800,000 Rx.?—Yes, a little over 4 per cent. on the revised estimate, which is 4,900,000 Rx.

11,196. Do those charges include the whole of the customs charges, or is any part of the custom charges wrapt up in the land revenue charges?—No, they include the whole of the charges.

11,197. Superior officers and all?—Yes; in very small ports, where it is not worth while having highly paid special collectors, the collector of the district does supervise the collection of the customs revenue, but the proportion of the whole charge is very small indeed.

11,198. Not worth taking into consideration?—No.

11,199. But in this respect the account of the customs revenue differs from that of the excise and stamps, inasmuch as a portion of the collection charges of the excise and stamps must be looked for in land revenue; in the case of the customs, practically none?—Yes, that is so; the customs charges also include the charges for the collection of statistics—trade statistics.

11,200. That, I think, is the case almost everywhere, is it not?—Yes, I think so.

11,201. The Customs Department is the only one that can keep an account of the imports and exports, and therefore that can keep a statistical account?—Yes.

11,202. Are there any refunds or assignments chargeable against this head?—Yes, there are some. There is a payment under assignments and compensations, which is made to the States of Travancore and Cochin, being compensation for customs revenue surrendered by them. It amounted in 1875–76 to 17,000 Rx. and in 1893–94 to 15,000 Rx. The refunds were 3,000 Rx. in 1875–76 and 45,000 Rx. in 1893–94.

11,203. Are the charges imperial, or provincial?—They are provincial, except in Bombay.

11,204. In Bombay they are charged to Imperial?—Yes. The revenue is Imperial everywhere, except some small miscellaneous revenue from wharves and such like.

Assessed Taxes.

11,205. The next heading is "Assessed taxes." Will you tell us what taxes come under that definition?—At present the only tax is the income tax, and there is a small tax in the Central Provinces, which is really of the nature of an income tax, but has come down from previous Native Governments, and is called Pandhari.

11,206. Therefore we might almost call this head "Income tax"?—Yes; it is practically income tax.

11,207. And was that the only assessed tax in 1875–76?—There was no assessed tax generally in 1875–76.

11,208. No income tax?—No, only this small Pandhari tax in the Central Provinces.

11,209. Had the income tax been entirely repealed in 1875–76?—Yes; before 1875–76.

11,210. Was it replaced by any substitute for the time being?—No.

11,211. And what is the present income tax?—The present income tax was imposed by Act II. of 1886. The general rate is 5 pies in the rupee (equal to about 6¼*d.* in the 1*l.* or 2·6 per cent.) on salaries and pensions above 2,000 rupees a year, and on those below 2,000 rupees a year it is 4 pies in the rupee (5*d.* in the 1*l.* or about 2 per cent.). Then other sources of income pay a graduated scale up to 2,000 rupees. From 500 to 750 Rs. they pay 10 Rs.; from 750 to 1,000 Rs., 15 Rs.; from 1,000 to 1,250 Rs., 20 Rs.; from 1,250 to 1,500 Rs., 28 Rs.; from 1,500 to 1,750 Rs., 35 Rs.; from 1,750 to 2,000 Rs., 42 Rs.; above 2,000 rupees they pay 5 pies in the rupee, as in the case of salaries and pensions.

11,212. In a comparison of 1875–76 with 1893–94 practically there would be next to nothing in 1875–76?—Nothing except the Pandhari tax in the Central Provinces.

11,213. What would that amount to?—15,000 Rx.

11,214. And now in 1893–94 what would the figure be?—Now the revenue is 1,718,000 Rx., that is deducting refunds; the gross revenue is 1,739,000 Rx.

11,215. And what is the charge of collection in each year?—There was only 10 Rx. in 1875-76 and 31,000 Rx. in 1893–94.

11,216. That is a very small per-centage, is it not?—Yes; that is very largely owing to the fact that the general charges under land revenue include the general establishment which is employed in the assessment of the income tax.

11,217. Now this tax is common to the whole of India, is it not?—Yes; except Upper Burmah. There is a capitation tax in that province under land revenue, and the income tax has not been imposed in either Upper Burmah or generally in Lower Burmah. The tax is levied upon Government officers' salaries in both provinces, and upon private incomes in some of the large towns of Lower Burmah.

11,218. Where is the income tax chiefly collected; is it pretty even throughout the provinces, or is there any single province that gives the larger part of it?—The portions collected in Bombay and Bengal are the largest—442,000 Rx. in Bengal and 383,000 Rx. in Bombay in 1893–94.

11,219. Is this a permanent tax now or is it only imposed for a certain number of years?—It is permanent at present unless, and until, an Act repealing it is passed.

11,220. Are the receipts divided between Imperial and provincial revenue, or are they confined to Imperial?—They are divided half and half between Imperial and provincial.

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11,221. Does that include the tax on railway profits?—No; the tax on railway profits is credited entirely to Imperial.

11,222. Does the tax on railway profits fall under the income tax?—It is the income-tax on the net profits of railway companies, but it was left out of account in the arrangement between Imperial and provincial, and is credited wholly to Imperial.

Tributes.

11,223. Are there any assignments or refunds in this case?—There are refunds, but no assignments. The refunds amounted to 22,000 Rx. in 1893–94, but the amount for that year is larger than usual, about half being due to an exceptional repayment of the tax levied on the salaries of servants of two railways, residing and drawing their pay in Native States. The amount for that year is larger than usual.

11,224. Is there any exemption for small incomes?—Yes, there is an exemption for incomes below 500 rupees per annum.

11,225. Are they entirely exempt?—Yes; they are entirely exempt; and military officers and soldiers with a salary not exceeding 6,000 rupees a year are exempt.

11,226. And above the 500 rupees a year it is on a graduated scale?—Yes, for the general public it is, up to Rs. 2,000.

11,227. I mean this income-tax is on a graduated scale?—Yes, but on salaries it is levied at a fixed percentage throughout.

11,228. Is there much difficulty in getting information, on which alone your graduated rate can be charged?—Yes, and I think it is owing to the difficulty of obtaining exact information that a graduated scale is imposed for the lower incomes. We cannot exactly fix the amount of a man's income, but we can decide that it comes within certain limits.

11,229–31. I suppose the graduated scale practically applies in the case of traders?—Yes; there is no tax upon income from land; the income-tax is not applied to income from any land whatever.

11,232–33. (*Mr. Naoroji.*) The income-tax, as I understand, is six pies in the rupee?—Five pies in the rupee on incomes above 2,000 rupees.

11,234. And under 2,000 rupees to 500?—4 pies.

11,235. It is diminished?—Yes.

11,236. How much is 5 pies in the rupee?—About 6¼*d.* in the £.

11,237. (*Chairman.*) This brings us to Registration. Would you describe to us the nature of this branch of revenue; what do the receipts consist of?—The receipts consist of fees which are paid for the registration of documents. Certain instruments are compulsorily registered, and others may be optionally registered. Fees are charged for the registration, which are credited under this head.

11,238. Where is the office at which the register is kept?—There are registration offices in every district, and sub-registrars in the interior of the districts.

11,239. Is this a branch of revenue which has existed for a long time?—Yes, it has existed for some time.

11,240. I see that the receipts are not very big, 416,000 Rx.?—No, the receipts are not very large.

11,241. Can you compare 1875–76 and 1893–94?—Yes, the gross revenue in 1875–76 was 187,000 Rx. and the charge 136,000 Rx., leaving a net revenue of 51,000. In 1893–94 the revenue was 416,000 Rx. and the charge 224,000 Rx., leaving a net revenue of 192,000 Rx.

11,242. Do I gather that these fees are not imposed primarily as a source of revenue? Has the general law which sanctions them another object in view, namely, to facilitate and in many cases to make compulsory registration of documents relating to property?—Yes; it is with the object of preserving evidence of them, and to have an official record of all instruments affecting immoveable property.

11,243. And therefore one does not look upon it as a branch of revenue: one only looks to see if it covers the expenditure? — Yes; practically, however, it is made to produce a small revenue now, though the fees charged are generally very low.

11,244–45. That is to say, the expenditure is 223,000 Rx. against 416,000 Rx. revenue?—Yes.

11,246. There is one head which has not been mentioned —Tribute and contributions from Native States?—Yes; that is a head of revenue; there are no charges against that.

11,247. No charges at all against that?—No.

11,248. Who administers it and is responsible for seeing that the sums are levied?—There are various officers that are responsible. Generally political officers are primarily responsible for their levy; but the account officer also, as a rule, keeps an ultimate check upon them, and inquires, if they are not realised, what the reason is.

11,249. Are they ever added to or reduced?—Yes, they are sometimes both added to and reduced.

11,250. And by what central office are they administered, the Home or the Finance Department?—By the Foreign Department.

11,251. But I suppose there must be some machinery for the collection. Is each State bound to remit the sum at certain dates?—As a rule, they are bound to remit the sums. In certain cases we have to make opposite payments under assignments and compensations from which we deduct the tribute. For instance, where we have to make a payment under the head of assignments to a Native State for salt compensation, and it has to make a payment of tribute to us, we simply deduct the tribute in making any payment.

11,252. And it is brought to book on each side?—Yes.

11,253. It makes a considerable head of revenue—775,000 Rx.?—Yes; it is composed almost entirely of treaty payments.

11,254. And, of course, no refunds or assignments occur under them, I presume?—No.

11,255. I think there is no other head except Post Office and Telegraphs?—No.

The witness withdrew.

Adjourned till to-morrow at 11 a.m.

At the India Office.

TWENTY-THIRD DAY.

Thursday, 18th June 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Mr. STEPHEN JACOB, C.S.I., Controller and Auditor General of the Government of India, recalled and further examined.

Mr. S. Jacob, C.S.I.

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11,256. (*Chairman.*) Would you tell us shortly what is the organisation of the postal service in India, who is at the head of it, and under what department of Government it is?—The Imperial Post Office is under the central control of the Director-General of the Post Office, who has under him Postmasters-General or Deputy Postmasters-General in each province, and is under the direct control of the Financial Department of the Government of India.

11,257. We have already had in evidence a description of the relation between the Postal Department and the Financial Department, therefore I do not think it necessary to enter further upon that point; but I would just ask whether the Postmaster-General in each of the provinces is dependent and subordinate to the Director-General, or is he an independent officer?—He is subordinate to the Director-General.

11,258. And takes his instructions from him and not from the Provincial Government?—From the Director-General.

11,259. Taking now the postal revenue, can you give us a comparison of the postal revenue and charges in the years 1875–6 and 1893–4?—Yes; the gross revenue of the Imperial Post Office in 1875–6 was 764,000 Rx., and the gross charges 830,000 Rx., the net deficit being 66,000 Rx.; for the district post offices the revenue was 2,000 Rx. and the charges 81,000 Rx., the net deficit 79,000 Rx., making a total net deficit of 145,000 Rx.

11,260. Now, in 1893–4?—In 1893–4 the gross revenue of the Imperial Post Office was 1,554,000 Rx., the gross charges 1,436,000 Rx., and the net revenue Rx. 118,000; for the district post offices, the revenue was 8,000, the charges 122,000, and the net deficit 114,000, making a total net revenue of 4,000.

11,261. Carry that comparison forward to the budget of 1895–6 (but always with the reservation that must be made when we are dealing with a budget estimate), that works out, does it not, to a larger net revenue than in 1893–4?—Yes, and I should say that the net revenue would probably be higher even than the budget estimate in 1895–6. The revised estimate for that year works out to a net revenue of Rx. 72,000, and the actuals will very probably exceed even that.

11,262. Therefore we have evidence that the postal revenue is distinctly a progressive revenue, and that its net proceeds for the benefit of the Treasury are generally increasing?—Yes, that is the case.

11,263. Could you analyse the charges of the Post Office under their different heads, and compare these charges for 1875–6 with those for 1893–4?—Yes; the charges of the Imperial Post Office are divided under these main headings. First, Direction and Account and Audit (these two heads are separated now, but they were not in 1875–6, so that I take them together) Rx. 16,000 in 1875–6; Rx. 64,000 in 1893–4. Presidency and district offices, 385,000 in 1875–6; 817,000 in 1893–4. Conveyance of mails (including subsidies) Rx. 334,000 in 1875–6; Rx. 322,000 in 1893–4. Discount on postage stamps, Rx. 11,000 in 1875–6 and 14,000 in 1893–4. Stationery and printing and miscellaneous, Rx. 11,000 in 1875–6 and 47,000 in 1893–4. That makes a total in India in 1875–6 of Rx. 757,000 against Rx. 1,264,000 in 1893–4. Then in England there are charges for stores, and for a certain proportion of the postal charge which is paid by the Indian Post Office to the English Post Office for the conveyance of mails between India and England. That cost 65,000*l.* in 1875–6 and 104,000*l.* in 1893–4. Exchange came in the first year to 7,000*l.* and in 1893–4 to 68,000*l.*, making a total charge of 829,000 and Rx. 1,436,000.

11,263*a*. If, therefore, you were to deduct the increase in the charge for exchange beyond the rate in 1875–6, the net revenue would be considerably higher than is shown here, would it not?—Yes, it would.

11,264. And that improvement would be even more marked in the current year of 1895–6, would it not?—Yes, owing to the lower rate of exchange then.

11,265. Now, taking the "direction and account and audit," I observe that the increase in the total charge between 1875–6 and 1893–4 is very close upon 300 per cent., while the revenue itself is not much more than doubled. Can you explain what the causes of the increase are?—There have been some increases in salaries. Salaries have increased from 6,000 in 1875–6 to 14,000 in 1893–4. Office establishments, which includes both the Director-General's and the account office establishments, from 9,000 in 1875–6 to 46,000 in 1893–4, and office expenses from 1,000 in 1875–6 to 4,000 in 1893–4. The increase in the salaries is due to the increase in the revenue and charges of the department.

11,266. That is to say, there has been a much larger business to be transacted and you have had to increase the staff?—Yes, the staff has been increased.

11,267. The superintending staff?—Yes. Then the increase of the office establishments is chiefly in the Accounts Branch; and is owing largely to the new services rendered by the postal department since 1875–6, some of which, I may remark, bring in no revenue to the Department.

11,268. What are those services?—The money order work has been taken over by the Post Office since 1875–6, and the savings banks have also been taken over in the period. The work in those two departments is very large and necessitates a very large increase in the office establishment of the Account office, because the business of both Departments requires continual and careful checking. The Savings Bank business brings in, however, no revenue to the Post Office.

11,269. When you say "were taken over," were they in existence before 1875–6?—There were a money order department and a savings bank department in the district treasuries before that, but the work they did was comparatively very small. It has increased by leaps and bounds since it was taken over by the Post Office.

11,270. What is the distinction between the salaries and office establishment? Does not the office establishment consist of pay and wages?—Yes; but "salaries" are the pay of the superior officers, and "office establishment" is the heading for the pay of the clerks and menials employed under them.

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11,271. In reality it would be superintendence and office establishment that are represented by the two terms?—Yes.

11,272. Can you give us the constitution of the staff as it is at present?—In 1875–6 the Account office formed part of the Director-General's office, and the staff then consisted of four officers, namely, the Director-General on Rs. 3,000, one deputy on Rs. 1,500, one assistant on Rs. 1,250, and a compiler of accounts on Rs. 1,000. Since then the Post Office work has considerably expanded, and especially that of the Accounts Branch, owing, as already mentioned, to the department having taken over from the district treasuries in 1880 and 1882 the business connected with money orders and savings banks; an account officer (called Comptroller), with pay rising to Rs. 1,400, then was accordingly appointed with a separate office, having under him a Deputy-Comptroller, on Rs. 900, for the money order branch of his office, and an Assistant Comptroller, Rs. 500 to 600, for the Savings Bank branch. The Director-General's staff was also increased by an Assistant Director-General (Rs. 800), and a Secretary to the Director-General (Rs. 450 to 600). Later on, the work having increased, a superintendent was also temporarily attached to each of the offices of the Director-General and the Comptroller. By 1893–4 the Director-General's staff had been further increased by one assistant (Rs. 700); and in the Comptroller's office a permanent assistant (Rs. 400 to 500) had been substituted for the one temporarily attached. Some alterations in pay had also been made The staff now consists of—

	Rs.	Rs.	
1 Director General -	3,000		a month
1 Deputy Director General - - -	1,500 to 1,750		,,
3 Assistants Director General -	1 at 750	,, 1,000	,,
	2 at 700		,,
2 Superintendents	200 to 500		,,
1 Comptroller	800 to 1,200		,,
1 Deputy Comptroller	700		,,
2 Assistants - -	1 at 500 to 600		,,
	1 at 400 to 500		,,

11,273. And the salaries of these gentlemen altogether would make up that sum of Rx. 13,656?—Yes, with small additions for leave allowances, &c.

11,274. You say that the business of the money orders and the savings bank department taken over from the district treasuries in 1880 and 1882, have shown a very great increase. Could you give us any figures illustrating that increase?—Yes; the following statistics show the progress made in those branches:—

Inland Money Orders.	1878–9 (last complete year in Treasuries.)	1880–1 (first complete year in Post Office.)	1884–5.	1893–4.
Number issued - -	245,468	1,604,174	3,550,257	8,754,940
Value of money orders issued.	Rx. 892,472	4,570,858	8,208,856	18,353,401
Commission realized	Rx. 10,587	53,958	110,623	229,595

Savings Bank.	1882–3 (first year in Post Office.)	1884–5.	1893–4.
Number of accounts - -	39,121	122,599	574,050
Balances of depositors -	279,680	1,344,191	8,265,732

11,275. Is the business of the money order office and the savings bank department carried on chiefly at the head office?—The checking and controlling are carried on at the head account office, but a very large number of post offices transact money order business and receive savings bank deposits.

11,276. My question was directed to this point. Here in England the central Post Office keeps the accounts of the savings bank depositors, for all the savings bank books come up to the central office, I believe; therefore the whole accounts of the savings banks are really kept at the central office. Is not that the case in India also?—Yes; the interest is annually credited by the head office, and once a year depositors' books come there to be checked.

11,277. The work in district offices is simply the receipt of the deposit, and repayment of it, if it is called for, the remittance of any of the moneys to the head office, and the necessary book-keeping that accompanies that work. The work in the district offices therefore is small?—Yes.

11,278. And one might expect to find a considerable increase of work in the central department from this growth of business, might one not?—Yes, there would be a very large growth owing especially to the savings bank and the money order work.

11,279. This very large increase in money order and savings bank work would fall chiefly upon the central department?—Yes; an effort is now being made to introduce a system of local audit of some portion of the money orders; it has only been tried in a few head offices at present, but it will, if successful, be extended as time goes on. I think it will be found to be a good experiment. The central account office has grown so very large that it was considered desirable, if possible, to decentralise the work.

11,280. How would that local audit be carried on? Who would be the auditor?—The initial audit of money transactions within their respective circles is carried out by the postmasters of certain head offices, as a preliminary to their final acceptance by the Comptroller; and there are superintendents or examiners, who test the local accounts.

11,281. The examiners would apply this test?—Yes.

11,282. How is that applied now; is there any test applied now?—Yes, the superintendents and the examiners check the various accounts at the local offices.

11,283. But they only check the accounts; they are not sent down to check on the spot?—Yes, they go to the offices and check the accounts in the offices themselves.

11,284. That is to say, the Director-General's office sends men from time to time into the different districts to check the accounts?—There are men whose duty it is to overhaul the accounts of the post-offices.

11,285. And they belong to the central office at present?—They are subordinate to the Director-General.

11,286. They are not local officers at present, except in so far as this new experiment has been tried?—They are under the local Postmasters-General.

11,287–8. My question was directed to this: you were saying that the Government were trying to decentralise to a certain extent the examination, and that for that purpose they had made a local audit in a few head offices. I want to understand whether the effect of that would be to relieve the central account office, with which we have been dealing, of this work, or whether it would relieve the headquarters of the Post Office in the province?—It would relieve the central account office. The object is not so much to actually decrease that office as to prevent its further increase; it has been increasing so rapidly in recent years.

11,289. Has this enormous increase of business arisen in consequence of a reduction of commission in the case of the money orders; and in the case of the savings banks by making the system of deposit and repayment easier, or to what do you attribute it?—No; there has been no reduction in the general rate of money orders. We charge one per cent. roughly for remittance, but the rates are fixed on a graduated scale. There has been, I think, some slight change in the particular stages at which a change is made in the rate, but the general rate has throughout this period been about one per cent. For savings banks there has been no change in the rate of interest or anything of that kind, except what has been made on general grounds, and, as a matter of fact, the rate of interest latterly has been reduced.

11,290. As a consequence of the general fall in the rate of interest?—Yes.

11,291. And the deposits have gone on increasing at this very progressive rate in spite of that reduction?—It has stopped the rate of progress slightly, but the increase still goes on. The real causes of that increase are the much larger facilities afforded by the very large number of offices which now issue money orders and receive savings bank deposits; and also the general popularity of the Post Office.

11,292. Probably that brings one to what is the real cause of this increase. While the money order business and the savings bank business was in the hands of the district treasuries, there were few localities comparatively at which money orders could be obtained or

savings bank deposits made. After the transfer and with the general extension of postal business and the opening of new offices, the facilities became so much larger and so much better known that they became popular, and the natives availed themselves very largely of them; would that be the explanation?—Yes, that is very largely the explanation; but the Post Office is in my opinion the most popular agency we employ for any work in India. People seem to trust the Post Office more than any other department.

11,293. It has the full confidence of the native population?—Yes.

11,294. (*Mr. Mowbray.*) What is the rate you pay on savings bank deposits?—On savings bank deposits now we pay $3\frac{1}{8}$ per cent. We were paying $3\frac{1}{4}$ until we reduced the general rates of interest in 1894–5 to $3\frac{1}{2}$. Since then we have reduced the savings bank rate to $3\frac{1}{4}$.

11,295. (*Chairman.*) I think you have told us that you had not any occasion to invest that part of the deposits, which you did not want to keep in cash; that practically the Government lends it to itself?—Yes. Except on the express wish, and in the name, of a depositor, for whom and on whose responsibility the investment is made and held, no part of the savings bank deposits is invested.

11,296. That is to say, the Government is responsible to the depositors, and being so, it uses such deposits itself; it may advance them for a railroad?—Yes, it uses them for any general purpose for which it might use loan money.

11,297. There is no capital account at the Post Office itself, is there?—No, there is no Post Office capital account.

11,298. Whatever works have to be done for the Post Office, such as buildings and so forth, are defrayed out of revenue?—Yes, and they are not charged to the Post Office; they are charged to the Public Works Department. In the Administrative accounts we charge them to the Post Office, but not in our Finance and Revenue accounts.

11,299. They are not included in the expenditure charged to the Post Office?—No.

11,300. Can you tell us at all what the amount is?—I see that in the administration accounts what is done is to charge the Post Office with the rent of the buildings.

11,301. What would that rent amount to?—They are charged with Rx. 39,815 in 1893–4.

11,302–3. Have you got the figures of the previous years?—In 1875–6, the rent was Rx. 18,463.

11,304. And have you an estimate for 1895–6?—No, I have not the detailed estimate for 1895–6.

11,305. But if we add on that rent to the charge of the Post Office we should hardly be able to say it is as yet self-supporting?—In 1893–4 the Imperial Post Office would be self-supporting.

11,306. Yes, but the total?—No, the total charges would not work out to a net surplus.

11,307. In fact we might put it in this way, that the Post Office would, even including that charge, be now self-supporting, if the exchange in England had remained as it was in 1875–6?—The Imperial Post Office would be self-supporting; the District Post Office is not intended to be self-supporting.

11,308. But I suppose the District Post Office is part of the Post Office expenditure, is it not? You cannot leave it outside when you are taking into consideration the result to the taxpayer of the Post Office administration?—A special cess is levied in some cases for the District Post Office. It is credited to provincial rates and the net charges in every province except Bombay and Madras are covered by the local rates that are levied.

11,309. And where are those local rates credited?—They are credited under provincial rates. In some cases it is a special cess for the district post, and in others it is a portion of the general local cess which is applicable to the expenses of the district post.

11,310–11. And do you suppose, if you brought those rates over on the revenue side as we are bringing over the rent of buildings on the other side, that the District Post Office would pay itself?—The amount which is taken as cess on account of district post in 1893–4 under provincial rates is Rx. 65,000.

11,312. Therefore, if we were to try to make the account complete we ought to bring in 65,000 Rx. as receipts?—Yes.

11,313. And in that case, even after charging the Post Office with the rent of buildings, the net revenue remaining would be larger than the Rx. 4,000, which you have mentioned?—Yes, considerably larger; but in no case is the district post chargeable to Imperial. If it is not paid by local cesses, the Provincial Government has to bear the net charge for it.

11,314. That comes as broad as it is long in the end. There is only one pocket that this charge comes out of in the end?—Yes, but the Imperial charge is only what is shown against the Imperial Post.

11,315–16. The credit that I find in the Finance accounts comes into the "Account of provincial rates "and charges for collection," under "Cess on lands for district post." Central Provinces Rx. 3,883; Bengal Rx. 43,322; North-West Provinces, Rx. 3,733; Punjab, Rx. 13,646; total, Rx. 64,584?—Yes, that is it.

11,317. It appears that under that head there is no credit in Madras and Bombay?—No; as I stated, in those two provinces no local cess is levied; the Provincial Government bears the charge there.

11,318. (*Sir James Peile.*) Are those cesses levied under legislation; I suppose they are?—Yes. The large amount in Bengal is levied under a special Act, which relates only to the district post cess; but in the other cases certain portions of the general local rate are applied to the charges of the district post.

11,319. (*Chairman.*) Are you quite satisfied with the manner in which those provincial rates are dealt with? Now taking such a case as the Post Office, do you not think on the whole that, while the District Post Office expenditure is brought into the General Post Office account and the special revenues excluded, it gives to the ordinary reader and the ordinary examiner of these accounts, not quite a true idea of what the Post Office is doing?—Well, in our accounts we follow the principle of crediting receipts, and debiting charges in the department in which they occur, not with reference to the object for which they are received or incurred.

11,320. You class these services rightly, I think, under the division of commercial services?—Yes.

11,321. But if you make up a budget of the commercial services, does not that exclusion of receipts considerably diminish the accuracy of the account?—I do not think so, because, as I said before, we do not work the district post as a commercial service. It is the Imperial Post Office that we work as a commercial service.

11,322. Why is the district post treated as a commercial service, if that is the case?—We must charge the District Post Office expenditure under the general head of "Post Office," but the receipts and charges of the Imperial Post Office are kept quite separate in our accounts.

11,323. Why not charge it against provincial rates under which you raise the money? You raise a revenue in connection with heavy charges which are incurred, but those charges and the revenue are brought to account in quite different budgets. While this particular head of revenue (Provincial rates) stands credited with this amount of revenue, there is no offset against it. If you take commercial accounts, surely it is very desirable in some shape or other, that the real result should be shown, and if the District Post revenue is not credited to the commercial account, surely the charges of the District Post, which, you say, is not worked as a commercial service, ought to be excluded and put under provincial rates, ought it not?—Not so, in my opinion. The term "Commercial Services" is, I ought to explain, not employed in our accounts; it was employed by Sir Henry Fowler in a special recast of our accounts, which was drawn up by him; and the classification of certain heads of the account as "Commercial Services," may be useful for certain purposes: but the term must not be unduly pressed against the actual classification adopted in our accounts, or against our account system. As I said just now, we follow the principle of debiting the charge in the department in which it occurs. The charge occurs in the Post Office Department; the revenue is a cess on the lands, and it is levied in the Revenue Department. The Postal

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Department have not, and could not have, anything to do with the levying of that. Another system may, of course, be equally good from a different point of view; but this is the system which has been adopted in India after full deliberation; we credit the revenue in the Department in which it is levied, and charge the expenditure in the Department in which it is incurred.

11,324. The criticism which I would venture to make upon that is that the Indian Government hardly makes the best account for itself. Here you are exposed to very considerable criticism. You are showing a largely increasing expenditure; but it takes us a very long time before we can ascertain from the accounts, and we only do it with your assistance, the real merit of the Indian Administration. In this very case of the Post Office, after we have been told what we understand to be the true charges, and the true revenue, we find that the revenue which might fairly be credited to the Department is considerably larger, and therefore much more creditable to the Post Office administration than the accounts, or the statements, as any ordinary person I maintain would read them, show?—I am not sure that any ordinary person could understand any Government accounts; but I think anybody who is accustomed to dealing with accounts would be able to find out that in our Finance and Revenue Accounts we have a receipt under provincial rates which is distinctly levied for the district post.

11,325. That might be the result of a very close examination and a most excellent memory; but most of us have neither the memory nor the time to spare for that examination?—That may be so; but our accounts are drawn up on the principle I have stated, which seems to me to be an intelligible one. In our Administration Reports of each Department, which are drawn up so as to show the true financial position, we bring into the accounts on both sides the various receipts and charges which appertain to the Department, but which in the Finance and Revenue accounts are charged under other heads.

11,326. My only point in this matter is an anxiety that the Indian Administration should really show the extent to which it is successful?—That I quite understand, but at the same time it saves a great deal of time and trouble if you account for revenue and expenditure in the department in which they occur. I think it is a cheaper system than endeavouring to transfer the revenue and expenditure to the departments to which they are supposed to appertain. And further, if you begin transferring, it is a little doubtful where you are to stop; and in the end the accounts may still not be really accurate.

11,327. I am not quite so despondent as you are as to the possibility of making the general public understand the result of an account.

11,328. (*Sir James Peile.*) Would you not say also that the rates are not a commercial receipt, but a grant from the taxation fund?—Yes, certainly, they are taxation.

(*Chairman.*) Yes, my point is that the expenditure should be excluded too.

(*Sir James Peile.*) I quite see your point.

11,329. (*Mr. Buchanan.*) Supposing, under "District Post Office Collections" there was a note at the foot of the page, saying, that the great deficit, which the ordinary person sees there, is met by a provincial rate?—Yes, I think it would be advantageous to put a footnote in the accounts to show that there are receipts under another head to meet the District Post charge.

11,330. Besides the Rx. 65,000 credited under "Provincial Rates," there was also some local revenue in Madras and Bombay, was there not?—No, there is not any special local revenue. The Provincial Government assigns a certain portion of its revenue for the purpose. In the Post Office Report every year the account is worked out, bringing in all the charges and the receipts in the administration account.

11,331. (*Chairman.*) In the annual report made by the Post Office itself?—Yes.

11,332. Have you got one here?—Yes; that is the one for 1893–4.

11,333. Might I just look how you have stated it there?—That is the paragraph headed "The Financial Position of the Post Office" (*showing*).

11,334. I think, as Mr. Buchanan suggests, that the point on which we have been conversing might be met if a note were put to the account?—Yes, I do not see any objection to that; I think it would be an advantage.

11,335–6. Now, passing on to the Presidency and District offices, which, I think, is the next heading in the summary of the charges. Can you analyse those charges as you have done the others?—Yes. The salaries have increased from 52,000 in 1875–6 to 96,000 in 1893–4; the establishments from 290,000 to 589,000; travelling expenses from 12,000 to 42,000; contingent charges from 31,000 to 90,000; total from 385,000 to 717,000.

11,337. Have you any remark to make upon the increase in salaries?—The increase in salaries arises in appointments of the lowest class, as will be seen in the following table:—

	1875–6.	1893–4.
Postmaster-General Inspector-General Railway Mail Service Deputy Postmaster-General	12	15
Presidency Postmasters	3	3
Superintendents Assistant Superintendents Inspectors	165	375

The pay of the last class averaged Rx. 204 a year in 1875–6, and Rx. 185 in 1893–4, showing that the increase has taken place in the inferior appointments of the lowest class.

11,338–9. The average pay of the last class appears to have been higher in 1875–6 than it was in 1894–4?—Yes; that is why I say that the increase has taken place in the numbers of the inferior appointments of the last class.

11,340. I also notice that there were 12 of these high officers in 1875–6 and 15 in 1893–4, while in the budget 1895–6 there were only 13?—The Inspector-General of Railway Mail Service was transferred from the Director-General's office, where an assistant on lower pay was substituted. Apart from this, the increase was entirely in the lowest offices of that grade—the Deputy Postmasters-General—and some of the smaller provinces have been amalgamated recently, with the effect of reducing the number of appointments.

11,341. Then, with regard to the establishments, have you any remark to make upon the amounts paid to the officers themselves?—Yes, the amounts paid to establishments are extremely low in the Post Office Department. It is the lowest paid department in India with reference to the work done, and out of a total of Rx. 589,000 in 1893–4 only Rx. 25,000 was paid to persons who received as much as Rx. 240 a year.

11,342. According to the rates of pay in India, are those rates sufficient or would you imply that the service under present circumstances is rather starved?—The Post Office tries to work as cheaply as possible, and often employs in its smaller offices Government officials in other departments (as, for instance, the village schoolmaster), giving them a small extra allowance. That enables them to some extent to do the work cheaply, and accounts partly for the low scale of pay. At the same time the scale of pay strikes officers of other departments as being low; and, without venturing to express any opinion of my own on the point raised in the question, I may observe that the Director-General has sometimes represented that the scales of pay of certain classes of posts are too low and ought to be raised.

11,343. And therefore you would rather expect to see that class of expenditure increased?—Yes, I should say so.

11,344. The Presidency and District Offices are the division of the Post Office, I suppose, which marks really the real increase of work, is it not? It is under that heading that the distribution of letters throughout India really takes place?—Yes.

11,345. Can you give us any figures illustrative of that increase of work?—Yes; the following figures show the expansion of work:—

Articles delivered.	1875-6.	1884-5.	1893-4.
Letters and post-cards -	107,576,000	193,513,000	326,862,000
Newspapers - - -	9,423,000	17,507,000	26,364,000
Parcels and Packets -	2,469,000	5,763,000	17,042,000
Total - - -	119,468,000	216,783,000	370,268,000

That is to say, the deliveries have more than trebled between 1875–6 and 1893–4.

11,346. You have a parcel and packet post in India, have you not?—Yes; we have had it for a very long time—almost since the first institution of the Post Office in India.

11,347. Do you consider it a paying branch of your business?—Yes; I think it is supposed to pay.

11,348. That is to say, it gives a net return?—I think so. Of course it is very difficult to separate the actual receipts and charges, because the postage on parcels and packets is paid by means of stamps, while the delivery agency is the same for both parcels and letters; but it is estimated, I believe, that the parcel post pays well.

11,349. I think our experience is that it is only now considered to be just paying its way in England?—We have had a parcel post in India for 40 years.

11,350. But although you have had it so long, its great increase of popularity appears to be, more or less, of recent years?—Yes; the extension of the railways has increased the facilities for the transmission of parcels and packets; the book and pattern packet post has risen very rapidly in recent years; but the parcel post has developed very steadily on the whole.

11,351. Do you consider the method in which you ascertain the number of letters is fairly and approximately true?—It is the method which is approved by the Postal Union, and is adopted, I think, in all countries belonging to the Union. For a certain number of days in each year the actual deliveries in every office are counted.

11,352. You know that here they have recently introduced a check upon that system. They apply a check through the revenue. That is to say, they take a number of days for each post office, we will say for a week, and multiply it by 52, which of course is an imperfect method of arriving at a true result?—Yes.

11,353. Possibly at the utmost you can say it is approximately correct, but in addition to that they have recently introduced a method of checking it, as I understand it, by finding out what the average weight of a letter is; they apply that to the number of letters delivered, and they find out that the results correspond fairly to an estimate based on the actual deliveries of letters. I do not think there is a difference between them of over 5 per cent. Do you know if there is any similar check in India?—I am not aware whether there is any check of that kind in India, but the advance has been very steady on the system followed, showing that the increase has been real from year to year.

11,354. Is the Post Office used by Government for remittance of revenue to any extent?—Yes; there are special revenue money orders which are issued for the transmission of revenue by the revenue payers to the Government offices.

11,355. To what extent is that carried? What branches of revenue may be remitted in that way?—It was first introduced with regard to the land revenue, but it has been extended to several other miscellaneous Government dues.

11,356. Taking the land revenue, can you tell us in what form that is done? Are papers sent to the taxpayer which he would fill up and send into the post office with the sum due by him?—No; there is a special form of money order which has columns for the entry of the necessary particulars regarding the revenue remitted. The exact amount that is due must be entered in this, and if the proper amount is not paid, the money order is liable to be returned; the remitter has to find out what the amount due from him is by reference to the district office, if he is in any doubt; but as a rule the revenue payers know the exact amount that is due from them. The system of transmission of revenue by money orders was first introduced in Bengal, and it has been extended now to the North-Western Provinces and Oudh, Punjab, and the Central Provinces. In the North-Western Provinces and Oudh the total number of revenue money orders issued was 140,000 in 1893–4 and 150,000 in 1894–5.

11,357. And what amount of revenue was thus collected?—The amounts of revenue remitted were Rx. 306,881 and Rx. 331,387.

11,358. Is that for all India?—No, that was only in the North-Western Provinces and Oudh. In the Lower Provinces of Bengal, including Eastern Bengal and Behar, the number of orders and their amount was reduced from 189,942, value Rx. 164,042, in 1893–4, to 188,195, value Rx. 162,460, in 1894–5.

11,359. At all events, the sums so remitted, though the method may be convenient to the taxpayer, would not represent any very large per-centage of the total revenue collected?—No; it is not a very large per-centage, but it affords very great facilities to small revenue payers, who can avoid the long journey to the headquarters of the district, and the delay which necessarily occurs owing to the crowding of revenue payers at the treasury when the land revenue is due.

11,360. Well then, again, in some cases pensions are paid through the Post Office, are they not?—Yes.

11,361. You have been saying that the small tradesmen, and so forth, in the villages are used very much by the Director-General as postmasters, and so on?—Not tradesmen so much as government officers, I think.

11,362. You spoke of schoolmasters?—Yes; schoolmasters and the like.

11,363. Does this extension of Government remittances, which of course to a certain extent makes larger sums pass through the hands of those small people, lead to any increase in peculation or in fraud on the part of the small postmasters?—The proportion of the revenue money orders to the total of the money orders is very small; they have caused a very small increase in the total amount remitted. The total amount remitted in 1893-4 by money orders was Rx. 18,353,000.

11,364. But, still, all these facilities given to the mass of the population mean larger sums paid in and paid out by small postmasters, and what I want to know is whether your experience showed you that the checks upon fraud were sufficient to prevent advantage being taken to any great extent, of these extra facilities, if I may so call them?—Yes, I think the checks are very complete. Of course peculations do occur here and there, but the proportion of them is very small; and to protect itself against loss on that account, there is a guarantee fund in the Post Office, to which every Post Office official, through whose hands money passes, has to subscribe a very small amount each month, but the drain upon this fund to meet fraudulent deficiencies is so small that it accumulates at a fairly rapid rate, and it now has a considerable balance.

11,365. You mentioned, as an instance of the extension of the agency of the Post Office, the facilities given for the sale of quinine?—Yes; that, of course, is really not a postal service; but the large number of offices in the postal department make it so extremely convenient a distributing agency, that the system has been introduced of selling at post offices in India small packets of quinine, which are made up at the Government factories and distributed to the various post offices for the purpose. That measure has been found extremely successful.

11,366. It really is a branch of the postal service, I suppose?—They actually keep the quinine in stock, and sell it.

11,367. Oh, the post offices actually sell the quinine?—The post offices actually sell the quinine; they keep a certain number of packets, and renew their stock as the demand may render necessary.

11,368. Then I think the next heading is the conveyance of mails, including subsidies, which amount to a largish yearly sum. Can you analyse that heading?—Yes; there has been a decrease on the whole in that charge from 334,000 to 322,000 The details are for road and ferry charges, including establishment for postal runners, 95,000 Rx. in 1875–6 and 106,000 in 1893–4; mail cart establishment and charges, 56,000 in

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1875-6 and 43,000 in 1893-4; railway charges, 10,000 in 1875-6 and 98,000 in 1893-4; steamer contract charges, subsidies, and bounty, 77,000 in 1875-6 and 65,000 in 1893-4; boat establishment and charges, 3,000 in 1875-6 and 3,000 in 1893-4; van dâk establishment and bullock train establishment, 93,000 in 1875-6 and 7,000 in 1893-4.

11,369. When you speak of the road and ferry charges, including establishment of postal runners, may we understand that the figure 106,000 in 1893-4 includes all deliveries by postal messengers?—It includes the cost of all transmissions of postal articles by postal runners between post offices.

11,370-1. That does not come under the previous head of "Presidency and district offices"?—No, that head includes the charges of actual distribution of the letters to the public.

11,372. But are the letters delivered by postal runners?—No; the postal runners are the men who carry the mails between two post offices, where there is not a line of rail or steamer or a mail cart establishment.

11,373. The post office, where the runner deposits his letters, is charged with the distribution to the public?—Yes.

11,374. But the runners are the people that carry the letters between each post office?—Yes.

11,375. Then I suppose, if that is the case, there is not a very large service between villages; for that sum of 106,000 Rx. spread over such a large country as India, if it includes all these road and ferry charges and postal runners, is not a very large sum?—A great deal of the village distribution is, of course, made directly from the head or subordinate offices. There is not a post office in each village. The charge for such distribution would be included under the head of "Presidency and district establishments."

11,376. The railway charges, as it is natural to expect, have largely increased. Are you substituting carriage by railroad very widely for carriage by other means?—Yes, to a large extent railway carriage has been substituted for other means of conveyance; but there is still such a large portion of the country which is not served by railways, that we still have to keep up a very large establishment for transmission of posts by road.

11,377. You do not find a profit as we do in going back from railroads to vans?—I think in a very few instances it may have been found desirable to employ other means of conveyance for a short distance, but these instances must be very rare. The distances to be covered are so very great in India, that where railways are available, no other means of conveyance could ordinarily compete with them.

11,378. You mention steamer contract charges, subsidies, and bounties; of what do those consist?—Those consist of payments for either coastwise postal services or inland postal services by steamer. The principal payment is to the British India Steam Navigation Company to which we paid Rx. 50,000 in 1893-4; we also paid Rx. 5,000 to the Irrawaddy Flotilla Steamer Company in Burmah, and Rx. 4,000 to the River Steam Navigation Company and the India General Steam Navigation Company in Assam, and there is a payment of Rx. 2,000 to the Euphrates and Tigris Steam Navigation Company. There were also some other petty payments in the year.

11,379. What service does the British India Steam Navigation Company render?—There are 12 different services which it performs: Bi-weekly direct communication between Calcutta and Rangoon; weekly communication between Calcutta and Rangoon *viâ* Chittagong, Akyab, Kyauk-Phyu, and Sandoway; weekly direct communication between Madras and Rangoon; weekly communication between Madras and Rangoon *viâ* the N.E. Coast ports; tri-weekly communication between Rangoon and Moulmein; weekly communication between Rangoon, Tavoy, and Mergui; bi-weekly direct communication between Bombay and Karachi; weekly communication between Bombay and Karachi *viâ* the Coast ports; weekly communication between Karachi and Basrah *viâ* the Persian Gulf ports; daily communication (Sunday excepted) between Tuticorin and Colombo; additional services between any of the ports served by the above-mentioned lines, and between Burmah and the Straits; fortnightly service from Negapatam to the Straits.

11,380. Therefore, these are the means of communication you may say throughout India, coastwise?—Yes.

11,381. Then you mention the subsidy to the Irrawaddy Flotilla Steam Company?—Yes, that performs a great many services in Burmah: A daily service between Mandalay and Myingyan to and fro each way (except on Saturdays); a daily service between Myingyan and Pokokku to and fro each way (except on Sundays); a daily service between Prome and Thayetmyo to and fro each way (except on Sundays); a bi-weekly service between Thayetmyo and Pokokku to and fro each way; a weekly service between Pokokku and Kindat to and fro each way; a weekly express service between Mandalay and Bhamo to and fro each way; a tri-weekly service between Rangoon and Bassein; a bi-weekly service between Bassein and Henzada; a bi-weekly service between Rangoon and Pyapon; a daily service between Rangoon and Kyauktan, and *vice versâ*; a weekly service between Sinbo and Myitkyina, and *vice versâ*; a weekly service between Bhamo and Sinbo, and *vice versâ*.

11,382. Next there is a largish sum for the Assam River Steam Navigation Company, what does that show?—The River Steam Navigation Company keeps up daily communication between Jatrapur and Dibrugarh on the Brahmaputra River. And the India General Steam Navigation Company keeps up daily communication between Naraingani and Silchar. (These steamers, however, only run as far as Fenchuganj from 1st November to 15th May, and as far as Karimganj during the month of October.)

11,383. These large sums I see are confined very much, are they not, to the Brahmaputra and the Irrawaddy?—Yes.

11,384. Is not river communication used in the other provinces of India. For instance, is not the Ganges used at all?—No; the East India Railway would compete with that throughout.

11,385. Then you mentioned also the Euphrates and Tigris Steam Navigation Company as having a considerable amount of subsidy. What is that for?—That is a payment which used to be made in England. It is a subsidy to the Euphrates and Tigris Steam Navigation Company on account of the mail service between Basrah and Baghdad. In 1875-6 the amount was 4,800*l*. It was reduced to 3,600*l*. from 1876-7 to 1883-4. From 1st May 1884 it was fixed for 10 years at Rx. 3,600 a year, payable in India, and from 1st May 1894 it was reduced to Rx. 2,400 a year for a further 10 years. It has, therefore, been greatly reduced since 1875-6.

11,386. I suppose there is a Persian Gulf Service that carries letters up to the Euphrates and Tigris ports, and from that there is a regular service of steamers up the river?—Yes, one of the British India lines, mentioned in my previous answer (11,379), keeps up postal communication between Karachi and Basrah; and this line carries the mails on between Basrah and Baghdad. I may mention that we have a department of our own in Persia, the Indo-European Telegraph Department.

11,387. Is that kept up in connection with the Telegraph department, or is it kept up for purely commercial purposes, because otherwise there would be no traffic along there?—I think it is kept up chiefly for commercial purposes.

11,388. This subsidy forms one of the questions upon which there has been a difference of opinion between the Home and the Indian Government, does it not?—Yes; it is one of those services.

11,389. That we have agreed to postpone as one of the apportionment charges?—Yes.

11,390. Then we come to the charge for bullock train; that I see is an item that has very largely decreased?—Yes; we used to have to send our parcels very largely by these bullock carts, but since the opening of the railways we have been able to employ them. At present the bullock train is only maintained for the Simla line, for the conveyance of parcels between Kalka and Simla.

11,391. The next heading is discount on postage stamps; would you explain that?—A discount is allowed to the postmasters and certain official vendors on the amounts they sell. The rate of discount was reduced in 1885-6, and the charge fell in 1886-7 to Rx. 10,000, from which it has been rising steadily with the increased sale of stamps. The amounts realised by the sale of postage stamps have been as follows—1875-6 Rx. 371,000; 1884-5 Rx. 519,000; 1893-4 Rx. 923,000.

11,392. That discount is of course a profit to the postmaster?—Yes.

11,393. Now take Post Office stationery and printing?—Yes, that is mainly a charge which has been transferred to the Post Office in quite recent years. In 1875-6 the Post Office merely bore the cost of any special printing that was done departmentally or at private presses, but in 1891-92, it was decided that the expense incurred for the Post Office printing at the central press and also the cost of stationery supplied from the stationery central office to the Post Office should be transferred from the major head of "Stationery and printing," to the head of "Post Office."

11,394-6. Do you know what the charge under "Stationery and printing" was in 1875-6 as compared with what is brought to charge now for the Post Office?—Stationery is put down in 1875-6, as mixed with miscellaneous, at 10,452 Rx., whereas in 1893-4 stationery and printing amounted to 44,000 Rx., and miscellaneous only to 3,000 Rx.?—Yes; we are not able to distinguish the actual charge for stationery and printing in 1875-6. In the accounts they were mixed up with these miscellaneous charges; but they must have been comparatively small then.

11,397. From 1884-85 the charge for stationery and printing has increased from 9,717 Rx. to 44,278 Rx.?—Yes.

11,398. That must mean that in 1884-5 the full charge of stationery and printing was not brought to account as against the Post Office?—As against the Post Office, no; it was only in 1891-2 that I induced the Government of India to take the stationery charges against the Post Office.

11,399. Does not that point to the desirability of also bringing to charge the rent of buildings, if you bring the stationery to charge?—A charge against the Post Office for the rent of Government buildings would be a mere book adjustment; a stationery charge is an actual charge which is incurred by Government. Any rent actually disbursed by Government for postal buildings would be charged to the Post Office.

11,400. Upon what ground did you advise that the Post Office should be charged with the cost of its stationery when the general rule throughout the Indian service is to make stationery a separate head of service, is it not?—In the case of commercial departments, which charge other departments for services rendered to them, an exception has been recognised. The plan of charging such Departments for supplies made free to other Departments was first started in connection with railways; they were charged for the stationery supplied to them for some time before 1891; it was on the analogy of that charge that I recommended that the same system should be applied to the Post Office, and the principle was subsequently extended to the Telegraphs.

11,401-2. Next we come in the general division of Post Office expenditure to charges in England. Will you analyse those charges?—Yes; the largest payment is made under arrangement with Her Majesty's Treasury, chiefly for the services performed by the Peninsular and Oriental Company in conveying the mails to India, and also for the train service across Europe to Brindisi. That was 48,000*l.* in 1875-6, and it was 61,000*l.* in 1893-94. Then the stores for India are the next largest item. They have risen from 10,000*l.* in 1875-6 to 42,000*l.* in 1893-4. Then there was the charge of 4,800*l.* for the Euphrates and Tigris Steam Navigation Company, which occurred in England in 1875-6, but now comes on the Indian accounts; and there was also in the particular year 1875-6 a small charge for an officer who was on special duty in Europe in connection with a postal conference; that was 2,000*l.*

11,403. Now, taking the payments under arrangement with the Treasury, I do not think there is any question of apportionment there; that has been agreed between the two Postmaster-Generals, and it is not necessary to reserve that as one of those subjects on which there is a question of apportionment outstanding?—I do not think any question need be raised about them. I inquired from the Director-General before I left India, whether he had any complaint to make of the arrangement, and he said he did not think there was anything to be contested in that particular arrangement.

11,404. Then perhaps you might be able to give us a slight sketch of what the arrangement is?—Yes; the charges under the contract with the Peninsular and Oriental Steam Navigation Company, for the conveyance of the eastern mails, are divided between the British and Indian Governments in certain proportions determined by an award made by Viscount Halifax in 1876. In 1879 the subsidy was reduced from 430,000*l.* to 370,000*l.*, and in 1888 to 265,000*l.* until 1898. On the United Kingdom and India joining the Postal Union, a reduction of postage was made in 1879 from 8*d.* to 6*d.* per ½ oz. for letters, the net charge falling on India being consequently increased. In 1880-1, when the Southampton route was abandoned, the rate was fixed at 5*d.* It being considered that the burden falling on India was too great, an advance at the rate of 70,000*l.* a year only was made; and after a protracted correspondence, the Treasury accepted that as the annual charge; in 1885-6 it was reduced to 68,000*l.*, allowance being made for Australian letters conveyed by the Mediterranean service, and some minor items. When the new contract was made in 1888, the advances were at first reduced to 50,000*l.*; but in 1890 it was settled that India should contribute 40,000*l.* a year throughout the contract. On the reduction of postage in 1891 to 2½*d.* per ½ oz. on letters and ½*d.* per 2 ozs. on newspapers, &c., the calculation was revised; and it was agreed that each Government should retain its own receipts, and the payment by India was fixed at 60,600*l.* namely, contribution under the contract, 40,000*l*, sea postage retained by India, 19,900*l.*, and sea postage on books, &c., 700*l.*

11,405. (*Mr. Buchanan.*) Is this a contract made with the Peninsular and Oriental Company by the Home Government, and then the charges divided between the Home Government and the Indian Government?—Yes; the contract is made by the Home Government, the Indian Government being, however, consulted as to the exact terms. A certain portion of the contract is for the mail to Australia, and a certain portion for the mail to China. Of course, we only pay our share, as far as India is concerned.

11,406. (*Chairman.*) It is a very complicated arrangement. The Indian Government and the Australian Governments, I think I am right in saying, are consulted before the contract is made; in fact an arrangement is come to between them before the contract is signed and sealed; and then the Home Government make the contract?—Yes.

11,407. (*Mr. Buchanan.*) I understood there had been a change in the payment during the currency of the contract?—Yes, at times there was. Latterly it has been 40,000*l.*, since the new contract was made.

11,408. (*Chairman.*) I think you stated the payment made in 1893-4 or in 1894-5, was 60,600*l.* You showed that that was made up by a direct contribution of 40,000*l.* under the contract—19,900*l.* sea postage, retained by India, and 700*l.* sea postage on books, &c.; that makes up the 60,600*l.*?—Yes.

11,409. I do not quite follow how the sea postage, retained by India, appears as a charge?—Before this arrangement was made, the share of the Indian postage actually levied as sea postage was paid over to England; under the present arrangement, instead of paying over the actual amount, a fixed sum, which may be taken as a kind of contract for the actual amount, is paid by India to England.

11,410. The position was this—that the Imperial Government made the contract for all the sea postage, as I understand it, and then partitioned out their shares among the other contracting Governments?—Yes.

11,411. Then afterwards, as a matter of convenience, the Indian Government retained its own sea postage, but accounted for it to the Imperial Government?—At a fixed sum, yes.

11,412. (*Mr. Buchanan.*) They pay a fixed sum per annum?—Yes, they pay 20,600*l.* per annum for sea postage.

11,413. (*Chairman.*) And that sum is actually paid over?—That sum is actually paid over; that fixed sum.

11,414. Therefore, 40,000*l.* is paid on account of the contract, and 20,600*l.* on account of sea postage?—Yes.

11,415. We need not go into the question of the subsidy to the Euphrates and Tigris Company, because that you have already explained in dealing with the charges in India. Have you any remarks to make upon the question of stores?—Yes, the stores show a very large increase. That is partly owing to the adoption in India of post cards subsequently to 1875-6, the cost

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of which forms an additional charge; but it is chiefly owing to the development of the postal business generally in India. The cost of the stores supplied rose from 10,000*l.* in 1875–6 to 50,000*l.* in 1877–88, and to 48,000*l.* in 1888–9. At that time a new contract was made with Messrs. De La Rue, and in consequence the charge fell to 31,200*l.* in 1889–90; since that date it has risen gradually to 43,187*l.* in 1894–5.

11,416. The position of the supply of stores is this, is it not? The two Governments have a very large business in these stores, and, on the whole, they think it more economical to work, as it were, under one contract?—There are separate contracts for the two Governments, but I think the arrangements for them are made simultaneously and in consultation.

11,417. The work with these contracting houses is actually carried out through the Inland Revenue, is it not?—Yes, I believe so.

11,418. And it has been thought, on the whole, economical for both Governments to work in concert?—Yes.

11,419. That is the reason why the supplies are got from Messrs. De la Rue?—Yes; I think that is the chief reason.

11,420. I think that you subscribe a part of the salary of an officer at Somerset House, who looks after the interests of India in the matter?—I do not know that; I do not know of a charge for any such officer.

11,421–2. I think that is the case. An arrangement was made, which, I think, has satisfied the India Office that in making the arrangements the interests of India are fairly guarded?—I suppose the allowance to this officer would be charged to the India Office Establishment. Sir Henry Waterfield would be able to speak about that.

11,423. (*Mr. Buchanan.*) Could not these post cards be got in India? Are there no stationery manufacturers in India with whom the contract could be made?—We have considered it rather risky to have stamps manufactured in India. We do manufacture our official post-cards in India, because they are only used by officials, and we think there is not much risk in manufacturing them there. The natives are very clever imitators; some of our currency notes have been forged, and stamps would probably be more easily forged, I think.

11,424. Would they not be just as capable of forging the home-made stamps, as the Indian-made stamps?—The difference is that we should have to train engravers ourselves, who might eventually manufacture stamps on their own account.

11,425. Of course it is a big charge, with this constant charge for exchange upon it?—Yes, but I doubt if there would be any great saving in the long run, if stamps were manufactured in India.

11,426. (*Chairman.*) There is rather a contrast between the policy of the Indian Government, in other departments, with regard to the obtaining of stores, and that which appears to obtain under the Post Office. Hitherto in the course of our inquiry, we have seen that the purchase of stores in England has been a declining branch of business, owing to stores being got so much more largely in India itself. The reverse seems to be the case under the Post Office; and I suppose I may take it from you that that policy has been very fully considered, and that the Indian Government deliberately prefers to get this particular branch of stores from home?—Yes; it has been very carefully considered several times, and I may observe that it is the policy which is followed with regard to all stamps, not merely the postal stamps; all the stamps we get for the Stamp Department are obtained from England too.

11,427. Do you happen to know whether bank notes are obtained from England, or made in India?—We obtain them from England.

11,428. (*Mr. Mowbray.*) And your money orders too?—No; not the money order forms.

11,429. (*Chairman.*) There is only left the district post office. You have alluded to that two or three times in the course of your evidence, but I do not think you have given us any summary description of the objects sought by the district service?—The district post offices were originally opened to keep up communication between the heads of the districts and the police in the interior of the district. That was the original object of them. They have been extended to meet the genera requirements of the administration on keeping up the communications between the head office and the various police and revenue offices in the district, without regard to the special financial considerations which govern the Imperial Post, which, however, takes over paying lines generally as soon as they begin to pay. The district post thus acts as a pioneer for the Imperial Post Office. The development of the administration has led to a development of the district post, but the net charge is met generally from local resources.

11,430. Then how are the charges divided between the Imperial, provincial, and local accounts?—In 1875–6 there was no Imperial charge, and in 1893–4 there is a small Imperial charge of 3,000 Rx. That is for small provinces, which are directly administered by the Imperial Government. The provincial charge in 1875–6 was 38,000 Rx., and in 1893–4 it was 46,000 Rx.; the local charge in 1875–6 was 43,000 Rx., and in 1893–94 it was 73,000 Rx.

11,431. Making a total of 81,000 Rx. in 1875–6, and 122,000 Rx. in 1893–4?—Yes.

11,432. Then, under certain circumstances, does the Imperial Government undertake the charge?—It is only in the case of Ajmere and Coorg, which are under the direct administration of the Government of India and not under any Provincial Government.

11,433. That is a special arrangement?—Yes; the charges would be considered provincial in any other province.

11,434. They do not really form an exception to the general rule that these charges are left to Provincial Governments?—No.

11,435. Do I understand that there are corresponding credits under the head of provincial rates?—No; the amount from local rates is about 65,000 Rx., the rest is made up from provincial resources.

11,436. From grants made out of provincial revenues?—Yes.

11,437. What is the law as to postage in India? What is the charge per letter?—The lowest charge for a letter is half an anna, that is a little less than a halfpenny.

11,438. What weight of letter is that for?—That is for half a tola; about one-fifth of an ounce.

11,439. Then does it mount with each one-fifth of an ounce, or how does the charge progress?—No, it rises to an anna and then goes up by annas—a little less than a penny.

11,440. What weight would the anna cover?—The anna covers double the minimum weight—one tola.

11,441. That is not quite half-an-ounce?—Yes, not quite half-an-ounce, but that will take a letter 3,000 or 4,000 miles.

11,442. Then is there a favourable rate for newspapers?—Yes, there is a half anna rate for newspapers.

11,443. But that, of course, covers a much heavier weight?—Yes; it covers a weight of 10 tolas, or, say, 4 ozs. There is also a special arrangement, under which by cash prepayment newspapers not exceeding 3 tolas (a little over an ounce) in weight may be sent at a charge of a quarter of an anna.

11,444. Are parcels sent at a moderate rate?—Yes; unregistered parcels may be sent at the rate of 4 annas for every 40 tolas (1 lb.), with a minimum charge, however, of 2 annas for 20 tolas.

11,445. I see one of the largest branches of receipt is "Receipts on account of money orders," 235,000 Rx. out of a total revenue of 1,561,000 Rx. That shows the popularity of that head of service?—Yes, it is extremely popular. The natives use the money orders for remittances of all kinds, but especially for very small remittances.

11,446. Just revert for a moment to that question of the district post office; are the letters to private individuals sent by district posts?—Yes.

11,447. And with the ordinary stamps, I suppose?—I believe so.

11,448. Therefore you do not know how much in addition to the local cess is covered by the ordinary postage stamp?—No; but I should suppose the proportion would generally be very small.

11,449. But the district post office in each case was originally started simply as a Government service?—Yes.

11,450. Without any view to the public using it?—Yes, that was the original intention, and for some time it was used merely as a Government service.

11,451. And when you speak of it as "the pioneer of the Imperial service," you mean, I suppose, that if you find that it is considerably used, then it gradually develops into a regular Imperial Post Office?—Yes; as soon as a line is considered to pay, the Imperial Post Office takes it over.

11,452. (*Mr. Buchanan.*) Then that 8,000 Rx. which you gave as the income from it, I suppose, represents what is contributed by the public sending letters by it?—I am not sure. They are described in the Accounts simply as "District Postal Collections."

11,453. (*Chairman.*) That is not mentioned in the annual report?—I cannot find that it is mentioned. But I should judge that the receipts are for the most part contributions from Native States or other special funds to the District fund.

11,454. (*Mr. Mowbray.*) Do you consider that your money order department pays its way?—Yes, I should say it did. It is very seldom that we have to remit money specially on account of the money order business.

11,455. Oh, but I mean is the commission which is paid on the money order business estimated with the intention of making it a paying department?—Yes, it certainly is a paying department.

11,456. (*Chairman.*) How do you ascertain that? I have always understood over here that it was extremely difficult to ascertain the precise gain or loss on money order business, because of the difficulty of apportioning the work of the general establishment between letters and money orders and so forth?—Yes; it would be difficult to make out any accurate estimate, but estimates have been made of the extra cost of the money order system.

11,457-8. It is like the case of many of these services. The expert officers turn their attention to it for some time and make the best estimate they can, probably only an approximate estimate, but it shows, at all events, approximately whether the service is paying its way?—Yes, it would be quite impossible to make an accurate estimate, because in the small offices very often one clerk does the whole work of the office.

11,459. (*Sir James Peile.*) You have told us that the Government of India takes its own sea postage receipts and pays 20,600*l.* a year?—Yes.

11,460. Does it make a profit or a loss upon that transaction, do you know?—I cannot find any figures in the report upon that, but I have always understood that the amount was a fair amount.

11,461. The present Director-General thinks that the present arrangements are fair to India?—Yes, I saw him specially upon the subject before I left.

11,462. He has no complaint to make of any part of the arrangements?—I understood that to be the case.

11,463. (*Chairman.*) Do the Post Office charges include pensions or not?—Not in our Finance accounts; the administration account allows for them.

11,464. Can you tell us what the pension charge is?—43,721 Rx. in 1894-5.

11,465. We now turn, Mr. Jacob, to the Telegraph service. The Telegraph service is divided, I think, is it not, between the Indian telegraphs and the Indo-European telegraphs?—Yes.

11,466. They make two separate branches of the service?—Yes.

11,467. Would you give us a statement for the Telegraph Service such as you have given us before, comparing 1875-6 with 1893-4?—For the whole Department including the Indo-European?

11,468-9. Would it not be better to take the Indian service first? Perhaps you would give us first, the revenue and then the expenditure if you have them?—Yes. The Indian Telegraph Department produced a revenue in 1875-6 of Rx. 205,000, while the charges were Rx. 382,000, leaving a net deficit of Rx. 177,000, and in 1893-4 the revenue was Rx. 788,000 and the charges Rx. 743,000, giving a net revenue of Rx. 45,000.

11,470. What do you give as the deficit in 1875-6?—Rx. 177,000. That is, including both capital and revenue expenditure; also in 1893-4, the net revenue of Rx. 45,000, is after including both capital and revenue charges.

11,471-3. Therefore in the 17 years there has been an improvement of something very like Rx. 220,000?—Yes. Then in the Indo-European Telegraph the total revenue in 1875-6 was Rx. 98,000, and the charges were Rx. 87,000; giving in round numbers a net revenue of Rx. 11,000; and in 1893-4 the revenue was Rx. 171,000, and the charges Rx. 125,000, giving a net revenue of Rx. 46,000.

11,474. And there, again, there has been an increase, but nothing like that which occurred with regard to the Indian Telegraphs?—No, the increase has been Rx. 35,000. Then for the Ceylon Telegraph we incurred a net charge in 1875-6 of Rx. 6,000. At that time we were working the Ceylon Telegraphs for them; we have given them back to Ceylon, and there is no charge in 1893-94. For the Red Sea and India Telegraph we incurred a charge of Rx. 20,000 in 1875-76 and Rx. 30,000 in 1893-4, the difference in that case being entirely due to the fall of exchange, as the sterling amount paid in England is the same in each year. Then for the Zanzibar and Mauritius Telegraph we had no charge in 1875-6, but we incurred a charge of Rx. 4,000, including exchange in 1893-4.

11,475. Now perhaps you will give us what you were going to give us at first—the results of the whole system?—The results of the whole of the Telegraphs in 1875-6 were Rx. 311,000 revenue and Rx. 503,000 charge, a net deficit of Rx. 192,000; and in 1893-4 a gross revenue Rx. 959,000, charges Rx. 902,000, and a net revenue of Rx. 57,000.

11,476. And therefore at the present moment you may say that the whole Indian telegraph system (including communication with Europe) after including, in order to make the charge complete, that annuity of 18,000*l.* a year which represents the collapse 40 years ago of the Red Sea line, shows Rx. 57,000 as a net profit?—Yes.

11,477. Is there a charge included for rent of buildings, and for stationery? And what would be the additional charge on account of pensions?—Buildings are charged to Capital Account, but the charge for stationery is included in the revenue account. I have not been able to ascertain the charge for pensions.

11,478. Then I think this account has been strictly drawn upon commercial principles, that is to say, that everything has been charged to the expenditure side?—I think everything, except pensions and leave allowances paid in England, has been charged.

11,479. Now taking the Indian service, can you analyse the charges in the same way as you have done before, as between 1875-6 and 1893-4. First of all, you include in your annual expenditure capital expenditure?—Yes, the whole of the capital expenditure is included in that.

11,480. At the same time, you keep a capital and revenue account?—Yes, we keep separate accounts of capital and revenue.

11,481. Perhaps you will give us the capital account first?—The figures of the Indian Telegraph capital account show in 1875-6, a net capital charge of 115,000 Rx.; and in 1893-4 a net capital charge of 225,000 Rx. The capital charges are chiefly incurred for line construction, buildings, apparatus, and plant, and stores, and other suspense accounts. In them is included, chiefly under line construction, a portion of the general charges which are shown in detail under revenue; the rest of the line construction charges consist largely of stores issued for the works, which are met by corresponding deductions against the head of stores. The following is a statement of length of line constructed in miles:—In 1875-6, during the year, 479 miles, and to the end of the year, 16,633: 1884-5, during the year, 1,815, and to the end of the year, 25,387; in 1893-4, during the year, 1,677, and to the end of the year, 42,707. The charge for buildings is generally incurred in the Public Works Department; but it is included in the capital expenditure of the Telegraph Department for the purpose of calculating the dividend produced by the net revenue. The stores are for the most part procured in England and on arrival in India are charged to the head of "Stores"; the minus figure in India under that head is chiefly the result of stores being charged to the construction of particular lines, when

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their value is *per contra* deducted from this head. In the total charge for stores a minus entry shows that the reserve has been diminished. The total capital charge to the end of the year is as follows:—In 1875-6, 2,132,000 Rx.; in 1884-5, 3,543,000 Rx.; and in 1893-4, 5,665,000 Rx. Owing to financial pressure, the additional capital outlay in the last two years has been relatively small.

11,482. The whole of that 5,665,000 Rx. at the end of 1894, I understand has been found out of revenue?—Yes.

11,483. There is no debt outstanding as against it?—No, it has been met entirely from revenue.

11,484. Then in order to understand the position of the telegraphs as a working undertaking, we ought to add to the charges, ought we not, a fair charge for interest on the debt?—Yes.

11,485. Could you tell us what you would consider that would amount to?—I have worked it out so as to show what per-centage on capital the excess revenue gives. In 1875-76 there was a net deficit which amounted to 3 per cent.

11,486. Do you mean 3 per cent. on the capital?—3 per cent on the capital.

11,487. That would be 60,000*l*?—64,000 Rx. That works out to a deficit of 3 per cent. In 1893-94 the net revenue worked out to 4¾ per cent.

11,488. That is to say, very nearly 5 per cent. on 5,000,000*l*.; 250,000*l*.?—The actual net revenue on revenue account was 264,000*l*.

11,489. Perhaps you might work it out in another form; at what would you put the interest—3½ would you charge on that 5,665,000 Rx.?—We charge 4 per cent. on the Public Works Debt.

11,490. But at what rate would you have borrowed the money?—We certainly should not have borrowed it at less than 4 per cent. originally.

11,491. I reckon the interest on that at 226,000 Rx.?—Yes.

11,492. And we have?—264,000 Rx.

11,493. You had a surplus as between revenue and expenditure, that is to say actual expenditure, of 45,000 Rx. in that time?—Yes.

11,494. Well, is not the proper way to take that off from the interest charge which brings it down to 181,000 Rx., is not that the net working of it as a commercial undertaking?—No, you are taking the net result, including the capital charge. We are now dealing only with the result of the revenue account.

11,495-8. Very well, do you know how much of the capital charge belonged to the India Telegraph Department?—Yes; that is the amount which I gave a short time ago. The net capital charge in 1893-4 was Rx. 225,000: the capital charge to the end of that year is Rx. 5,665,000.

11,499-500. Very well, we will take 4 per cent. on that Rx. 5,665,000, which gives 226,000 Rx. as the annual interest, which if you had borrowed the money, you would be paying?—Yes.

11,501. But, on the other hand, when you come to the working, you take the actual receipts of the existing lines and deduct from them the working expenses there remains a surplus of 45,000 Rx.?—Including capital; we must exclude the capital here to show what the revenue is.

11,502. Yes, you have to take off the capital?—Yes.

11,503. Very well, how much do you take off for the capital?—The capital charge actually brought to account under this head was 219,000 Rx.

11,504. Which is added to the 45,000 Rx.?—Yes.

11,505. Well, that would really give you a surplus?—Yes. That gives a surplus over and above the 4 per cent. charge for interest.

11,506-7. Quite so?—That is really what I said before; we work out to a per-centage of 4¾ per cent. on the capital, so that we get about ¾ per cent. in addition to the 4 per cent.

11,508. But, putting it in another way, it would be 226,000 Rx. against 264,000 Rx.?—Just so; we make Rx. 38,000 over and above 4 per cent. Perhaps I ought to mention that that includes official messages—State messages which are paid for by the State.

11,509-10. I was going to ask you a question with regard to that. Both in Post Office and in Telegraphs, you include the charge of State letters and State messages?—Yes, except messages on account of the Telegraph Department itself. It does not charge itself or the Post Office for telegrams sent on departmental business. A great many post offices are telegraph offices as well.

11,511. Can you give us, *à propros* of that point, what the revenue from State messages has been?—Yes, the revenue from State messages in 1875-6 was 29,000 Rx., and from other messages 176,000 Rx., making a total of 205,000 Rx.; and the expenditure was 269,000 Rx. That gave a net deficit of 64,000 Rx., or excluding State messages of 93,000 Rx. In 1893-4 the State messages came to 115,000 Rx. and the other messages to 673,000 Rx., making a total of 788,000 Rx., and the expenditure was 524,000 Rx., so that the net revenue was 264,000 Rx., or excluding the State messages 149,000 Rx. Therefore, even excluding State messages, the revenue gave a per-centage of 2½ on the capital.

11,512. If you exclude the state messages and charge the interest, *i.e.*, 226,000 Rx., there would be a deficit, would there not?—Yes.

11,513. The deficit would be the difference between 149,000 and 226,000?—Yes. You mentioned the Post Office just now, and so perhaps I may explain that, while the Telegraph Department charges other Departments at the same rate that it charges to the public, the Post Office charges a much lower rate for the official postage than for the general postage.

11,514. You charge, I think, by weight *en masse*, instead of by individual letters?—No, we charge for individual letters, but the rate charged for official letters is much lower than that charged for private letters.

11,515. Why do you do that?—The Post Office, I understand, professes to charge for official postage only the actual cost.

11,516. How do you find out what the actual cost is?—That, of cousre, is estimated by the Post Office, but it comes to about one-tenth of the rate charged to the general public.

11,517. I always understood that the actual cost of a letter was one of the most difficult questions to solve?—Yes; I do not suppose it is an accurate calculation.

11,518. Is not the English way a better way? According to the English way the mass of letters received from each department is, I believe, simply weighed *en masse*. As no letters come up exactly to the limit allowed, the result is that you make a charge very much less than would have been charged if each letter had been sent as an individual letter. You weigh a thousand letters together. If that thousand letters had been weighed separately they would have cost of course one thousand pence; but if they are weighed altogether, the weight would only probably net seven hundred pence?—The Post Office would not object to that system, of course, for the Indian Post Office charge would be proportionately much lower than that.

11,519. At all events, whether we take the total net revenue including State messages, or whether we take the revenue excluding State messages, the increase has been very considerable?—Yes.

11,520. Would you give us an analysis of the expenditure on revenue account in the two years?—The general charges are as follows:—

	1875-6.	1893-4.
	Rx.	Rx.
Salaries:		
Direction and Divisional Supervision	60,580	56,261
Account Office	1,397	2,911
Check Office	1,082	1,571
Stores, and workshop, and electrician	3,575	4,257
Subordinate establishment:		
Direction and divisional supervision, including Sub-assistant Superintendents.	6,653	30,072
Accounts	3,765	7,033
Check Office	2,338	5,569
Stores and workshop and electrician	4,837	3,790
Foremen, &c.	—	5,068
Allowances	13,542	18,852
Exchange compensation allowance	—	5,321
Stationery and printing, *contingencies* and refunds.	8,573	16,006
Total	106,347	156,921
Deduct—Charged to capital	23,442	32,952
Charged to other departments.	1,064	47
Net general charges on Revenue Account.	81,841	123,922

Then there are charges for line maintenance:—

	1875-6.	1893-4.
	Rx.	Rx.
Establishment	10,243	32,441
Allowances	1,925	7,576
Repairs to lines	22,862	43,654
Contingencies	990	1,240
Total	36,020	84,911
Deduct—Charged to railways and Native States.	2,922	311
Net line maintenance charged to Revenue Account.	33,098	84,600

Then there are the charges for signalling:—

	1875-6.	1893-4.
	Rex.	Rex.
Establishment	106,581	202,041
Allowances	18,775	39,617
Apparatus and plant	17,408	16,188
Payment to Postal Department	—	37,966
Contingencies	9,257	12,461
Total	152,021	308,273
Deduct charged to other Departments	5,111	1,846
Net signalling charge to Revenue Account.	146,910	306,427

And, lastly, the charges in England were in 1875-6, 6,439*l.*, and in 1893-4, 5,748*l.*; and exchange in 1875-6, Rx. 707, and in 1893-4 Rx. 3,357, making a total additional charge of Rx. 7,146 and Rx. 8,483 respectively for the English charges.

11,521. Now can you total them?—The total in round numbers is 269,000 Rx. in 1875-6 and 524,000 Rx. in 1893-4.

11,522. Charged to revenue account?—Yes, charged to revenue account.

11,523. That is just about double?—Yes.

11,524-6. While the mileage has increased about 2½ times?—Yes, rather more than 2½ times, but that is as near as you can express it in round figures.

11,527. Have the numbers of employés in the department increased very much, especially in the superior branches?—No; in the superior branches the numbers have decreased. The total employed—Director General, Deputy Director General, directors of traffic, director of construction, superintendents, assistant superintendents, and the account office, check office, and stores and workshop—came to 121 in 1875-6, and 85 in 1893-4. That is owing to the substitution of a lower paid class of officers for the higher paid. The establishment, on the other hand, has increased from 432 in 1875-6 to 661 in 1893-4. They include a large class of subordinate inspecting officers.

11,528. This again shows, as we have seen in the case of other departments, that the Government has been working in the direction of reducing the numbers of the superior class, and therefore, I suppose, the Europeans?—Yes. There have been some slight increases of pay among the higher officials; the Deputy Inspector General's pay has been raised from 1,800 to 2,000 rupees a month, and the Directors of Traffic and Construction from 1,500 to 1,600, and the pay of some of the grades of Superintendents and Assistant Superintendents has been raised, though the maximum pay for Superintendents is still Rs. 1,500.

11,529. Then have you any remark to make on the line establishment?—There has been here a very large increase. The total increase is from 446 in 1875-6 to 1,276 in 1893-4, but the greater part of that increase is in the very lowest paid classes of officials, who are called line men, and coolies—men on a few rupees a month—who have increased from 302 to 1,031.

11,530-1. As far as the numbers go, that is rather in excess of the increase of mileage, is it not?—Yes, it is.

11,532. Then signalling staff?—In signalling there has been an increase of just about 100 per cent., from 1,888 in 1875-6 to 3,780 in 1893-4; that has occurred both in the telegraph masters and signallers and in the clerks.

11,533. Can you give us any figures which illustrate the progress of the telegraph service during this time?—Yes. The following figures indicate the increase in the traffic: service telegrams have increased from 89,000 to 605,000; private telegrams from 769,000 to 3,580,000; and free telegrams, that is, those sent on behalf of the Telegraph department itself, have decreased from 8,000 to 4,000. The total is an increase from 866,000 messages to 4,189,000.

11,534. The number of service messages increased very largely; is there any check kept upon the service messages that are sent free?—Ordinary service messages are not sent free.

11,535. Are they charged at a lower rate?—No, they are charged at the same rate as to the public.

11,536. Is there any check upon the officers sending the messages, because, of course, they do not pay?—The Check Office keep a check. Every telegram goes to the Check Office, and official telegrams are specially checked, and I have had instances in which a reference has been made to me as to whether a telegram sent by a subordinate was a proper telegram to be sent officially:

11,537. Therefore there is some check; they are watched?—Yes.

11,538. But, of course, the tendency of Departments is to use the telegraph very freely?—Yes, I suppose so.

11,539. And you see, while the private messages have increased between four and fivefold, official messages have increased more than sixfold?—Yes, that is so; undoubtedly the use of the telegraph for official messages has increased.

11,540. What are the allowances which appear at the heading of the account?—The allowances consist of (1) local allowances granted for residence in especially expensive districts, or for specially arduous work; and (2) travelling allowances given under fixed rules. Exchange compensation allowance is granted under the regulations laid down in 1893 for non-domiciled Europeans and Eurasians.

11,541. The stationery and printing?—The increase there is not wholly a real increase, because the cost of stationery issued from the central stores to the Telegraph department is charged to the Telegraph department only from 1892-3.

11,542. Of what are the charges in England composed?—The charges in England are mostly furlough allowances. In 1875-6 there were 4,000*l.* for furlough allowances, and in 1893-4 5,000*l.* The Director General was also on special duty in 1875-6, attending the international conference at St. Petersburg, and for that there was a charge of 2,500*l.*; in 1893-4 there was a charge of nearly 500*l.* for the pay of officers studying the working of instruments in England.

11,543. I think you have mentioned the payment to the Post Office; what does that consist of?—A very large number of Post Offices are used as telegraph offices, and a payment is made to the Post Office for the telegraph share of the cost of these offices.

11,544. That is charged in the accounts under "Payment to Post Office by the Department for combined offices," 38,000 Rx.?—Yes; that is it.

11,545. Under revenue, I suppose, you only charge repairs and rents of offices. Do you make any charge on capital for construction of offices?—It is included in that account which I gave. It is really charged to the Public Works Department, but it is brought on to this capital account by deduction from the Public Works Account.

11,546. Do you bring a charge on capital account for any buildings?—Yes; the buildings are charged to capital: some work is done in the Public Works Department, and that also is brought on the Telegraph Account.

11,547. If in the revenue account you charge a rental on these buildings, which, I understand, you do, do you not charge a rent upon buildings?—I do not think we do in the Telegraph Department; in the Post Office Department we do in the Administrative Account.

11,548. I see a very small sum for rent of offices?—Yes; that is for offices which are specially rented, and do not belong to Government.

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11,549. You charge the buildings once for all to the capital account, and they would fall into any charge you make against the Telegraph Department for interest?—Yes.

11,550. When did that payment to the Post Office commence?—I find it first in the Finance and Revenue Accounts in 1887-8; but I believe it was made before that date.

11,551. We come now to the Indo-European Telegraph Department. Can you give us a description of this service?—The present line was opened in 1864 between Karachi and Fao at the head of the Persian Gulf and continued to Baghdad, and the year after to provide against the inconvenience of interruptions an alternative line was passed through Persia by Bushire and Teheran back to Baghdad. The Indo-European Telegraph Department is concerned with the working of that line in Persia and the Persian Gulf.

11,552. Will you give us a summary of the financial arrangements under which that telegraph is worked?—By an arrangement made in 1878 the Eastern Telegraph Company, the Indo-European Telegraph Company and the Indo-European Telegraph Department pay all their receipts from Indian and trans-Indian traffic into a common fund, which is then divided in fixed proportions. The proportion taken by the Indo-European Department now is about 18 per cent. The Indo-European Telegraph Department receives from the India Telegraph Department the cost of all messages from Karachi to their destination westward; and after deducting the share due to the Department, the balance is paid to the Indo-European Telegraph Company from Teheran or to the Ottoman Government from Fao to the destination. On the outward traffic the Department receives from the Ottoman Department or the Company the cost of the message from Fao or Teheran to its destination, and keeping its own share pays the balance to the Indian Telegraph Department at Karachi. Of the Persian Gulf receipts the Department keeps the whole of its own share; but of the Teheran-Bushire receipts, it pays an annual royalty of 4,800*l.* to the Persian Government, and divides the surplus with the Indo-European Telegraph Company under an arrangement made in 1869.

11,553. What has been the net capital outlay of the Indo-European telegraph department?—The total expenditure on the line to the end of 1875-76 was 1,154,000 Rx., and to the end of 1293-4, 1,145,000 Rx.

11,554-5. And the net revenue?—The net revenue on revenue account was in 1875-76, 6,000 Rx., and in 1893-94, 44,000 Rx., showing a per-centage of about one half per-cent. in 1875-76, and 3·9, or nearly 4 per cent., in 1893-4.

11,556-7. Have you any remarks to make upon the charges in the revenue account?—I have a distribution of them here. The charges of the Revenue Account are thus distributed:—

Charges on Revenue Account.		1875-6.			1893-4.		
		Persian Gulf Section.	Persian Section.	Total.	Persian Gulf Section.	Persian Section.	Total.
In India:—							
Direction and traffic	Rx.	4,352	2,627	6,979	3,781	4,796	8,577
Accounts	„	219	354	573	600	300	900
Superintendence and working	„	18,588	11,384	29,972	18,979	12 482	31,461
Land line and cables	„	6,453	2,749	9,202	6,064	5,526	11,590
Cable steamers	„	8,322	—	8,322	12,179	—	12,179
Stores and workshop	„	1,784	194	1,978	1,672	203	1,875
Political charges	„	3,597	—	3,597	2,708	—	2,708
Repairs, suspense, &c.	„	1,037	2,827	3,864	9,924	1,933	11,857
Total	„	44,352	20,135	64,487	55,907	25,240	81,147
Deduct—Charges in other departments, or to capital.	„	486	588	1,074	—	—	—
Total in India		43,866	19,547	63,413	55,907	25,240	81,147
In England:—							
Chief Director and London office	£	2,221	1,481	3,702	118	59	177
Absentee allowances, &c.	„	1,427	505	1,932	614	886	1,500
Engineer and "Amberwitch"	„	1,668	—	1,668	—	—	—
Stores and freight	„	1,965	—	1,965	—	—	—
Constantinople office	„	344	—	344	171	86	257
Persian Government (recoverable)	„	—	17	17	—	—	—
Royalties	„	—	—	—	—	—	—
Advertising	„	—	—	—	201	100	301
Berne office (share)	„	—	—	—			
Total in England	„	7,625	2,003	9,628	1,104	1,131	2,235
Exchange	Rx.	837	220	1,057	718	735	1,453
Total	„	52,328	21,770	74,098	57,729	27,106	84,835

11,558. Will you describe to us shortly the transactions with regard to the Ceylon telegraph which is no longer under the Indian Government?—In 1868 it was important to the Government of India to have the control of the Ceylon telegraph system, as it was a link in the only line by which Indo-European messages could be conveyed. Accordingly the Ceylon telegraphs were worked by the Indian telegraph department from January 1st, 1869. In 1875-6 the receipts were Rx. 8,253, and the charges, Rx. 11,191, the net charge on revenue account being Rx. 2,938. The capital charge was Rx. 3,090. The following are the details:—

	Capital.	Revenue.	Total.
	Rx.	Rx.	Rx.
Superintendence, including share of direction.	429	3,596	4,025
Line maintenance	—	991	991
Signalling	—	4,325	4,325
Works and repairs	2,661	2,279	4,940
Total	3,090	11,191	14,281

The line was always worked at a loss; and in 1878, the original reason for accepting the charge having passed away, and the Ceylon Government being unable to leave the line in the hands of the Government of India, while itself bearing the expense, it was decided that the control should be re-transferred to the Ceylon Government, which was done with effect from the 30th June 1880. The total loss (including interest) was Rx. 25,946, of which the amount accruing after the 1st April 1878, namely, Rx. 5,461, together with capital outlay of Rx. 6,863, was repaid by Ceylon.

11,559. And lastly, I would ask you if you would give us a summary of the transaction under which one half the annuity for the Red Sea and Indian Telegraph Company is paid by India?—The Red Sea and Indian Telegraph Company was formed in 1858 for the purpose of establishing telegraphic communication between India and England by the Red Sea, the Treasury giving a guarantee for 50 years to make up the dividend to 4½ per cent. on the capital; and the Indian Government agreeing to bear half the expense of that guarantee. By an Act of 1861 (24 Vict. c. 4.), it was declared that the guarantee was not intended to be, and was not, conditional on the line of telegraph being in working order. By a further Act of 1862 (25 & 26 Vict. c. 39.), the line having ceased to transmit messages, the property was transferred to a new company, and the guarantee to the old company was converted into an annuity of 36,000*l.* for 46 years. It was further provided that India should pay 18,027*l.* annually to Her Majesty's Exchequer, being half the annuity and cost of management up to the 4th August 1908.

Mr. S. Jacob, C.S.I.

18 June 1896.

Telegraph.

11,560. The Zanzibar and Mauritius Cable comes under those services about which there is a question of apportionment?—Yes.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

At the India Office.

TWENTY-FOURTH DAY.

Wednesday, 24th June 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M. P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Sir HENRY WATERFIELD, K.C.S.I., C.B., Secretary in the Financial Department, recalled and further examined.

Sir H. Waterfield, K.C.S.I., C.B.

24 June 1896.

Home Administration.

11,561. (*Chairman.*) Sir Henry Waterfield, the Commission are anxious to have the benefit of your evidence on questions connected with the expenditure in England chiefly upon the offices of the Secretary of State and other charges connected with the India Office. We have now gone through the whole of the expenditure of India forming what we call the machinery branch of our inquiry. The official evidence on this branch is so far concluded that it only remains for us to get some information from you upon the home administration. Can you give us a sketch of the items which form the expenditure which you specify as general administration in England?—I will put in a statement which compares the expenditure of 1875–6 and that in 1893–4.*

11,562. Would you mind running through the chief items of that statement?—First of all, the India Office salaries were 136,859*l.* in the former year, and in the latter 133,808*l.*, a decrease of 3,051*l.*

11,563. And I see that in the Home Accounts for the year 1894–5 the expenditure is rather less than in 1893–4?—I think it is a little smaller. I took 1893–4 because when the Commission began its enquiry it was the year you had had before you, and I thought it was less confusing to keep to that year. The Audit Department was 4,410*l.* and has risen to 6,724*l.*, an increase of 2,314*l.* The Store Department, wages, rent, &c.,—that is not salaries—has risen from 25,177*l.* to 26,855*l.*, an increase of 1,678*l.* The payments to the Banks of England and Ireland for the management of debt have risen from 18,385*l.* to 44,938*l.*, an increase of 26,553*l.* The law charges have fallen from 2,348*l.* to 110*l.*, a reduction of 2,238*l.* Telegrams to India cost 3,450*l.* in the former year and in the latter 6,784*l.*, an increase of 3,334*l.* The cost of postage of despatches to and from India fell from 6,382*l.* to 1,208*l.*, a reduction of 5,174*l.* The charges for contingencies, &c. have fallen from 13,290*l.* to 13,132*l.*, a reduction of 158*l.* The total of those charges was in 1875–6, 210,301*l.*, and in 1893–4 it was 233,559*l.*, an increase of 23,258*l.* Besides that, there are under this head of general administration payments for the Government of India, which in 1875–6 were 11,659*l.*, and in 1893–4, 3,672*l.*, a reduction of 7,987*l.*

11,564. Would you tell us the nature of those payments?—Passage of the Governor-General, or of Governors, or of their staff, and some very small payments in connexion with books and diagrams which were prepared; I shall be able when you come to that to give you the detail of them if you wish. The books and newspapers for India which are not invoiced as stores fell from 2,307*l.* to 1,717*l.*, a reduction of 590*l.*; and the cost of currency notes, &c. rose from 8,778*l.* to 26,864*l.*, an increase of 18,086*l.* Thus the total charges paid at this office under the head of general administration were increased from 233,045*l.* to 265,812*l.*, an increase of 32,767*l.*

11,565. Would you take the latest accounts and point out to us, in comparison with 1893–4, in what items they either affirm or modify the conclusion which one would form from the figures which you have given us for 1893–4?—I think there is very little real difference. The salaries are slightly reduced, and so is the cost of the Audit Department and of the Store Department. Under the charge of management of debt there was a large increase.

11,566. It is the item of the increase of the debt charge that I wanted to bring out?—Quite so. That was more than 16,000*l.* in excess of the cost in 1893–4. In the other charges there is very little to notice, excepting that the payments for the Government of India were much smaller; they fell from 3,672*l.* to 1,587*l.*

* This statement was handed in too late to be inserted in the volume of Appendices, Vol. II.

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Home Administration.

11,567. There is rather a remarkable fall in the charge for telegrams to India?—Yes, the telegrams to India in 1893–4 were 6,784*l.*, and in 1894–5, 4,702*l.*

11,568. Therefore one may say that, taking the two years 1893–4 and 1894–5 together, the tendency is to a slight decrease in most of the charges, but a rather remarkable increase upon the payments made to the Banks of England and Ireland, of which we shall learn from you the causes later?—Yes, it was an exceptional payment for that year.

11,569. We will take your figures for 1875–6 and 1893–4, and I will ask you whether you have any remarks to make upon that increase of 23,258*l.* which appears under the heading of general administration?—The increase is fully accounted for under that one head of management of debt. The increase under that head was 26,553*l.*, so that otherwise there was a reduction of 3,295*l.*

11,570. Leaving that point for the present, do the salaries show an increase?—No, there has been a reduction of 3,051*l.*

11,571. (*Sir Ralph Knox.*) That is in the India Office salaries?—The India Office salaries.

11,572–3. (*Chairman.*) Can you give an abstract of the charges for salaries?—I will compare the same years, 1875–6 with 1893–4. The salaries of the Secretary of State and members of Council were in the former year 27,942*l.* for 19 persons, and in 1893–4 they were 24,746*l.* for 17 persons, a reduction of two persons and 3,196*l.* In the Correspondence Department there was a reduction from 63 persons to 51, and in payments from 37,203*l.* to 32,884*l.*, a reduction of 12 persons and 4,319*l.* In the Funds Department there was a reduction from 14 persons to 7, and in salaries from 3,360*l.* to 2,470*l.*, a reduction of 7 persons and 890*l.* In the Accountant-General's Department there was an increase of one person from 46 to 47, and an increase of 382*l.*, from 14,427*l.* to 14,809*l.* In the Stores Department there was an increase of one person, from 92 to 93, and an increase of 1,778*l.*, from 24,855*l.* to 26,633*l.* In the Registry and Record Department there was an increase from 45 persons to 59, and from 9,423*l.* to 10,909*l.*, an increase of 14 persons and 1,486*l.* In the miscellaneous officers there was an increase from 15 persons to 29, and from 10,408*l.* to 12,271*l.*, an increase of 14 persons and 1,863*l.* In the office keepers and messengers there was a reduction of one from 62 to 61, and a reduction of 738*l.*, from 6,778*l.* to 6,040*l.* The housekeeper, housemaids, &c. were the same number, 32, and the payments were 16*l.* less, from 1,347*l.* to 1,331*l.* The artisans and labourers employed at the India Office rose from 16 to 20, and from 1,116*l.* to 1,715*l.*, an increase of 4 persons and 599*l.* On the whole there was an increase from 404 persons to 416, or 12 persons, but a reduction in salaries from 136,859*l.* to 133,808*l.*, or less by 3,051*l.*

11,574. Taking the first item, namely, the Secretary of State and members of Council, has there been any alteration within these 17 years of the number of members of Council?—Yes; in the years which I have compared there was a reduction of two, but there has altogether been a greater reduction than that. By the Act 52 and 53 Vict. chap. 65, power was given to the Secretary of State on vacancies occurring to reduce the number of members of Council from 15 to 10. In 1889 the Secretary of State recorded that he refrained from making two such appointments. In 1893 a third was similarly absorbed; in 1895 a fourth vacancy occurred, but no declaration has been made of an intention not to fill it.

11,575 What is the salary of members of Council?—1,200*l.*

11,576. And has there been any change made in recent years in regard to pension to members of Council?—The members of Council are not now entitled to any pension. The only exception to that is that the Secretary of State has legally the power to nominate three members who shall be exempt from the disabilities of the Act of 1869, which debar members of Council from pension. They must be appointed for professional or peculiar qualifications, and, as matter of fact, there are none now holding such appointments.

11,577. Under the original Act of 1858 the members of Council were entitled to pension at the end of their services?—Yes, they were entitled to pension.

11578. But that has been abrogated by a later Act?—Yes.

11,579. (*Sir Ralph Knox.*) Was the salary the same at that time?—It was.

11,580. (*Chairman.*) The members of Council hold office for 10 years?—They hold office for 10 years. The Secretary of State has the power to re-appoint for five years

11,581. But that re-appointment is no formal matter, is it? It must be based upon special grounds, must it not?—Yes.

11,582. And those grounds must be communicated to Parliament?—Yes.

11,583. Have any such re-appointments been made?—Yes, there have. There is one member of Council now who was re-appointed. I think I must qualify what I said just now about no member of Council being entitled to pension, with reference to one existing member, who is entitled to pension by virtue of a post which he held before he was appointed a member of Council; under the 12th clause of the Superannuation Act, an officer who is holding a pensionable office, if transferred to a non-pensionable office, is allowed to count that service for pension, so that in this manner there is one member who has been for several years serving for pension although he is a member of Council.

11,584. Was he an Imperial officer?—He was an Imperial officer. He was in the India Office, and was holding a permanent appointment in the India Office at the time of his transfer to the Council. And another member has recently been appointed under similar circumstances.

11,585. Is the Superannuation Act, that you mention, a special Act of your own, or the General Superannuation Act?—The general Act.

11,586. But that does not apply to the India Office unless the Secretary of State chooses?—Yes, by the 18th section of the Government of India Act, those appointed to the India Office since 1858 come under the terms of the general Superannuation Act.

11,587–8. That is to say, the Secretary of State in dealing with his officers in the India Office is bound by the Civil Service Superannuation Acts?—That is so.

11,589. (*Sir Ralph Knox.*) Was this member's India Office salary the same as his Council salary?—It was the same.

11,590. (*Chairman.*) You were mentioning just now that under an Act passed in 1876 power is given to the Secretary of State to appoint not more than three persons at one time, having professional or other peculiar qualifications. You were telling us that this power has been exercised a certain number of times. Is it a power that is exercised with great caution and rarely, or is it a power of appointment which the Secretary of State constantly exercises?—It is exercised with very great caution and rarity. I think there have been only four such appointments since 1858 and they have all lapsed; at the present moment there is no one appointed under the Act of 1896.

11,591. I observe that, in their sixth report, paragraph 8, the Special Committee on Home charges expressed an opinion that it should be made impossible so to use that power as to prolong the service of a member who may be already in the Council, and that the appointments should be reduced to two. Has that recommendation been adopted?—I think no positive record was made by the Secretary of State of the adoption of it, but in practice it is certainly.

11,592. You mention since 1858. I read that clause in the Committee's report as if the power had been originally given in 1876?—Yes, it is so. I was only mentioning the whole time that the Council has existed. The power was given in 1876.

11,593. Then the same Committee submitted that an Act of Parliament should be passed, enacting that the Secretary of State, by leaving alternative vacancies unfilled, should reduce the number of members of Council to 12, and to enable him similarly to reduce it further to any number not less than 10, if it were found desirable, in his opinion, to do so. Has any such Act been passed?—Yes; the Act to which I referred just now is not exactly in the terms of the Committee's report. It is a short Act. I may read it perhaps. "The Secretary of State may, if and whenever "he thinks fit, and provided that the total number of "the Council be not thereby reduced below ten, record "his intention to abstain from filling any vacancy in "the Council of India, and such vacancy shall thence-"forward remain unfilled."

11,594. Besides the members of Council are there any officers included in this class of Secretary of State and members of Council, &c.?—The clerk of the Council is now also Assistant Under Secretary of State with an increase of 200*l.* in his salary.

11,595. (*Sir Andrew Scoble.*) What is the present number of members of Council?—There are 11 at present, but, as I was mentioning just now, there may be a 12th appointed if the Secretary of State thinks fit.

11,596. Has any practical inconvenience resulted from the reduction of the number of members of Council?—I do not think I can say that the Secretary of State has found any inconvenience. Occasionally during the holidays there is some little difficulty in getting committees, but the Secretary of State, I think, is satisfied with the working of it. I have no reason to state that the number has been reduced to an extent which is inconvenient in business.

11,597. I suppose the work of members of Council has been considerably increased in consequence of the reduction of their numbers, has it not?—I think so. They have to serve on more committees now.

11,598. (*Mr. Jackson.*) Has the number of members of Committees been altered at all?—No. The number of a Committee is not fixed. It varies from three, to four, or five, or even more as the Secretary of State thinks fit; especially if a special committee is called, it may have more members; as a rule there are about four on each committee, sometimes five.

11,599. (*Chairman.*) Is there a number of standing committees?—Yes.

11,600. And, I suppose, in addition to those, there are occasional committees?—Occasionally special committees.

11,601. What is the number of standing committees?—I think there are eight or nine.

11,602. Therefore the same members will have to serve on several committees?—Yes.

11,603. Do these committees meet weekly?—Always once a week, sometimes oftener.

11,604. What length of time is the holiday during which you were saying there was sometimes difficulty in getting members of the Council to form committees?—It is usual for a list to be made under an agreement with the members of Council for August, September, and October, during which it is so arranged that there shall always be enough to make a quorum in the Council and to carry on the business.

11,605. But those three months are considered, as far as the members of the Council are concerned, the time of vacation?—Yes; of course it is open to them to take their vacation at any other time that is not inconvenient; but as a rule the holiday is taken during those three months.

11,606–7. (*Sir Ralph Knox.*) Have you a list of the standing committees?—I will read them to you. Finance, Revenue and Statistics, Political, Public Works, Military, Judicial and Public, and Stores. There is also a Library Committee, and, as I said, occasionally there are other committees appointed for special purposes. These eight are the regular committees.

11,608. (*Chairman.*) The next heading in your return is Correspondence Department. That, I suppose, is what in ordinary offices is the clerical department—the secretarial department?—Yes.

11,609. I see in that department there is a reduction from 63 to 51. Will you tell us how that has occurred?—It has occurred, mainly, by reduction in the higher posts. The number of assistant and senior clerks was reduced from 28 to 18; and, in place of 27 junior clerks, copyists, and writers, there were in 1893–94, 25 junior clerks, including clerks specially attached and a supplemental clerk. The post of Russian Interpreter has been abolished, and that of technical assistant to the special assistant and visitor to the India Museum created. Against this reduction, however, must be set part of the increase in the Registry Department, and in the miscellaneous officers, the duty of some of whom used to be performed in the Correspondence Department. The number of senior clerks has been further reduced by two since 1893-4, and one more is yet to be absorbed on a vacancy occurring.

11,610. Therefore the normal establishment at that rate would be 48 instead of 51, would it not?—The normal establishment is to be six secretaries, seven assistants, eight seniors, ten junior clerks, and 17 second class clerks, making 48 in all.

11,611. That, I suppose, is the result generally of that reform, which has been for some time going on in the Civil Service, which has had for its object the reduction of the higher class of officer and the introduction of a somewhat lower class of officer to carry on the routine work?—That is so.

11,612. The India Office *mutatis mutandis* has followed, in the main, the recommendations of what we call in the Civil Service the Ridley Commission?—Yes.

11,613. We shall come to the question of pensions later, but, as bearing upon this reduction, does your pension list show a very large increase in consequence of these reductions?—No, not in consequence of the reductions which you are speaking of now. There was a very considerable increase in consequence of reductions effected after 1858, not in all cases immediately after, partly then and partly at a later time, when it was necessary to reduce the double establishment, which had grown up from the amalgamation of the East India Company's and the India Board's officers.

11,614. That we shall come to afterwards?—Yes.

11,615. I only wanted to put in the question here whether or not in carrying out these reductions the Secretary of State has found it necessary to largely increase the compensation allowances which are usually given upon compulsory retirement?—No. I think that he has endeavoured to introduce the system of the second class clerks, as vacancies have occurred, but that he has not caused officers of a higher class to retire in order to introduce them.

11,616. Has he adopted the practice common in the Civil Service, where a reduction of establishment is taking place, of requiring a man to retire when he gets to the age of 60?—At the age of 65, and, if necessary, at the age of 60.

11,617. Has he actually availed himself of one method of reduction, namely, that of requiring men when they reach 60 to retire?—It has been introduced, but it is not put in force in many cases.

11,618. You have in the India Office, have you not, the 65 years rule?—Yes, it has been applied to this office.

11,619. And has the Secretary of State the power, if he wishes it particularly, of keeping on an officer for two or three years longer, or possibly to the maximum age of 70?—He has the power of retaining an officer for such a time as may be necessary for public reasons, subject to recording his reasons for so retaining him, and communicating them to Parliament. I do not think that any limit of the age of 70 has been laid down as a maximum. I am not sure that there has been any instance of an officer being kept on so long as that.

11,620. I think I am right in saying that in the Imperial Civil Service the age of 70 is put as a maximum?—Yes, my doubt was whether the Secretary of State would exercise the power of keeping anyone till 70—certainly not longer. But I find that in two cases officers have been retained till their 70th birthday.

11,621. In the interval between 1875-6 and 1893–4, and still more notably in 1894–5, when I think you said two other officers were reduced, the fall in the charge for salaries has been very considerable?—Yes.

11,622. You may say it has been a reduction of 4,000*l.* or 5,000*l.* on 37,000*l.*?—Yes.

11,623. What would that be, 12 or 13 per cent., would it not?—About 11½ per cent.

11,624. And I suppose that the Secretary of State would consider that he has now arrived at the normal establishment, and that he does not contemplate any further reductions?—The Secretary of State has fixed in each department a normal establishment. It has not quite in all cases been arrived at yet.

11,625. (*Sir Ralph Knox.*) I should just like to ask this. Your number of what we should call higher division and lower division clerks in this department is 31 and 17?—Yes.

11,626. Is that intended to be maintained?—I must explain to you that the work of the lower division in the Correspondence Department is mainly carried on by the Registry and Record Department, which is a separate branch. All the copying and registering is done by that branch, and again the examination of the accounts is done in the Accountant General's Department. The

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second class clerks in the Correspondence Department are only for such of the clerical work and the examination of accounts and papers as cannot be done conveniently in the Registry and Record or the Accounts Department.

11,627. How many men are there generally in the room, or sub-division as we may call it?—Two, three, or four, as the case may be. We have no large rooms in the Correspondence Department.

11,628–9. They are all small rooms, and they are all necessarily higher division clerks in them?—No, not necessarily all higher division clerks—to take my own, the Financial Department—I have in one room four second class clerks, in another two, in another two.

11,630. But how many higher division clerks have you, as a maximum, in a room?—Generally speaking, there is one, or there may sometimes be two in each room; they are small rooms as a rule.

11,631. Not more than one or two?—No, not as a rule.

11,632. As regards the age for retirement, do you find the service of a majority of your men between 60 and 65 very valuable?—I should say that it would be; but we have had very few men as yet, since the rule has been brought in, whose case it has been necessary to consider. As a matter of fact, there are very few of these second class men who are of the age of 60.

11,633–4. But of the first class men?—Yes, I should say that their services, if they are worth anything, are very valuable at that age.

11,635. If they are worth anything. But you think that in the majority of cases they would be very valuable?—In the majority, certainly.

11,636. (*Chairman.*) How many divisions have you in the India Office in which these 48 men are employed?—The six correspondence departments are the Finance, Revenue and Statistics, Military, Public Works, Judicial and Public, and Political.

11,637. That would mean, excluding Under Secretaries. Under Secretaries are included with the Secretary of State, I suppose?—Yes.

11,638. For instance, you yourself come under the heading of Secretary of State, and members of Council, &c.?—No. I am Secretary of a department.

11,639. It is only Sir Arthur Godley and Sir Horace Walpole that come under this class?—And the Parliamentary Under-Secretary, Lord Onslow.

11,640. Oh yes, of course, the Parliamentary Under Secretary. Those are the only persons included in the heading Secretary of State, &c.?—The 17 persons are the Secretary of State, 11 members of Council, two Under-Secretaries, and an Assistant Under Secretary of State; and in 1893–4 there were two more members of Council. There would now be only 15 under that category.

11,641-2. If the work of the Correspondence Department is divided into six heads, that would give to each about eight men of all classes, including the chief, to each department?—As an average, but the branches are very different in strength. Some of them are much larger than others.

11,643. You were saying just now that for the portion of the work which in an ordinary office is done by lower division clerks we must look under the Registry and Record Department?—Yes.

11,644. Would it therefore be a more correct way of looking at it if the whole clerical work of the department of the Registry and Record Department were taken with the Correspondence Department?—I think so. I mentioned, when speaking of the reduction in the Correspondence Department, that it was partly due to a transfer of work to the Registry and Record Department.

11,645–6. Well, if you put these two together, I find in 1875–6 there were 108 men employed in the two, Departments and in 1893–4, 110. Did the 108 men cost 46,626*l.*?—Yes, that is so.

11,647. And the 110 cost 43,793*l.*?—Yes.

11,648. Therefore, though the numbers have been the same, the tendency has been towards a reduction of the charge?—Yes.

11,649. As a matter of organisation and with reference to what Sir Ralph Knox said, are you in favour of a big room in which a number of clerks can be employed, or would you prefer what the architect has evidently arranged for here, namely, a number of small rooms?—It depends very much on the work. For work of mere copying or indexing, I think a number of men in a large room, with one superintendent, is a useful organisation, but for the work that we do in the Correspondence Department, I think two or three men are as many as work well in one room.

11,650. You would include in the cases in which you prefer large rooms, I suppose, the Accounts Branch, would you not, where a number of clerks are employed keeping books?—A great part of the Accounts Branch is necessarily in one or two large rooms. That, I think, is essential from the nature of the work.

11,651–2. But supposing you could have the arrangement of the rooms yourself, I gather that it would not be your view to throw several rooms into one in your six departments?—No, not as regards those six Correspondence departments.

11,653. Well, the next department is the Funds Department, will you tell us what is the nature of the work done in that department?—Largely book-keeping; but there is a small amount of correspondence with the Government of India, and also a good deal perhaps with officers. A great deal of the work consists of personal intercourse; persons come in constantly.

11,654. Then in reality it rather classes itself with the Accountant-General's Department?—It is more like the work under the Accountant-General.

11,655–6. These are the family funds, which the Government has taken over now entirely?—Yes, which the Government has taken over.

11,657. Had it taken them over in 1875–6 to the same extent as it has done now?—No; not to the same extent. The Military Funds were taken over before that date, and the Medical Funds. The Civil Funds have come since 1875–6.

11,658. But, if a larger number of funds have been taken over, it is certainly satisfactory to see that the work is apparently done by a smaller number of officers and at less charge?—Yes, but there is a special reason for that apparently large reduction from 14 persons to 7. In 1875-6 the consulting committee, which had been maintained when the funds were first taken over by the Government, and consisted of five members, still took part in the management of the funds, but it was discontinued in 1880. Since that date there has been no such committee, and the work has been done under the Director of Funds alone.

11,659. The Director of Funds is the chief officer of the department?—Yes.

11,660–1. And is this the normal strength of the department now, seven clerks?—The normal strength is to be four second class clerks, and one senior.

11,662. That would make five clerks altogether?—Five clerks altogether.

11,663. What is the number of funds that are administered by this department?—There are the three Military Funds, the Bengal Military Orphan Society, the three Medical Funds, the three Civil Funds, and there is also the new fund, both the military and civil branch of the Indian Service Family Pension Fund, which forms a very large part of the work that now has to be conducted.

11,664. And that is a new fund?—That is a new fund started since the old funds were abolished.

11,665–6. Would you look at page 67 of the Home Charges Report which gives the net total of non-effective payments in England since 1877–8?—Yes.

11,667. On the receipt side you will see Indian funds in 1877–8, 88,602*l.*, in 1887–8, 93,058*l.*, would that express the total income with which this department deals?—Not entirely. The subscriptions of the members of the old funds are dying out. The subscriptions of the officers who have come on to the new fund, the Indian Service Family Pensions which you will find mentioned just below, and which were very little in 1877–8, are increasing. The first figure which you read is only that of the old funds, and it has already been somewhat reduced. It was 83,000*l.* in 1894–5; but it does not seem to have varied very much as yet.

11,668. Therefore you may say that the income of the funds which are administered by this branch amount to between 80,000*l.* and 90,000*l.* a year?—That is not quite a correct way of looking at it, because these are only the receipts in this country. By far the larger part

of the receipts from salaries is taken in India, and the accounts that are sent home have to be taken into consideration. The figure you mention represents the actual receipt in the Accountant General's Department on account of the funds.

11,669. This Funds Department will have to make inquiries and answer questions on matters connected with the receipts in India as well as the receipts here?—Certainly.

11,670. (*Sir Ralph Knox.*) To which of the standing committees are questions regarding funds referred?—To the Finance Committee.

11,671. (*Chairman.*) Then the Funds Department comes to a certain extent under your control?—No, not under my control, unless in connection with a large question which would affect the finances generally. If it is a matter dealing with details it is passed by the Finance Committee, the Director of Funds being the adviser.

11,672. Have any great changes taken place in the Department of the Accountant-General?—The Accountant-General's Department was in 1875–6 presided over by the Financial Secretary. The work was conducted under him by an accountant, two assistants, 22 first-class clerks, and 20 second-class clerks, writers, &c., with a keeper of records. In 1893–94 there were an accountant-general, a deputy accountant-general, 14 first-class clerks, 30 second-class clerks, and a keeper of records; altogether an increase of one (excluding the financial secretary). The normal clerical strength is four senior clerks, nine junior clerks, and 31 second-class clerks.

11,673. That is a further reduction on the number in 1893–4?—Yes, on the number given in 1893–4.

11,674. You say in 1875–6 the Financial Secretary was also the Accountant-General. When the Accountant was made Accountant-General, did that relieve the Financial Secretary of any amount of work?—Yes.

11,675. Is not the Accounts Department under your control?—No, it is not under my control. The work of the two departments is, of course, very intimately connected, and constant references pass from one to the other; but the Accountant-General is an officer independent of the Financial Secretary.

11,676. And, in case of a difficult question arising, a reference does not necessarily lie to you?—Yes, I think I may say it always would be referred to me in such a case.

11,677. Of course, I suppose any difficult questions go to the Finance Committee, do they not?—Yes.

11,678. And if they go to the Finance Committee, they would necessarily come to you?—I should necessarily see them then. In practice I should generally be consulted before it came to that stage.

11,679. The position is that the Accountant-General in the ordinary dispatch of business is independent, and carries on that business without the necessity of consulting you?—That is so.

11,680. But when difficult questions arise, practically such questions would necessarily come to you?—Yes.

11,681. (*Sir Ralph Knox.*) But would he come to you in the exercise of his discretion?—He would refer to me if he thought fit and wished for my advice. If he failed to do so and sent his papers to the Under Secretary of State, probably the Under-Secretary of State would call upon me for a report first, and, failing both of these, when it came to the Finance Committee, I should see it as the adviser of the Committee.

11,682. Is there any limit to his functions? Are there certain questions that he must refer, that he cannot deal with himself?—He can only act under orders which have been approved by the Secretary of State in Council, and, if a question arises which has not been decided by that authority, he must put it forward for the decision of a higher authority.

11,683. (*Chairman.*) We come next to the Store Department. How is that department organised?—The Director-General, with a staff for the purchase of the stores, engagement of freight, and general correspondence, has rooms in the India Office; while the superintendent, with the staff for examining and taking charge of and shipping the stores, is located in the depôt in Belvidere Road.

11,684. What changes have been made in the staff in this office?—The Director-General with an assistant (now termed deputy Director-General) used to have 17 first-class and 13 second-class clerks and writers. There were in 1893–4 9 first-class and 13 second-class clerks, &c., and one boy copyist; and the post of inspecting engineer for machinery and stores for State railways had been abolished. The post of Surveyor of Shipping, whose salary was formerly included in the miscellaneous expenses, must, however, be now added. The future normal clerical strength is to be 3 senior, 5 junior, and 13 second-class clerks.

11,685. Are those all located in the India Office?—Those that I have been speaking of are located in the India Office.

11,686. I think I am right in understanding that your division in the India Office between first and second class clerks corresponds with the division of the ordinary Civil Service into clerks in the higher division and clerks in the second division?—That is so.

11,687. (*Sir Ralph Knox.*) And do these numbers include your Director General of Stores?—The normal strength of the Store Department, the future strength, is the Director-General, a Deputy Director-General, three senior clerks, five junior clerks, and 13 second-class clerks.

11,688. (*Chairman.*) That will make a total of 23?—Yes.

11,689. And that is about the number at present, is it not, with the Director and Deputy Director-General?—It is 25 at present, I think, besides the Surveyor of Shipping.

11,690. Therefore there will be a slight reduction?—There is a slight reduction yet to be effected.

11,691. What alterations have taken place in the Belvidere Road establishment?—The Superintendent and assistant used to have under them two first class clerks, six second class clerks, four writers, three sub-inspectors, a receiver of wharf stores and his assistant, 15 examiners and 12 assistants, a chemist for analysis of beer, a shipping foreman, an inspector of scientific instruments and his clerk, an examiner of surgical instruments, and a medical attendant on the labourers, making a total strength of 52; there were in 1893–4, 14 second class clerks and supplemental clerks, two boy copyists, 10 supervisors, 14 examiners and 13 assistants, a custodian of patterns, an engineer, a shipping foreman, an inspector of scientific instruments, an examiner of surgical instruments, an examiner of medical stores, and a medical attendant on the labourers, making, with the two higher officers, a total strength of 62. So that, altogether, taking the two branches of the Department, there was an increase of three in number. The supervisors have since been reduced to nine.

11,692. And is that the normal staff?—Yes, I think the number now is the normal strength; four supervisors first grade, and five second grade.

11,693. (*Sir Ralph Knox.*) Your stores include clothing, do they not?—The clothing of the European troops is mainly obtained from Pimlico. The clothing for the native troops, where it is not locally supplied, has to be obtained by the Director-General, and the shipping of the clothing from Pimlico is undertaken at Belvidere Road.

11,694. But so far as the India Office is concerned, that part of the work which refers to clothing is dealt with by an officer of the Stores Department?—Yes, that is dealt with by the Stores Department.

11,695. (*Chairman.*) The report on Home Charges, at page 7, contains the following passage: "We have "understood that the policy of the Indian Government "is to reduce the purchase of stores in England when-"ever the Indian Government can satisfy themselves "that those stores can be purchased without loss to the "taxpayer in India"?—Yes, provided they are of local manufacture and locally supplied.

11,696. In paragraph 4, the committee call special attention to the fact that the purchase in India of European stores is apt to lead, under the present system, to waste and extravagance (*see* Report of Indian Finance Committee, Vol. II., p. 281), and that no real economy is effected by buying in India European goods, which would otherwise have to be procured through the Stores Department in England, inasmuch as the merchant who sells European goods to Government in India, besides taking his profit, must necessarily protect himself by the price which he charges against all possible charges incidental to the voyage to India, and against all risk of loss by exchange. And I wish to ask you upon that, whether, when the Indian Government lays

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down the policy of buying, when they can properly or advantageously do so, in India, they bear in mind that European goods are bought in India at a disadvantage ?—That is so, yes.

11,697. There are at the end of the eighth report of the Committee some very interesting tables, on page 58, of payments made in each of the ten years from 1878–9 to 1887–8 inclusive, for the purchase of stores for India under the direction of the Director-General of Stores. First of all, the first division of those stores works up to a total in 1878–9 of 993,838*l.*, and in 1887–8, 1,005,527*l.* ?—Yes, it is a slight increase.

11,698. There have been a certain number of changes in the amounts so spent, though the totals are very nearly identical ?—Yes.

11,699–700. Now take the army clothing for European troops, that has increased considerably, but that, of course, is a natural consequence of the increase of force ?—Yes.

11,701. On the other hand, there is a considerable charge for clothing for the native troops. I was under the impression that we had heard from witnesses, who have been before us, that the clothing of native troops is obtained in India ?—It is obtained in India as largely as possible, but I believe there are many articles which are necessarily obtained here. My list is not sufficient for me to answer the question. It only says that clothing and necessaries were obtained. I am afraid I shall have to refer to the Director-General of Stores upon that point.

11,702. Then there is a very considerable increase in Special Defence works—that is, I presume, in consequence of the military policy ?—It was for the special frontier works and harbour defences which arose out of that policy. That has practically come to an end, as far as the supply of stores from this country is concerned. I think you will see that that large increase was in ordnance and miscellaneous stores.

11,703. Ordnance and miscellaneous stores : 236,925*l.* in 1878–9 and 294,713*l.* in 1887–8. It is a considerable increase, but that also was in consequence of the development of miiltary policy, was it not ?—It was a great deal due to the re-armament of the troops and the improvement of the guns.

11,704. (*Mr. Buchanan.*) It varies in a very extraordinary way ; I see in 1883–4 it was only 153,395*l.*, then 129,371*l.*, and then it jumped up to 401,863 ?—Yes, and I think you will find in later years it has been even higher—it was very heavy indeed for a few years.

11,705–6. (*Chairman.*) But the general upshot is that the increase is an increase in those stores which, one readily understands, are only obtainable in England, namely new arms, new guns, the clothing of an increased number of European troops, special defence and Indian telegraph stores ?—Yes. Perhaps it would be of interest to the Commission if I handed in a précis of the correspondence on the local supply of stores, which was prepared in case you wished to inquire into the subject. It bears out what you have been stating as to the policy of the Secretary of State and of the Government of India (*paper handed in*).*

11,707. Then come railway stores, which bring the total amount of stores up from 1,704,719*l.* in 1878–9 to 2,077,770*l.* in 1887–8 ?—Yes.

11,708. May we take that as representing in sterling the total amount of stores for the provision and inspection of which the Store Department was constituted ?—Yes, it includes the stores obtained from the manufacturing departments of the English Government.

11,709. Then, in addition to those, there are some minor stores and the freight on railway stores which are carried to a separate total. Freight on railway stores is a charge in India, I suppose, is it not ?—No, the first table gives the cost of the stores and the freight.

11,710. It is payment made for the purpose of stores ?—You will see that the first division of the second table (page 59) is the same as that on page 58 with the addition of clothing, arms, and accoutrements taken to India by troops. The other figures of 1,704,719*l.* and 98,380*l.* in 1878–9, and 2,077,770*l.* and 193,480*l.* in 1887–8 are repeated.

11,711. Yes, but I observe that in these sums of 1,704,000*l.* and 2,077,000*l.*, the freight on railway stores is not included, but stated separately ?—On page 59 it is added, and also the value of the clothing, arms, and accoutrements, which are actually taken to India by the troops, and not sent out by the Store department.

* *See* Appendix 35.

11,712. Therefore the total charge for stores is that which we see at the top of page 59 ?—Yes ; 1,864,256*l.* in 1878–9 and 2,327,978*l.* in 1887–8.

11,713. There is another small item at the end, "other stores," which I do not see included in page 59 ?—It is included—in "Freight on the above"—in Table No. 2 on page 59.

11,714. Then on page 59 there is worked out the charge of the Store Department, and the rate per cent. on cost and freight of stores purchased ?—Yes.

11,715. That includes not only your Store Department here, I suppose, but anything you pay to the inspection departments of the Imperial offices, does it not ?—The payments that we should make to the War Office are included in the cost of the stores themselves. This also includes the payments we make to Somerset House for the stamps. You will see there is a minor heading, "Stamp Branch."

11,716. The rate per cent. on the cost and freight of stores purchased is ·17 in 1878–9 ; then ·15 in 1879–80 ; and so on up to ·14 in the last year 1887–8. Is that an exhaustive statement of per-centage, or, if you worked it out accurately, ought you to include payments made for inspection to Imperial offices ?—I think that that is explained in the report itself. The statement was made out to show as far as possible what the actual cost was. You will see the explanation in paragraph 13, on page 56, where it is pointed out that "the total cost of "the stores includes the value of those supplied through "the War Office, Admiralty, Inland Revenue, and "Stationery Office, on which special rates are paid for "inspection and other charges. If the payments for "inspection of all kinds be deducted, and the remainder "of the charges be distributed over the whole of the "stores, both those obtained directly by the Stores "Department, and also those obtained through other "public offices, but entailing much correspondence "and clerical labour in this office, the cost, excluding "inspection, was 45,874*l.* or 1·971 per cent. Adding "this to the per-centages for inspection given above, "we obtain the following figures as the cost of supply "for certain articles :—

	Per cent.
"Railway Materials -	1·330 + 1·971 = 3·301
"Cloth - - -	·958 + 1·971 = 2·929
"Stationery - -	·527 + 1·971 = 2·498"

— that is practically 2½ per cent.

11,717. Then in paragraph 12, it is said : "this is "equal to a charge of 3·15 per cent. on the prices "now paid, and would be considerably less if the "same quantity of articles were being supplied at the "prices prevailing 10 years ago." How does that charge of 3·15 per cent. tally with the rate per cent. on cost and freight of stores purchased, on page 59 ?—The rate there given is 3·01 on the cost and freight of stores purchased in 1887–8. The average rate for the 10 years is 2·92, practically it may be taken as 3 per cent.

11,718. Then this 3·01 and ·14 put together come to 3·15 ?—Yes, the rate of 3·15 including the charge for interest on capital and for depreciation.

11,719–20. Therefore we may say that, putting apart the charge for inspection paid to other offices, you get 3·15 in this last year 1887–8. If you included the sum paid for inspection to other offices, what would be the result ?—I think the Committee found difficulty in saying what was paid for inspection, because so much of it was included in the cost of the stores. They therefore, for purposes of comparison, excluded all charges for inspection, and then compared the charges.

11,721. But do you think a charge of 3·15 per cent. is an exhaustive statement of the charge upon the stores that have actually passed under the inspection of your officers as apart from those inspected by the Imperial officers ?—I think it is the rate per cent. which the cost of the Store Department in all ways bears to the cost of the stores with which they deal.

11,722. But, when we are taking the total of 1887–8 on page 59, namely 2,077,770*l.*, that does not include, I understand you to say, a certain amount of inspection charges paid to the Imperial Department ?—Yes, it does.

11,723. As it appears on the face of this report, we have not got an exhaustive statement of the total charge of inspection here ?—You have the total charge, but it is rather more than the bare value of the stores ought to be. It includes the payments made for

inspection to the War Office and other departments in the value of the stores; therefore it is not quite an accurate statement to make, and that was what the Committee in their 13th paragraph wished to bring out.

11,724. Does the list of stores which are bought here pass under review from time to time to see if the general policy of buying what you can advantageously out in India can be extended?—The indents from whatever department, after examination by the Store Department, are passed by the Stores Committee, and any material variation from the policy would be seen. Besides that, the Government of India is desired annually to send home a report to show to what extent the policy of local purchase is being carried out, and also to what extent there is a variation from the policy of the Secretary of State by making undue local purchases, that is, purchases which may be more advantageously obtained by indent from the Store Department.

11,725. Therefore what we understand to be the general policy is always under a careful consideration?—Yes.

11,726. In paragraph 10 of the report it says: "Excluding stamps and malt liquor, for which special "arrangements are made, the stores of all other descriptions obtained from contractors, the cost of which in "1887–88 was 635,136*l.* as shown below,* were inspected "either at the depôt or on the contractors' premises, "by the staff of the Stores Department. In one or two "cases it is possible with some approach to accuracy "to determine the cost of the inspection, as follows:—

Articles.	Cost.	Inspection.	Per-centage.
	£	£	
Cloth - -	53,227	510	·958
Stationery -	68,279	360	·527

"For the greater part, however, it is impracticable to allocate the salaries of the examiners and supervisors to special articles, and we can therefore only state the general results."

The cost of inspection there you see is very much smaller than that charge which is stated on page 59 at 3·15. I presume the reason of that difference is that that is merely the cost of the inspectors, to which you have to add, as shown in paragraph 12, a great number of other charges if you want to come to a correct estimate of the cost of inspection as a whole?—The figure in paragraph 13 is made up of two items. Take cloth, ·958 plus 1·971 which is the clerical labour in the office.

11,727. Of course, when you come to the charge to India, in consequence of variations of the rate of exchange, the number of rupees required in 1887–8 and in subsequent years in order to discharge this debt at home of 2,327,978*l.*, as against 1,864,256*l.*, is very much increased?—Very much.

11,728. On the other hand, there has been a considerable reduction in prices, has there not?—Yes, in many articles.

11,729. Have you ever turned your attention to see whether the reduction in price has at all counterbalanced the increased number of rupees you have to find in consequence of fall in exchange? We may take that year of 1878–9?—I have not seen any examination in that form exactly; but the Government of India in framing their demands for articles bases them on the prices, and, if they found that the price of an article in India in rupees was—assuming it to be of good quality—better than the price in England in sterling, when turned into rupees at the low rate of exchange, they would certainly obtain it in India.

	£
* Miscellaneous railway stores - -	56,179
All other stores obtained from contractors -	697,012
	753,191
Deduct—	£
Stamps - - - -	104,591
Malt liquor - - -	13,464
Not inspected by Store Department -	118,055
	635,136

11,730. Quite so, but what I meant to call your attention to was that it would be quite possible, if the cost of articles in England had fallen 50 per cent. in a given number of years, but it required 150 rupees to pay a sterling bill where 100 rupees sufficed at the beginning of the period, that you might find that the cost of the articles was in reality no higher to India now than it was then, might you not?—That is certainly the case.

11,731. Would you think that the fall in prices went any distance towards counterbalancing the increased charge to India by her having to pay a larger number of rupees?—In particular articles I should say there is no doubt. In steel, for instance. I should say that steel rails, even with the greater payments in consequence of exchange, are cheaper now owing to the low price than they were in former days.

11,732. To a certain extent, when one is considering the question of the effect of exchange, I suppose one would be right in giving weight to that argument, or rather, I would put it in this way, one should not reject that argument altogether?—I think that it is always borne in mind by the authorities that prices of stores are a very important element in the question of cost altogether.

11,733. When we are considering the effect on the taxpayer in India, we ought to take into consideration whether, on the other hand, prices have fallen, while we have prominently before our eyes the fact that the charge for exchange has risen?—That is so; whether India has obtained more or better articles than she could have obtained before for the same payment.

11,734. For the same number of rupees?—That, no doubt, is a question for consideration.

11,735. This is a difficult calculation to make?—I think it is one that can only be made in a general way. I do not think it is possible to work it out.

11,736. Well, the difficulty would be to know at what rate certain articles had been paid for in certain years: but I suppose you could find that out, if you were to take a couple of special transactions, one in 1877 and one 10 years later, and see for what number of rupees you had got a certain bulk of articles in the earlier year, and for what number of rupees you had got the same bulk in the second year; that would bring you pretty near?—Yes, if it is an article which has not varied very much in quality, but take such a case as steel rails. They have been so immensely improved, and the nature of the article is so different from what it used to be 20 years ago, that I doubt if you could make an accurate comparison in that article.

11,737–8. (*Mr. Jackson.*) Did you say the steel rails sent out now are not so good as 20 years ago?—No, the other way; you get a much better quality for your money now, I should suppose; that would be my view.

11,739. Does that mean you would pay a much higher price per ton, though you would get as much value for your money?—I am no expert in the matter, but my general impression is that you not only get a better but you get a cheaper article now, than you did before the fall in prices.

11,740. You must not apply it to steel rails?—I only took it as an illustration, but I do not know that I am right in that instance.

11,741–3. But there would be no difficulty in applying your observation to several articles. Take, for instance, the stores necessary over a mile of railway now; it would probably be possible to show that the cost of a mile of railway now in rupees is less than it was in the previous period, notwithstanding the fall in exchange?—Yes, I think that would be so.*

11,744. (*Sir Andrew Scoble.*) But this has to be borne in mind in reference to that calculation, has it not, that India does not get the benefit of the fall in prices to the extent that she ought, owing to the fact that there has been a simultaneous fall in the value of the rupee?—Certainly.

11,745. (*Chairman.*) In paragraph 14 the Committee compares the cost of inspection in the India Office with the cost in other Imperial departments. Perhaps you would read the charge, as stated, in other departments?

* I am informed that during the last 20 years the sterling price of rails has fallen 36, cast-iron sleepers 10, and wooden sleepers 18 per cent. Thus, a quantity of such articles which in 1876 cost 100*l.*, would, at 21*d.* the rupee, have been paid for by a remittance of Rs. 1,143. Taking exchange now at 14*d.*, the same quantity would cost, in the case of rails, 64*l.* or Rs. 1,097; of iron sleepers, 90*l.* or Rs. 1,543; and of wooden sleepers 82*l.* or Rs. 1,406.—H. W., 4th August 1896.

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—The rates which the Committee themselves quoted were:—"War Office, for clothing (including inspection, "clerical labour, packing, and issue, but not packing "material), 3·00 per cent. War Office, Ordnance (5 per "cent., less ½ per cent.), 4·7375 per cent. Admiralty, "stores 10·00 per cent.; victualling, 2·50 per cent. "Stationery Office, publications, 5·00 per cent. Inland "Revenue, malt liquor, 2·911 per cent. Inland Revenue, "stamps, 3·706 per cent."

11,746. Are those the charges made by those Departments to outsiders, or are they the charges made as between one department and another?—They are the charges made to the India Office by these departments.

11,747. And the India Office, I think, is treated by the Imperial departments as one of the brotherhood, is it not?—The War Office, for instance, charges one rate—Sir Ralph Knox will correct me if I am wrong—for articles it supplies to the Admiralty, and another rate if it supplies them to a private person?—Yes; these are the rates charged to Government Departments.

11,748. And the India Office is reckoned a Government Department?—Yes.

11,749. (*Sir Ralph Knox.*) As regards factory stores, certainly they are?—Yes; the comparison was made to show what was the cost of the Store Department as compared with what it paid for purchases from other departments

(*Mr. Jackson.*) The India Office Stores Department receives most-favoured-nation treatment.

11,750. (*Chairman.*) If you look at paragraph 16:—"The rates for the Admiralty were determined in 1875, "on the understanding that, when work was done specifically for the Government of India or the troop-"ships, no per-centage was to be added to the cost "prices, and that corresponding rates were to be "charged in India when stores and labour were supplied to Her Majesty's ships." That means, does it not, what Mr. Jackson calls "most-favoured-nation" treatment?—Yes, it was done rather with the idea of securing reciprocal treatment.

11,751. What do you say, Sir Ralph, as to this matter?

(*Sir Ralph Knox.*) As regards the cost of articles produced in the factories, certainly the Indian Government gets a considerable advantage as against the prices which would be charged to an outside government. There is one point of contention between us, at least between us and the Treasury, which I think will have to be decided by this Commission; namely, that in making a charge against India for articles produced at the factories, we make no charge whatever on account of interest on capital. The Treasury have thought that we ought to do so, but our understanding with the Indian Government has been now for some years past that we should make no charge for capital, and in that way certainly the Indian Government is treated under the most-favoured-nation clause. The stores that we obtain under contract are charged against them at what we call "Vocabulary" prices, which are worked up from an average of the most recent contracts, plus the charge for inspection and establishment, and so on.

11,752. (*Chairman.*) I am afraid from what you say, Sir Henry, it will be somewhat difficult to compare the charge for inspection and so forth in the India Office as shown in paragraphs 13 and 14, with the charge made by other departments, because, first of all, we are not in a position to say whether the charge in other departments is exhaustive; but I think it is clear from what you say that it is very difficult to make your charge exhaustive?—I think so. The Committee of that day took great pains to ascertain whether the work of the Stores Department was being transacted on an economical footing, and these were the best calculations they could make for comparison.

11,753. May I ask whether you can tell us, on behalf of the India Office, whether the India Office wish this Commission to consider the cases of charges for inspection, and so forth, when we come to consider apportionment?—The India Office, I think I may say, would be very glad if the Commission would pronounce an opinion whether the charges made on it by other departments are reasonable, but I have no ground for thinking that the Secretary of State questions those charges or wishes to bring the subject before the Commission.

11,754. Of course, it lies with the India Office, when we come to the apportionment, to call our attention to the points which it wishes us to investigate. The Commission would have to decide afterwards whether they would take up such points, but, if this particular point were likely to come before us under "apportionment," I would not ask you more about it now?—I do not think we have considered the charges made for work done to be a question which has to be investigated from the point of view of apportionment.

11,755. At present, as far as you are aware, you are not proposing to bring these charges before us of your own initiative?—No.

11,756. Possibly you might consider that question and inform the Commission whether the India Office would wish to raise that question as an "apportionment" case?—An agreement has been recently made between the two offices, to pay 5 per cent. on the cost of stores produced by the Ordnance Factories for India

11,757. Are you satisfied with the arrangement made with the Inland Revenue under which the supply and management of stamps was transferred to the Control Department of the Inland Revenue, towards which you make a contribution?—Yes, I think that that is considered an economical arrangement. The total charge has certainly been reduced. The inspection, supervision, and supplies of stamps after they have been sanctioned, were in 1886 transferred to Somerset House, where a supervisor, one assistant, and two examiners, are paid by the India Office, in place of a superintendent, two senior assistants, and four junior assistants, in 1875–76; and at the time of transfer a temporary staff numbering 30, was also transferred, of whom six were dispensed with in 1888.

11,758. (*Mr. Jackson.*) Does that mean that the whole cost of those officers is borne by the Indian Department?—The India Office agrees to pay their salaries and wages. The Somerset House authorities regulate the actual payments, in communication with the India Office.

11,759. (*Chairman.*) And that was a matter of discussion between the two Departments, on which you finally came to agreement?—Yes.

11,760. As far as I remember, there was no great difference of opinion?—No, not at all.

11,761. (*Mr. Jackson.*) The arrangement does assume that the whole time of those officers is employed by the work of the India Office?—That is so. Originally the actual men who were engaged on the work at the Store Department were taken over; but there now only remain one supervisor, one assistant supervisor, and two examiners, who are considered as being on the India Office establishment.

11,762. But my recollection is that the India Office only pays for the salaries; it does not pay anything in the nature of establishment charges, either for rent or rates, or anything of that sort?—Those four officers have rights to pension.

11,763. (*Chairman.*) I think we threw in, did we not, upon a rough calculation, about 26 per cent. on the salary, or something of that kind, to represent the charge of pension which attaches to and is additional to the salary charge?—Not so, as regards our four permanent officers, whose pension we shall pay. Annual allowances amounting to 590*l.* are made to 18 officers of the Departments of the Controller of Stamps, and the Inspector of Stamping, Inland Revenue Department; and a further annual sum of 100*l.* is granted in consideration of such pensions as may hereafter have to be paid by the Imperial Government to these officers on account of their employment on behalf of this office, such 100*l.* being only payable so long as the 18 officers are thus employed. A further annual payment of 300*l.* is made to the Board of Inland Revenue for miscellaneous services.

11,764. (*Sir Andrew Scoble.*) And what is the total payment now?—The total payment for salaries is 800*l.* Besides that we pay 990*l.* for the various officers who are employed on our stamp work.

11,765. That makes 1,790*l.* altogether?—Yes, besides the temporary staff, which costs about 1,700*l.*, so that the total charge is nearly 3,500*l.*

11,766. And what was the previous amount paid?—I am afraid I cannot give a figure for fair comparison. The salaries which are now 800*l.* were in 1886 1,565*l.*; but the payments that we make otherwise must be taken with the liabilities that we had for pension for that establishment of which we are now relieved. I have

not the means exactly of giving the figure for comparison.

11,767. But on the whole you are satisfied that there will be a saving to the Indian Government by this arrangement?—I think so; I think it is considered to be an economical arrangement.

11,768. (*Mr. Jackson.*) The work has considerably increased though, has it not?—The work of the Department is increasing.

11,769. (*Chairman.*) If you look at paragraph 19 of the report of the Home Charges Committee, you will see:—"The payment for stamps was settled in 1886, when the "management of the supplies was transferred to the "Inland Revenue Department, with a saving of 867*l.* "in the salaries paid annually, from which must be "temporarily deducted pensions amounting to 417*l.* "We have no remarks to make on this branch of the "subject"?—Yes; those pensions were for the staff that were reduced.

11,770. With reference to what Mr. Jackson has just said, the stamps obtained cost in 1878–9 41,356*l.* and in 1887–8 54,067*l.*; but, I presume, the next heading, the Post Office, would include some charge for stamps, would it not?—No, I think not; the Post Office stamps would not be under the head of stamps.

11,771. (*Mr. Jackson.*) Of course that includes stamps and stamp paper?—Quite so.

11,772. And, of course, in that period there has been a considerable reduction in the price of paper; and, although the total payment now is not more than a few thousand pounds more than it was then, it represents a great deal more paper and material than it did in the earlier years?—Yes; the last payments for stamps were 39,000*l.* in 1893–4, and 45,000*l.* in 1894–5 and 1895–6. That is practically about the same; 41,000*l.* and 54,000*l.* were the figures for 1878–9 and 1887–8.

11,773. Yes, my point is this, that supposing paper has gone down 25 per cent., 40,000*l.* now purchases a great many more sheets of paper; and it is upon the number of sheets of paper that the amount of inspection depends?—Yes, that would be so.

11,773*a*. (*Sir Ralph Knox.*) What articles of stationery are necessarily supplied from Europe?—Printing paper is mostly supplied locally. But the indents contain large demands for writing paper and envelopes, drawing paper and materials, bookbinder's materials, steel and quill pens, copying press materials, ink, stationers' sundries, such as gum bottles, paper fasteners, &c.

11,774. (*Chairman.*) Would you now turn to the 14th Report of the Home Charges Committee, page 131. At paragraph 9 the Committee summarises their recommendations on the subject of stores. Perhaps you would give us the substance of that paragraph, and tell us whether it has been acted on?—The paragraph is:—"In our "eighth report we investigated the Stores Department, "and, reserving the clerical portion of the establishment for future consideration, expressed our opinion "that any saving to be anticipated from a reduction of "the home charges, by throwing upon the Government "of India the duty of meeting in that country the "cost of the stores supplied, would be rather apparent "than real, and would be much more than counterbalanced by the disadvantages that it would entail. "Considering it, therefore, necessary to maintain in "England an organization for the purchase, inspection, "and shipment of stores of European manufacture, we "were in favour of the existing system; we recommended that an endeavour should be made to place "on a more satisfactory financial footing the arrangement for the supply of malt liquor, unless the whole "supply could be obtained in India; we suggested the "reduction of the salary of the inspector of scientific "instruments on the occasion of a vacancy; and we "pointed out the advantage to be derived from the "Government of India drawing its supplies of stores "more largely from local sources." The specific recommendations, therefore, were that the malt liquor supply should be put on a footing under which it would be obtained in India; that has been done; it is now wholly supplied there. The reduction of the salary of the inspector of scientific instruments; I think a vacancy has not occurred. There is still an inspector, and I believe it is the same man. And the advantage to be derived from the Government of India drawing its supplies of stores more largely from local sources is explained in that paper which I have handed in, from which it will be seen that that is the policy which the Secretary of State has consistently followed.

11,775. The general result of this examination has been, I think, to show that, at all events up to the year 1887–88, the amount of stores bought in England for use in India had not diminished?—Yes.

11,776. Do you happen to know whether, in the interval that has passed since that time, they have increased or decreased?—The military stores have increased, the Ordnance stores obtained from the War Office; but there has been now again a considerable falling-off owing to the completion of the re-armament of the troops.

11,777. Is that borne in mind in the maintenance of your Store Department, because, of course, if the amount of stores falls off and you have a permanent establishment costing a certain sum, the result would be largely to increase the percentage, would it not?—I was going on to say that I do not think that the cost of the stores that are inspected by the Stores Depôt has varied very materially. I think that may be taken, one year with another, as being practically about the same as it was.

17,778. (*Mr. Jackson.*) When you say the cost, do you mean the annual expenditure?—The annual expenditure

17,779. Of course the cost has varied?—Yes; the great variation that has taken place in our stores has been in the military stores obtained from the War Office. In the other stores I do not think there has been any material change.

11,780. (*Chairman.*) The malt liquor, for instance, has all disappeared as an article sent out from here?—Yes; and there has been a reduction of the establishment in consequence; the officers specially appointed for its inspection are no longer in the office.

11,781. That is to say, the India Office are quite alive to the fact, that, if they have laid it down as their policy to obtain whatever they can advantageously in India, and they maintain a permanent Stores department over here, the result of that policy must be watched, otherwise you might get a percentage quite out of proportion in the cost of inspection at home?—Yes; I think that the Secretary of State in Council is fully alive to that. There have been several examinations of the Stores Department, and the staff has always been kept down to the minimum. It is now a little in excess of the normal strength, but I believe at this moment there is one reduction under the consideration of the Secretary of State.

11,782. (*Mr. Jackson.*) But, of course, the cost of inspection depends, not upon the number of sovereigns expended, so much as upon the number of articles purchased?—Your point is that it may not be the cost, but it is the work that has to be done.

11,783. I put it in this way, that supposing that the price of the stores has fallen 25 per cent., paying a smaller percentage upon the cost would not necessarily mean that there had been 25 per cent. reduction in the work?—Just so; but I think that the object of this Committee, from whose report the Chairman has been quoting, was rather to see whether, as judged by a percentage on the stores, the India Office mode of transacting the work was an expensive one, compared with what it would be if they bought from contractors, paying them their profit; and the view that was taken was that it was a very economical mode of working. That perhaps can only be judged on the value of the stores.

11,784-5. I notice that the term European stores is used; is it the fact that stores bought in this country do consist of any considerable proportion of European stores other than British?—No; you must only take that word "European" as in contrast to "Indian." It does not at all refer to the question of policy, as to where the stores bought in Europe shall be obtained. I believe that on that point the Secretary of State has given very specific instructions that they are to be obtained of British manufacture, if possible.

11,786. Of course there will be some purchases made abroad?—There may occasionally be some, but I think they are very rare. The word "European" has no meaning of that kind; it is simply used as opposed to "Indian."

11,787. (*Mr. Buchanan.*) In this paper (Correspondence relating to the Local Supply of Stores required by Government Departments in India), the only substantial matter apparently dealt with subsequent to this report of 1889, is that apparently the Government of India are empowered to purchase under certain conditions railway plant and material in India?—Yes, I

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think that is the only point that can be said to affect the policy, which has occurred since 1889.

11,788. Have the Government of India made use of their opportunities and purchased much railway plant since this was issued?—They have endeavoured to do so, but I am not prepared to say to what extent it has been carried into effect; they have, however, certainly invited tenders in consequence of the despatches that are mentioned there.

11,789. You do not know whether they have actually made many purchases, and whether the system has been so far set in operation as to enable one to judge whether it is economical or not?—No, I am afraid I cannot answer that. I think I must ask you to refer to the Director General if you wish to know that.

11,790. (*Sir Ralph Knox.*) The railway stores appear to be quite half the amount of stores sent to India, are they not?—Yes, I think they are, but if you are alluding to Mr. Buchanan's point, those orders refer to a particular kind of bridge work, I think.

11,791. (*Mr. Jackson.*) Principally bridge work, I think?—Yes, I think so.

11,792. (*Sir William Wedderburn.*) Such locally supplied stores would be included in the annual return, I suppose, which is furnished by the Government of India?—Certainly they would.

11,793. The amount would be shown each year in the return?—Yes.

11,794-5. (*Chairman.*) Have you anything to add on the subject of the Registry and Record Department? We have already taken some evidence on that point, when we were considering the Correspondence Departments. But you may have some further remark to make upon it?—I may perhaps read my note.

11,796. If you please?—The Registry and Record Department has been entirely reorganised. Formerly much of the copying and registering was done in the several branches of the Correspondence Department, which is now performed by clerks in the sub-registries and by women typists. Besides the registrar and three assistants, there were in 1875-76, one extra-assistant, one geographical assistant and his clerk, a map mounter, a lithographic printer, a keeper of records, and 35 second class clerks and writers, or 45 in all. In 1893-4, there were one keeper of records, one assistant, one keeper of geographical records, 43 second class clerks, supplemental clerks, &c., and boy copyists, and nine women typists, making, with the Registrar and Superintendent of Records and his three assistants, a total of 59. There are now 37 second-class clerks, &c., and seven boy copyists, and the post of assistant keeper of records has been abolished.

11,797. And does that represent now the normal establishment, or are you contemplating any further changes?—The normal strength is to be 33 second-class clerks, which is practically the same as the present establishment.

11,798. What increase has occurred among the miscellaneous officers?—The number had risen from 15 in 1875-6, to 29 in 1893-4. The addition was caused chiefly by reckoning among them the private secretary to the Secretary of State (who, in 1875-6 was, and in 1893-4 was not, a member of the establishment), the assistant to the solicitor and the clerk to the legal adviser, the clerk to the Commissioners of Income Tax, the actuary and his computing clerk, and copyist, the work now performed by whom was formerly charged for in other departments. But besides these the conduct of the business of the Indo-European Telegraph Department in this office has added the Director-in-Chief and three clerks to the staff; and new appointments have been made of the Deputy Government Director of Indian Railway Companies, an Ordnance Consulting Officer, an officer attached to the Intelligence Department at the Horse Guards, and a paid member of the Army Sanitary Committee. On the other hand, the appointment of Solicitor, as distinct from the Legal Adviser, has been abolished. Since 1893 another clerk has been appointed in the Indo-European Telegraph Department; but the post of consulting officer for the Troop Service has been abolished, and the private secretaryship is now held by a member of the establishment.

11,799. Is that a permanent rule that the private secretary should be a member of the establishment?—No, it is in the discretion of the Secretary of State of the day.

11,800. Then we come to the messenger establishment; has the strength of the office keepers and messengers, housemaids, and artizans, been the same throughout?—There were reductions of one messenger and an assistant housekeeper, and an increase of four artizans and one housemaid. The number of messengers has been further reduced by one, and of the total seven are boy messengers.

11,801. Has the India Office adopted the course, which I understand, is being gradually adopted in other departments of the Civil Service, of giving a preference to men who have served in the army and navy?—I think not. It rests with the Secretary of State of the day to nominate. I do not think it has been laid down so.

11,802. Who are the artizans and labourers; are they merely coal porters?—Yes, and the manager of the hydraulic lift, and firemen.

11,803. Then we come to the Audit Department; what change has taken place in that department since 1875-76?—It has been re-organised; the senior inspector is now entitled assistant to the auditor, and the junior inspectorship is abolished; the four senior examiners are termed senior clerks; and in place of the eight junior examiners and two writers, there were in 1893-4 four junior clerks and nine second-class clerks. One second-class clerk has since been substituted for a junior clerk. The normal strength is to be two senior, three junior, and 13 second-class clerks.

11,804. What is the effect on the cost of the Department?—It had been increased from 4,410*l.* to 6,724*l.* But this was in a measure due to the slow promotion under the former scale, owing to which many had attained the maximum of their grade. In the re-organisation the pay of the senior and junior clerks was increased, the number being reduced, so that the money was better distributed, and a considerable saving will be effected as vacancies occur. The cost in 1896 is estimated at 6,208*l.* As far as I can judge, I think that is about the normal cost.

11,805. We have had the benefit of the evidence of the auditor, and therefore it is not necessary to enter into any question with regard to his functions, but there may be some remarks you would like to offer upon the subject of the audit arrangement?—No. I think not at all. The great difficulty that I see at present in audit arrangements is with reference to the Army charges. The auditor complains, he has mentioned it to Parliament and he has now reported it again, that he has not the means of checking the payments which are made for the Army effective charges. I have furnished him with statements which show, in my opinion, that the establishment on which we pay is practically kept up; but he would like to have exact returns to show that there was the number of men in India, and to diminish the payments we make to the War Office if they fell short by a few men. I do not think the Secretary of State wishes to take that view. I think he is prepared to pay on the normal establishment, but, no doubt, for a literally effective audit we are not in possession of the actual returns. And another point is with reference to the deferred pay. I think we shall, probably, be obliged to write to the War Office, and ask if they can give any means of enabling the auditor to have an effective audit of the deferred pay.

11,806. Of course the question of the relations between the India Office and the War Office forms a very important branch of the inquiry committed to us. Do you anticipate that, when we are dealing with those charges, you will call our attention to this defect in the system?—I think I shall be obliged probably to point out to the Commission what the auditor has said. I do not think that at present, at any rate, the Secretary of State is disposed to press the point; but the auditor, so far as his reports go, is not under the Secretary of State; and he reports that he is not satisfied with the check.

11,807. (*Mr. Jackson.*) I understood Sir Henry Waterfield to say it was not a defect in his view, but that it was a defect in the auditor's view?—Quite so.

11,808. (*Chairman.*) And I also understood him to say that the Secretary of State is in the main satisfied with the present system; he is not pressing for a change?—When the auditor reported last year it was put before the Secretary of State in Council, and he did not consider it necessary to take any further steps. The auditor has repeated his objection in his report made this year, which is now under consideration, and I think we shall probably have to communicate with the

War Office, and ascertain whether they have the means to satisfy him. One point which comes before the Secretary of State is that the auditor's demand might probably involve a considerable addition to the Audit Department.

11,809. If, when we come to deal with the apportionment of military charges, the Secretary of State chooses to put the question before us, it seems to me to come within our reference?—Yes.

11,810. Then we have a charge for Store Department wages, rent, &c., outside the salaries with which we have been dealing?—Yes.

11,811. Have you any remarks to make upon that charge? What has been the increase?—The increase on the whole is 1,678*l.* from 25,177*l.* to 26,855*l.*, but a large part of it is merely nominal.

11,812. Can you give the details of any of these charges?—The wages of artificers and labourers were in 1875–6 11,576*l.*, and in 1893–94 11,371*l.*, making a reduction of 205*l.*; the rent, rates, and taxes were in 1875–61, 1,483*l.*, and in 1893–4 1,410*l.*, showing a reduction of 73*l.*; the repairs, furniture, and fittings were in 1875–6 1,385*l.*, and in 1893–4 1,466*l.*, making an increase of 81*l.*; the new works in 1875–6 were 3,253*l.*, and in 1893–4 2,336*l.*, making a reduction of 917*l.*; in the year 1875–6 there was a considerable extension of the depôt, and in 1893–4 the hydraulic lift and electric light were introduced; the coal, gas, and house articles in 1875–6 were 981*l.*, and in 1893–4 798*l.*, giving a reduction of 183*l.*; the travelling expenses of officers of the Department in 1875–6 were 1,546*l.*, and in 1893–4 2,537*l.*, making an increase of 991*l.*; the Professional Inspectors' Commission and travelling expenses in 1875–6 were 283*l.*, and in 1893–4 1,578*l.*, making an increase of 1,295*l.*; that you will observe is a very large part of the total increase of 1,678*l.*, and, out of that 1,295*l.*, 859*l.* would, in 1875–6, have been included in the price of the stores, so that it is a mere re-arrangement of charge, and 250*l.* are for special payments made in 1893–4 for inspection and valuation. The cost of Police in 1875–6 was 1,034*l.*, and in 1893–4 1,593*l.*, making an increase of 559*l.*; the cost of advertisements in 1875–6 was 335*l.*, and in 1893–4 36*l.*, making a reduction of 299*l.*; the carriage of stores, patterns, and miscellaneous charges in 1875–6 were 1,391*l.*, and in 1893–4 1,028*l.*, making a reduction of 363*l.* The Surveyor of Shipping and the commission of freight are now charged elsewhere (I have mentioned the Surveyor of Shipping among the salaries); they form a nominal reduction of 637*l.* And the supply of stamps for India has increased from 1,273*l.* to 2,702*l.*, making an increase of 1,429*l.*

11,813. Then in reality you may almost say these charges are stationary, are they not?—They are practically about the same.

11,814. You can only say that it is that sort of variation that you find in any big establishment?—Yes; and also a good deal of it is nominal.

11,815. I will reserve the management of the debt, which is an interesting subject, till later. Taking law charges; the India Office have not of late been giving much employment to lawyers, I think?—There was a considerable reduction in the law charges owing to the fact that in 1875–6 we had a solicitor outside the office to whom an allowance of 2,000*l.* was paid for his staff. We now only pay 569*l.* on that account, which is included in the head of salaries, and the further reduction is due to the fact that the disbursements in 1875–6 were 347*l.*, and in 1893–4 only 110*l.*

11,816. And I see last year it has fallen still further to 68*l.* I think, has it not?—Yes, I think our Legal Adviser is very economical.

11,817. The next item is telegrams to India, which show a very considerable increase, as far as a comparison between 1875–6 and 1893–4 goes, but I think in the last year there has been a considerable fall?—Yes; I think the heavy charge in 1893–4 was exceptional.

11,818. Is that due to the increased use of the telegraph, or to increase in the charges for telegraphic messages?—The actual charges for transmission have been reduced, but the telegraph no doubt has been brought more into use, and the charge varies very greatly when questions of policy arise, which may require a great deal of telegraphic communication in a particular year.

11,819. Then comes the postage of despatches to and from India in which there is a very heavy fall. Have the telegrams replaced the letters?—No; I think it is due to the reduction of the charge for postage.

11,820. Then we come to contingencies; can you tell us the nature of the charges that are contained in that heading?—Rates and taxes have risen from 359*l.* in 1875–6, to 816*l.* in 1893–4; repairs, furniture, and fittings, from 3,822*l.* to 5,469*l.*; coal, gas, and house articles, from 1,526*l.* to 1,544*l.*; postage (inland postage) from 431*l.* to 1,021*l.*; telegrams (not to Indja) from 16*l.* to 40*l.*; travelling expenses from 241*l.* to 252*l.*; newspapers, Parliamentary papers, and books, have diminished from 1,411*l.* to 1,087*l.*; advertisements from 1,402*l.* to 457*l.*; stamps from 100*l.* to 93*l.*; there is a new charge of postal and money orders, 91*l.* in 1893–4; messengers' uniforms have fallen from 523*l.* to 355*l.*, which is an accidental reduction every other year; messengers' allowances for night watching is a new charge, 182*l.* in 1893–4, which must be set against the police in which the cost has been reduced from 813*l.* to 144*l.* The charge for library in 1875–6 was 1,182*l.*; it is now transferred to another head, that of scientific and minor departments. Miscellaneous charges have fallen from 1,464*l.* to 534*l.* Then there is a new charge of 1,047*l.* for cataloguing the records.

11,821. Do you know what the charge for the library is now?—The library grant is 3,000*l.* a year. It is limited to this amount which may be spent at the discretion of the Library Committee.

11,822. Is that a charge for buying and binding books and keeping them in order, or does it include the purchase of books required for the office work, Blue Books and so forth?—No; it does not include Blue Books; it is for the library as distinct from the office, but it includes large subventions for Oriental works that have been brought out.

11,823–4. Is not 3,000*l.* a year rather a large library charge?—I have had a note prepared on the subject in case the Commission might wish to see it. In 1877 the Library Committee examined the question of expenditure on literature, &c., which they found, during the seven years from 1869–70 to 1875–6, to have been as follows:—

	£
Cataloguing and purchase of MSS.	4,294
Publication of the "Rig Veda"	4,572
Purchase of coins	450
Subvention of Royal Asiatic Society (210*l.* a year)	1,470
Subscription to the Hakluyt Society (21*l.* a year)	147
Purchase of books, magazines, &c.	1,093
Grants in aid of publications, Oriental and archæological	8,481
Minor grants in aid	3,900
Patronage of books	7,045
	31,452

That is to say, the average for the seven years was about 4,500*l.* a year; and it was decided that in future the payments to cover all such expenditure, unless provided for in the Indian Estimates, should not exceed 3,500*l.* in any year. This grant was reduced to 3,000*l.* a year in 1889 on the recommendation of the Home Charges Committee.

11,825. That is what it stands at now?—That is what it stands at now as a maximum.

11,826–7. It is a subvention to literature, such as becomes a wealthy country?—It was divided in 1893–4 as follows:—

	£
Oriental Works	979
Flora Indica	172
Administrative Works	197
European works relating to India	86
Subscriptions	232
Art, miniatures of Indian Princes, repair of pictures	117
Maps, second-hand books	283
Fauna Indica	250
Cataloguing records, extra payment	47
	2,363

11,828. (*Sir Ralph Knox.*) There was nearly 1,000*l.* for Oriental works, apparently?—Yes, 979*l.* on Oriental works, besides subscriptions to societies to bring out scientific works.

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11,829. Is that spent on translations of portions of Oriental works?—They are grants made to learned authors for editing, and in many cases translating manuscripts of Oriental works.

11,830. Are they frequently referred to in the India Office?—Yes; not in the India Office, but in the Library. The Library is used very largely. It is not maintained for the purpose of the India Office.

11,831. It is an Indian Library in this country for the use of people generally, or students?—It is the great Indian Library; perhaps the Bodleian is the only greater one.

11,832. (*Mr. Jackson.*) Where is it?—It is at the top of this Office, but it is just at this moment under reconstruction.

11,833. (*Mr. Buchanan.*) Is it open to the public?—It is open to the public.

11,834. (*Chairman.*) There is one item I should like to call your attention to, viz., rates and taxes. I see that that formed a subject of inquiry by the Home Charges Committee in their 15th Report, at page 134. Those rates and taxes are paid under arrangement between the two Governments, are they not?—Yes.

11,835. Have you anything to say upon that arrangement?—The increase of charge is due to the re-valuation of the property which took place a few years ago, and it is given in this passage to which your Lordship has referred:—"By an Act of 1864 (27 & 28 Vict. c. 51.), "the land required for the site of the India Office was "vested in Her Majesty, for the service of the Govern-"ment of India, at a total cost of 86,765*l.* 17*s.* 4*d*, on "the condition that it should continue liable to the "payment of $\frac{11}{35}$ths of all the parochial rates and taxes "to which the entirety of the land (of which it formed "a part), acquired by the Commissioners of Works for "the extension of the public offices, was liable by law. "The aggregate of the assessments on the houses "formerly standing on the complete site was 3,394*l.*, of "which $\frac{11}{35}$ths amounted to 1,066*l.* 13*s.* 7*d.*, and the "rates were paid on that assessment up to 1876, though "the legal liability had ceased at Michaelmas, 1873."

11,836. That is to say, the Government of India gave that sum for the land, subject to the condition that it should continue liable to that extent on account of rates and taxes?—Yes. "Rates were also paid on an assess-"ment of 1,759*l.* on account of the plot on the south side "of Charles Street."

11,837. Is that the plot where there is that iron building?—Yes.

11,838. Was that ever in the hands of the India Office?—Yes. "In 1877 the Inspector of the Treasury "proposed an assessment or rateable value of 12,500*l.* "for the whole block of buildings, of which 2,900*l.* was "assigned to this Office, and 600*l.* to the vacant site in "Charles Street. The vestry clerk of the parish of St. "Margaret and St. John, Westminster, was thereupon "informed that, as an act of grace, the Secretary of "State in Council would contribute towards the rates of "the parish on the increased assessment of 2,900*l.*, pro-"vided that the assessment on the vacant land was "reduced to 600*l.*, making 3,500*l.* in all. In 1880–81 the "superfluous land adjoining the India Office was sold to "the Commissioners of Works for 68,600*l.*, and the "assessment upon which rates are payable was there-"upon reduced to 2,900*l.*"

11,839. Then in reality the land upon which the India Office stands only cost you about 18,000*l.* odd?—I noticed that point as I was reading it; I am not quite sure whether we can say that that is the result.

11,840. I think the paragraph means that?—No; I see that, besides the sum mentioned by the Committee as paid for the site of the office, 82,323*l.* was paid for the approaches.

11,841. Therefore you only now stand charged with this part of the quadrangle, on which the India Office now stands?—85,766*l.* for the site of the office, and 13,724*l.* as the balance on the other ground, or altogether 100,490*l.*

11,842. But then you have got a number of other offices; for instance, those offices down in the Belvidere Road?—They are not included in this charge; but, if you look forward to the end of that report, there is a return of the rates and taxes over 10 years. I need not take the year 1878–9 because there were arrears in that year which vitiate the comparison, but all through-out the time the sum paid has been between about 700*l.* and 800*l.* I read to you among the miscellaneous charges of the Stores Department a payment of 1,483*l.*, reduced to 1,410*l.*, for rent, rates, and taxes, in which item the rent, rates, and taxes for these buildings would be included.

11,843. The taxes with which we are now dealing are merely upon the land upon which this building is built?—Yes.

11,844. Do you notice that apparently the rates paid on the plot of ground in Charles Street were upon an assessment of 1,759*l.*; but under the arrangement when you took it over, that assessment was reduced to 600*l.*?—Yes.

11,845. A considerable reduction as far as the rate-payers are concerned?—Yes, it was an agreement that we were not to have a certain total exceeded, so the assessment on the two blocks was divided, and we agreed to pay 2,900*l.* on this part of the building, leaving 600*l.* on the other; and the Board of Works, I suppose, have the advantage of that now; we have sold the ground to them, and they will only have to pay 600*l.*

18,846. That is all they have to pay on account of that ground?—Yes.

11,847. What sum was paid to the Banks of England and Ireland for the management of the Indian debt in 1875–6?—18,385*l.*

11,848. And in 1893–4?—44,938*l.*

11,849. Could you give us also the sum which was paid for the same service in 1894–5?—61,096*l.*

11,850. Has there been any change since 1875–6 in the rate of payment?—Yes. In 1860 the rate was fixed at 340*l.* per million, the dividends being then payable half-yearly. In 1885, when stock was issued with quarterly dividends, the rate on such stock was raised to 400*l.* per million. After the conversion in 1887–8, when the bulk of the stock came to bear quarterly dividends, the charge was fixed at 300*l.* per million on half-yearly and 360*l.* per million on quarterly dividend stocks. Recently, with effect from January 1st, 1896, it has been agreed to pay 360*l.* per million on the first 100 millions of India Stock, and 100*l.* per million on further stock, the payment for debt with half-yearly dividends remaining at 300*l.* per million.

11,851–2. What is the amount of stock on which these payments are made?—In 1875–6 we paid to the Bank of England on 16,755,000*l.* 5% stock; on 20,858,000*l.* 4% stock; on 1,145,000*l.* 4% transfer loan; and on 14,148,000*l.* rupee promissory notes; the total held by them being about 52,700,000*l.* Besides that, there was at the Bank of Ireland 440,000*l.* 5% stock, and 756,000*l.* 4% stock. In 1893–4, 5 and 4% stocks had been paid off, and we then made payments to the Bank of England on 61,410,000*l.* 3½% stock; 33,698,000*l.* 3% stock, besides a fresh loan of 1,300,000*l.*; 25,683,000*l.* promissory notes; and about 2,400,000*l.* debenture stocks of four railways. The total at the Bank of England was about 124,000,000*l.*, and at the Bank of Ireland there was of 3½% and 3% stock about 3,700,000*l.*

11,853. Therefore, as far as the Bank of England is concerned, you paid the higher rate on 100,000,000*l.*, and the lower rate upon 24,000,000*l.*?—Yes; those are about the figures. On 96,000,000*l.* we paid 360*l.* per million, and on 28,000,000*l.* we paid 300*l.* per million; the promissory notes bore half-yearly dividends, and therefore on these we paid 300*l.* per million.

11,854. But I thought that it has been agreed to pay 360*l.* per million on the first 100 millions of India Stock, and 100*l.* per million on further stock?—You are speaking of the arrangement which has been made from the beginning of this year.

11,855. Then should I understand it that, upon those figures, under the arrangement made for this year, you would pay 360*l.* per million on 100,000,000*l.* and 100*l.* per million on 24,000,000*l.*?—Well, the fact is that in 1893–4 the figures which I have been giving you did not exceed 100,000,000*l.*, and now the total amount of stock is about 106,000,000*l.*

11,856. I have got the debt as you stated it in 1893–4, 61,000,000*l.* at 3½ and 33,000,000*l.* at 3%?—And 1,300,000*l.* which was a new loan.

11,857. But it worked up to about 124,000,000*l.* altogether?—Yes.

11,858. And what I wanted to know was whether, under the new arrangement of 360*l.* for the first 100 millions and 100*l.* per million after that, you pay 360*l.* on 100,000,000*l.* and 100*l.* per million on the 24,000,000*l.*?

—No. You must not put into this arrangement the rupee debt and debenture stocks which have half-yearly dividends. On those we pay 300*l.* per million as before. It is on the stock which bears quarterly dividends that we now pay 360*l.* for the first 100,000,000*l.* and 100*l.* per million afterwards.

11,859. Then how came there to be so great a rise between 1893–4 and 1894–5?—The payments in 1894–5 included a special payment of 11,838*l.*, owing to the conversion of the rupee loans from 4 per cent. to 3½ per cent. It was an exceptional charge for that year in consequence of the very heavy amount of work that the Bank of England performed for us, and it brought up the charge, which otherwise would have been about 49,000*l.*, to 61,000*l.*

11,860. In the account for 1893–4, I see "discount "sinking fund for redemption of debt incurred in "excess of money raised"; is that a sinking fund that is put aside in order to reduce the eventual and permanent charge of the debt to the 100*l.* for 100*l.* of stock?—Yes; the stock having been issued at a discount, a sum is invested quarterly, sufficient to cancel the discount by the time that the stock would become redeemable at par.

11,861. And I also see there is commission on sale of India debentures; is that a payment made to the Bank —866*l.* 5*s.* in 1893–4?—No; that was a commission of $\frac{1}{16}$ per cent. paid to the official broker who sold the debentures. When such debentures are offered on public tender, the same rate of commission is paid to the brokers and agents.

11,862. Rather in the same form as was allowed by the Imperial Government when they converted their stock?—It is of the same nature.

11,863. And had the Government of India paid it on previous occasions?—It has been the practice of the India Office always to give some commission when debentures or stock are sold otherwise than by public advertisement; the commission is given in all cases to brokers and agents whose tenders are accepted; the rate varies according to the nature of the transaction.

11,864. Have you got authority under Act of Parliament for that practice, or is it held to be a matter of administrative detail within the discretion of the Secretary of State?—I think it is a matter of administrative detail; it is a charge of the year like any other charge; it is not added to the debt.

11,865. But you have to get the sanction of Parliament for the raising of a loan?—For the raising of a specific amount of debt, not for each loan.

11,866. And have you not to put into that Act the power to issue this brokerage?—I think not in any Act.

11,867. Because you are aware that in our Conversion Act a similar power for it was distinctly asked from Parliament?—Yes.

11,868. Only in that case it was a novelty; it had never been done before?—It was a new transaction for the English Government.

11,869. (*Mr. Jackson.*) That was on the question of conversion?—Yes.

11,870. And that is really only a question of price, is it not?—It is a question of price on issue. It is usual to give a commission, whether the issue is made by public advertisement or whether it is on very rare occasions made privately through the official broker.

11,871. (*Chairman.*) And that I take it has been the practice?—It has always been the habit.

11,872. The brokers are entrusted with the sale of these securities, and they charge a brokerage on the sale?—The usual practice is to issue a public advertisement; and in the case of any tender which is put in by a broker and duly authenticated by him, the Bank of England are authorised to grant a commission to the broker or agent.

11,873. That is rather a different transaction from that which was authorised by the Imperial Government on the conversion; there it was a brokerage on any amount that a broker or agent brought in for conversion?—Yes.

11,874. (*Mr. Jackson.*) But practically the sale of debentures really takes the place, as it were, of a transaction in Treasury Bills?—Yes; the brokerage is a part of the price.

11,875. It is a part of the price; tenders are invited, and, in fact, you have no fixed limit as to price; you may fix your own minimum?—Yes.

11,876. And I suppose you may accept tenders above that minimum?—Quite so.

11,877. But it is understood that a tender carries with it a brokerage to the persons tendering?—Yes. It is not the practice to advertise the brokerage; but it is well known in the City; and the Bank of England is authorised to pay the amount of the commission, which, as I say, varies according to the nature of the transaction for which the broker or agent has tendered.

11,878. In fact the brokerage brings you a larger number of offers?—Yes, and probably at a better price.

11,879. (*Chairman.*) The object of it is to facilitate the sale, just as under Mr. Goschen's Act it was to facilitate the stock tendered for conversion?—Just so.

11,880. Would you give us the details of those two sums, the 18,385*l.* in 1875–6, and the 44,938*l.* in 1893–4?—The payment of 18,385*l.* in 1875–6 consisted of 340*l.* a million on India stock amounting to 13,185*l.* and 5,200*l.* on the rupee debt at the same rate, making a total of 18,385*l.* In 1893–4, 360*l.* a million was paid on India stock, to an amount of 35,704*l.*; on railway debenture stock and rupee debt at 300*l.* a million, 8,483*l.*; on the issue of a new loan, commission to the Bank of England at 500*l.* a million, 651*l.*; and services in connexion with the repayment of the 4½ per cent. rupee loan 100*l.*; making a total of 44,938*l.*

11,881. That 500*l.* a million on the issue of a new loan was simply commission to your banker for the issue of it?—Just so; it is the regular rate that we always pay to the Bank of England when they bring out a new loan, and it includes all their charges up to the receipt of the last allotment.

11,882. And what were the payments to the Bank of England and to the Bank of Ireland respectively?—To the Bank of England in 1893–4, 43,594*l.*, and to the Bank of Ireland, 1,344*l.*

11,883. Then, as far as the Bank of England is concerned, you got better terms on the earlier debenture stock and rupee debt than in 1875–6, but worse terms on the India stock inasmuch as quarterly payments have been introduced?—Yes.

11,884. And do you consider the new arrangement more favourable to the India Office than the arrangement previously in force?—I think the new arrangement is a very favourable one for us; we did not expect the Bank of England to agree to any absolute reduction of the amount it received; but by its agreeing to take the total amount that we were then paying, and for any future additions to charge only 100*l.* a million, we considered that we made very good terms.

11,885. That is to say, looking to the future, considering the amount of works that you are undertaking in India, that you are really a borrowing power, that the debt will increase, and in proportion India stock will increase, the terms that you have now made will be exceptionally favourable?—Yes.

11,886. I think you have a more full return?—Yes; I hand in the return in detail (*return put in*).*

11,887. (*Mr. Buchanan.*) I suppose you could not say how this charge of 340*l.* per million compares with the charge made to the Home Government?—Yes. The Treasury pays to the Bank of England 325*l.* on the first 500,000,000*l.* and 100*l.* on any further amount, which according to the account I have here was 133,000,000*l.*; and they pay to the Bank of Ireland 425*l.* a million.

11,888. And you pay 340*l.* straight through?—We used to pay 340*l.*, but now it is only 300*l.* per million on debt bearing half-yearly dividends; upon India stock we are to pay 360*l.* on the first 100,000,000*l.*, and 100*l.* afterwards.

11,889–90. (*Chairman.*) I see in the report of the Committee on Home Charges, at page 134, speaking of the arrangement which was then in force, in 1889, they say, "If the rates in force before the recent arrangement had "existed in 1888–9, the amount payable would have "been 41,840*l.*, so that a saving of 3,931*l.* in that year "resulted from the revision, while the service rendered "by the Bank was much increased by the change from "half-yearly to quarterly payment of dividends." Do you know at all on that method of comparison how the present arrangement would compare with that of

* *See* Appendix 36,

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1875–6?—We should be paying now 20*l.* a million more than we were on the first 100,000,000*l.* in consideration of the extra expenses of the quarterly dividends, and we should be paying 240*l.* a million less on all over 100,000,000*l.* On the debt now existing, we should in 1875–6 have paid 88*l.* more than we do at present. The saving under the recent arrangement will be realised in the future, as additions are made to India stock.

11,891. (*Mr. Jackson.*) This is paid on the amount of the stock, is it?—On the amount of the debt managed by the Bank of England.

11,892. No matter what the dividend may be?—It is calculated on the average amount of stock on which four quarterly dividends are paid; we pay once a year in January.

11,893. But what I meant was, whether the dividend be two per cent. or whether it be four per cent., they get no extra remuneration for the large amount of money they deal with?—No; it is the same on 3½ per cent. and on 3 per cent. stock.

11,894. (*Chairman.*) It is fixed on the capital?—It is fixed on the capital, on which the four dividends were paid.

11,895. But the capital is not the amount inscribed in the books?—The capital varies, or may vary, from quarter to quarter, and the way in which it is practically worked out is that the Bank of England make a return of the capital on which they have paid dividends in each of the four quarters, and an average is struck of these four amounts of stock.

11,896. (*Mr. Jackson.*) Do they manage the transfers of stock also?—Yes.

11,897. Is that included in the charge?—We pay nothing more for that.

11,898–9. (*Chairman.*) Would you show to me how that would work out? We will suppose that there is 50,000,000*l.* of 3½ per cent. stock, of which the yearly interest would be 1,750,000*l.*, would it not? and 50,000,000*l.* at 3 °/₀ which would be a charge of 1,500,000*l.* The charge is on the capital, that is on 100,000,000*l.*?—Yes

11,900–1. But I gathered from you that that is not the way the Bank calculates it?—Yes, I think so, only the amount on which 1,750,000*l.* was paid might become larger before the year was out, if we had raised a fresh loan. And, in order to ascertain how much stock was on their books during the year, they take the amount upon which the dividends were paid in each quarter.

11,902. (*Mr. Jackson.*) If in the last two payments of the year the quantity had been increased, they arrive at the average by putting all together?—Quite so.

11,903–4. (*Chairman.*) In the third report of this Committee on Home Charges, there is an interesting comparison of the progress of the debt. It begins with the 31st March 1879, and shows, on the one hand, that there was at that date 59,000,000*l.* odd owing, and then it gives an estimate for 1889–90 of 89,000,000*l.* odd. It then deducts any sums that have been applied in the reduction of debt, and proceeds to explain how the difference between those two sums of loans made in England—which amount to just about 30,000,000*l.*—is made up. Do you think you could give us for the years with which we have been dealing an account somewhat in that form?—I can give the exact statement with the figures altered, and brought up to the latest date. I can put it in.*

11,905. At paragraph 19 of that report the Committee deal with sinking funds. They say, "In the preceding "paragraphs we have alluded to two sinking funds, "one in connexion with the conversion of Railway "Annuities and Debenture Stocks, and the other for "the purpose of extinguishing the charge arising from a "loan being raised at a discount. The first of these "had its origin in the Act of Parliament passed in 1879, "on the occasion of the purchase of the East Indian "Railway. In order to meet the views of trustees and "other persons who might be unable or unwilling to "hold a terminable annuity, even though a sinking "fund were attached thereto, it was provided that the "Secretary of State might, by agreement, purchase any "portion of the annuity, by giving to the holder India "4 per cent. stock at the rate of 125*l.* of stock for "5*l.* 12*s.* 6*d.* of annuity; but, in order to avoid any "permanent addition to the debt after the temporary "annuity would in ordinary course have ceased, it was "directed that, in respect of the annuity so purchased "and retained by the Secretary of State, one-ninth part "should be invested in the purchase of securities, the "dividends accruing on which should be applied in a "similar manner, so as to form a sinking fund, until "the public debt of India should thereby have been "reduced to an extent equal to that by which it had "been increased on the purchase of the annuity. By "two subsequent Acts power was given to purchase "annuities and other liabilities, by the creation of stock "bearing a lower rate of interest than 4 per cent., a "sinking fund being similarly formed by the invest-"ment of the difference between the interest in respect "of the liability redeemed, and the interest on the "stock created for the redemption thereof." When we compare, as the Committee does at page 18, the debt as it stood on 31st March 1879 and as it stood in 1890, that amount of debt I presume includes this extra nominal amount of stock?—Yes; it is the nominal amount of the whole stock that is issued.

11,906. And therefore against the increase must be set the fact that a considerable portion is met by a sinking fund?—Yes, you will find on page 19, "Of the "total increase of 30,612,156*l.*, debt to the amount of "14,442,311*l.* (approximately) will be gradually cancelled "by the Sinking Funds; to be cancelled by Railway "Sinking Funds 12,834,743*l.*; Discount Sinking Fund "(last loan estimated) 1,607,568*l.*"

11,907. Would you put a paragraph similar to that into that return you have kindly promised us?—Yes.

11,908. (*Mr. Jackson.*) Have any of these debts been converted into a lower rate of interest?—None of those which the Chairman has just been mentioning nor the earlier annuities, but of the India stock the 5 per cent. and the 4 per cent. have both been converted into 3½ per cent.—the 5 per cent. was converted into 4 per cent., and the 4 per cent. was subsequently converted into 3½ per cent. stock.

11,909. Was the nominal amount of stock increased?—There was no increase in the nominal amount; it was converted at par. There were payments no doubt involved in the conversion—anticipatory payments of interest and commission—but the amount of stock was exactly the same.

11,910. I really wish to see whether, inasmuch as your payment to the Bank of England is a payment on the nominal amount of stock, by such a conversion say from a 4 per cent. to a 3 per cent., you would increase the nominal amount of stock, and therefore still be paying them 340*l.* a million on the nominal amount?—We have not increased the amount of the stock, and therefore we are still paying on the same amount.

11,911. (*Chairman.*) Then we may take it that it is a principle of the Indian Government that, where there is a difference between the amount of money received for a loan and the amount of stock inscribed, that difference is made good by a sinking fund?—Yes, unless it is charged on the revenue of the year. If the amount is not large it is charged on the revenue of the year, and the consequence is that it has only been necessary in respect of the discount incurred in three particular years to apply this system of a sinking fund.

11,912. How is that sinking fund applied, in purchase of stock?—Yes, in purchases of stock.

11,913. Have you entertained any objection to the operation of that rule, now that stocks are at a premium?—We have to consider what stock we shall buy, and on the last occasion I remember that the Accountant General took special orders as to the stock in which his purchase should be made, owing to the high price.

11,914. What length of time, according to your present method of adjusting that sinking fund, does it take to cancel the debt which it is intended to cancel?—The time is fixed by the first opportunity we have of reducing the rate; the rate of interest is guaranteed for 40, or 50, or 60 years, and the amount of the sinking fund is calculated to reduce the excess by the time that power of reduction can be put into force.

11,915. You spread the cancelling of that extra amount over about 60 years?—60 years in one case; I think it was a little over 50 years in another.

11,916. And I take it from what we have heard from Mr. Jacob, that it is the settled policy of the Indian Government, apart from this special sinking fund, not to attach a sinking fund to their loans, inasmuch as they are a borrowing power, and they have come defi-

* *See* Appendix 37.

nitely to the conclusion that, whilst they are borrowing for useful works, to lay by a sinking fund with one hand and to borrow afresh with the other is not desirable?—Yes, that is so. The amount which is borrowed for the construction of public works is in rupee debt in India; the sinking fund is applied to a loan raised in England for other purposes.

11,917. Is that a settled policy which has been thought out, or has any doubt been held as to whether a sinking fund should be attached to the loans as they are raised?—It has been considered, but I do not think it has ever formed the subject of correspondence; I do not remember that it has.

11,918. From a financial point of view there is something to be said for the sinking fund system, is there not, on this ground: that no sinking fund implies a larger sacrifice on the part of the taxpayer for the reduction of debt than in the other case?—Yes, but I believe that a sinking fund is of no use in a case where a Government has a settled policy of borrowing.

11,919-21. We will take, for example, the London County Council. By the Act under which they are empowered to issue stock, they are obliged to attach to the stock a sinking fund, which would defray the debt in 60 years by even instalments; and therefore in every fresh issue they make of a 60 years' loan there is an instalment for so many years of the remaining currency of the loan. Of course the result is that the present generation of ratepayers have to raise a certain amount more to the relief of the next generation. As they are a constantly borrowing body, if that were not done, the amount of debt would be very large, and the burden upon the future generation of taxpayers would be very heavy. Is there not something of the same kind to be said in the case of a State? You are a general borrowing power, though you are not a borrowing power to the same extent proportionately as the London County Council. Let 60 years go forward, the amount of your loans will then be very much increased, and, except for these administrative arrangements, by which fictitious additions to stock are cancelled, the debt will remain in its entirety, and that will mean a very heavy charge upon the taxpayer of that day, will it not?—That is so. But you must remember that the Indian debt of which we are now speaking is raised for the sake of works which will bring in revenue; and the increasing revenue from those works in years of surplus is devoted to the reduction of the borrowing of the next year, so that there practically is a very considerable sinking fund applied, much more than could be applied under any arrangement for a sinking fund. If the railways and canals bring in more revenue, and that revenue reduces the amount of borrowing of the next year, there is a very large sinking fund applied to the reduction of debt.

11,922. That is so; but how does the State secure that the extra amount of revenue derived from the railway, we will say, shall be applied the next year to reduce the amount borrowed?—It is not secured in the sense that it is regulated by an Act of Parliament, but it is done by the Government of India; they have less to borrow; if they want three millions in that particular year, and they have in their balance half a million of surplus revenue, they only borrow two and a half millions.

11,923. Yes, but is there not a difference there? Let me take such a case as the Chitral expedition. The Chitral expedition, for the year ending 31st March 1896, cost 1,700,000 Rx. If it had not been for that expedition there would have been a surplus of revenue; you had a surplus, I believe, that year, but it would have been 1,700,000 Rx. higher?—Yes.

11,924. It was therefore a lesser surplus which could be applied, and if the Government of India had been extravagant, there is no proof that the extra sum received from railways would have been set aside as a sinking fund?—That is so.

11,925. (*Mr. Jackson.*) In fact the surplus may be applied in one of two ways, either by spending more or by borrowing less?—Quite so. The principle of the Government of India is not to borrow anything like so much as it spends on these useful works—these revenue-producing works—and consequently, in one shape or other, it is always applying what may be called a sinking fund for the reduction of the debt. But, as I said before, I think that the formal adoption of a sinking fund is useless in a case where you are every year borrowing.

11,926. (*Chairman.*) I thought you were going to answer that this money is laid out on works which are reproductive, that therefore there is revenue arising every year from it, and, though at the end of 60 years the charge for the debt would have increased, the works, upon which that debt had been expended, would have produced a sum more than sufficient to cover the increased charge of the debt, and therefore the taxpayer would not be a sufferer?—That was what I meant to convey, speaking of it purely with regard to the revenue-producing nature of the works in India, and putting aside exchange on stores from England.

11,927. But there is some force, is there not, in the argument that, after making allowance for that increase in the revenue derived from the works, something can be said for attaching, after the manner of the London County Council, a sinking fund to the loans issued by constantly borrowing bodies?—I think that the London County Council is in a different position. It is a body controlled by Parliament; the Government of India cannot very well control itself; if it laid down that it would discharge a debt created this year by a gradual sinking fund, it has the power of borrowing a little more next year, which would quite cover that. I do not think that any real reduction could be made by means of a law which it laid down for itself, unless it could also lay down a limit as to the extent to which it was to borrow in any year.

11,928-9. When the old Metropolitan Board of Works was established there were two great works thrown upon it at once, the Thames Embankment and the Main Drainage; that was in 1859. When they began borrowing, a sinking fund was attached to their loans, and I think that now those loans have been paid off, or very nearly so. The sinking fund, which has accumulated upon those and other subsequent loans, has more than sufficed, I think, at present to pay that off, and therefore the ratepayer at the present moment, you may say, is free from the charge of those great works. But the difference, I suppose, which you would draw between the action of the old Metropolitan Board of Works or of the London County Council under the direction of Parliament and the action of the Indian Government is that in such cases, the London County Council would have no receipts to set against the increase of debt?—Yes.

11,930. Whereas India has, or expects to have, a largely increasing revenue?—Quite so. The works are only undertaken in the belief that they will bring in an increase in the revenue.

11,931. Now do you apply that rule to cases where you borrow for works not productive? For instance, if India went to war and had to borrow 10,000,000*l.*, should you in that case not attach a sinking fund to the loan?—I do not think that it would be done. I cannot say what might be thought right upon any particular case, but it has not been the practice.

11,932. You have not done so. Let me take the case of the Afghan War; you did not do it in that case?—No.

11,933. To make your financial policy thoroughly logical, you ought to make a distinction between those two general classes of loan, ought you not?—Yes, only I do not quite wish to represent that the Government of India have deliberately considered that they are providing a sinking fund for the productive loans through the revenue of the railways. All I wish to say is that I think there is that ground to be taken into consideration as a reason for not providing a sinking fund in such a case.

11,934. The Government of India are satisfied with the fact that they are getting a revenue from these works, and they have not considered it further; is there any limit laid down?—No.

11,935. But at the same time I see a great difference between the two general kinds of loan?—Undoubtedly. I think there is a very great difference in the policy of borrowing merely to meet a deficit caused by a war or a famine, and the policy of borrowing for public works which will produce revenue.

11,936. Mr. Jacob has told us that the policy of increasing the liabilities in England for public works is now discountenanced by the Government of India?—Yes.

11,937. I observe that in the report of the Home Charges Committee there is a rather strong clause, clause 35, to that effect, is there not?—Yes, that clause

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was written shortly after the standing policy of not borrowing in England for public works had been departed from on two occasions in consequence of the report of the Select Committee of the House of Commons in 1884. The Secretary of State did consent in 1885 and 1886 to raise loans in England for railways, but it was contrary to his standing policy before that time; and this Committee thought that it was an unwise departure, and wrote this strong paragraph to represent their view that it should not be persevered in.

11,938. Exactly, and that is the distinct policy?—The plan of borrowing in England for public works constructed by the State has not been renewed since.

11,939. (*Mr. Naoroji.*) I have got a statement given to me of a comparison between some articles as supplied by the Secretary of State for India and as supplied to the Rangoon municipality, and these prices are given in these two documents. With regard to these articles there is a large per-centage of excess shown to be for the articles supplied by the Secretary of State for India. I would give you both these papers and the statement, and perhaps you will be able to tell us some time what you think of that statement with regard to the excess of charge here compared with that made to the municipality of Rangoon?—I will see whether we are able to give an explanation

11,940-1. (*Chairman.*) One or two other questions come up in reading through these reports. Would you look at section 32 of the 5th report? "In conclusion, we desire to record our opinion that the question, which was mooted in 1879, has again arisen, and should be seriously considered by your Lordship in Council, namely, whether opportunity should not be taken to relieve the Secretary of State from the responsibility involved in maintaining the College at Cooper's Hill as a Government Institution, either by transferring the establishment to some public body or private corporation, subject to a return on the capital outlay of 128,000*l.* in the form of rent, or, failing such an arrangement, by disposing of the land and buildings upon the best terms that can be obtained. These remarks will apply with special force, if it be determined to adopt the policy, recommended in recent letters from India, of materially reducing the recruitment in this country for the Public Works Department. In that case it is extremely probable that the number of students entered at Cooper's Hill will be proportionately diminished, the result of which must be a serious addition to the home charges for the cost of maintaining the College. Before coming to a decision on this point, it will, however, be necessary to consider what provision should be made for the training of the Forest students, who now receive a part of their education at Cooper's Hill." Has any action been taken upon the recommendations contained in those three paragraphs?—After the report of that Committee inquiries were made to see if it was possible that the Institution of Civil Engineers—as, I think, the body is called—would take over the College, or could make any suggestions by which it could be taken over and managed by a private body as a place of education; but it was found impracticable, nothing could be done in that direction, and subsequently the Secretary of State appointed a special committee to investigate the whole charge of the establishment, and reductions have been made; and the college is now, I believe, put upon as economical a footing as practicable, subject to the condition that the engineers, telegraph officers, and forest officers shall be educated by the Government in this country.

11,942. Has the number of students diminished on the whole, or have they increased?—I think they have increased, including the forest officers. The number of resident students has increased in consequence of an arrangement by which some young men are admitted, who do not eventually go out to India. They take their education at Cooper's Hill, without the promise of appointments from the College to the Indian Service.

11,943. That is to say, to that extent India is maintaining a general educational establishment?—To that extent. It is a small extent, but it has enabled the College to meet its liabilities rather better than it did.

11,944. In that case is the student, whom I will call the general student, charged a yearly payment that covers the charges he entails on the College?—It is a payment of 183*l.* a year for his education. The College is very nearly, but not quite, self-supporting.

11,945. (*Sir Ralph Knox.*) To what is the reduction in the number of students at Cooper's Hill due, and to what policy do you allude in stating that it was contemplated that the number should be reduced still further?—At that time the Government of India thought that their establishments were excessive in India, and that they would not require to recruit to the same extent as before.

11,946. They intended in fact to reduce the Public Works Department?—Yes.

11,947. That policy had no reference to a preference of Royal Engineers to Civil Engineers?—Not to my knowledge; I do not think that that was under consideration.

11,948-9. (*Chairman.*) I wish to call your attention to the cost of the lunatic asylum at Ealing which the Committee thought should be put an end to?—It has been abolished entirely.

11,950. I put a question some little time ago on the subject of those funds that were taken over by the Government, but the question was confined to asking whether the sum put down in one of these reports represented the real income. Now, going beyond that, could you describe the arrangement under which some 20 years ago or so the capital of these funds was taken over by the Government, the Government undertaking all liabilities in respect of them, and could you show what the financial results of that measure will be? I think there is a return here which will aid us?—Calculations have been made, but I think there is no complete return.

11,951. I am referring to page 72, paragraph 22, of the East India (Home Charges) Return?—Yes, "The liability of the Government for the various "Indian Military, Medical, and Civil Service Annuity "Funds was explained in the sixth Report of the Com"mittee of 1880. The assets of the Military Funds, "and the Bengal Military Orphan Society, amounting to "3,170,198*l.*, were transferred to the Government in "1866, on its agreeing to secure to the subscribers and "their families the benefits to which they were entitled "before that date; and the only sums now annually "entered in the accounts in respect of them are the "payments made to officers and their families, and the "receipts from subscribers who are still in the Service. "The capital of these funds was gradually appropriated "in diminution of the charge, and must by this time "have been entirely absorbed; for, according to the "latest accounts received, the only balance in hand on "the 31st March 1887 was 37,556*l.* on account of the "Bengal Military Orphan Society, which would be "sufficient for little more then one year's charges of "that institution. The excess of payments over sub"scriptions will remain as a charge on the Indian "revenues till the death of the last annuitant."

11,952. Now would you explain the matter to us; these funds amounted to 3,170,000*l.* resulting from the subscriptions of military officers and others towards the fund that was applied in aid of their families after their death, did they not?—Yes.

11,953. Were those funds solvent at the time when that money was taken over?—It was not at that time calculated whether the military funds were solvent or not, I believe; but the Government under the Act of Parliament engaged, on receiving the capital sum, to give the benefits which then existed.

11,954. But that 3,170,000*l.* represented, or should have represented, at one time at all events, something like 100,000*l.* a year; that would have been a very considerable sum towards the amounts that are paid on account of the military funds, would it not?—Yes, but it would not have been taken in that way; as a perpetuity it was not enough to meet the charge of the funds without further subscriptions.

11,955. The report says, "The excess of payments "over subscriptions will remain as a charge on the "Indian revenues till the death of the last annui"tant," but I understand that when the funds were put upon a new footing or rather handed over—the Government now takes subscriptions from officers—the benefits to the family are not done away with, are they?—No, so long as the families of the officers who were in the Service in 1861 are still living, the Secretary of State is under an obligation to pay the pensions.

11,956-7. But, with regard to anybody coming into the Service since, is that family benefit entirely done away with?—There is a new fund now, called the Indian Service Military, or Civil, Family Pension Fund, and that is actuarially on a self-supporting footing.

The position of the fund is examined quinquennially, and the payments by the officers adjusted, if necessary.

11,958. Do you know what the payments were in this particular year on account of the funds, which were represented by that 3,170,000*l.*?—At page 11 of the Home Accounts for 1893-4 you will find the charge for the whole of the funds. It includes the Civil funds which are not mentioned in that paragraph, the total is 1,443,000*l.*

11,959. We might take the Bengal Military Orphan Society; Bengal, Madras, and Bombay Military funds; Bengal, Madras, and Bombay Medical Funds?—Three Military funds and three Medical funds and the Military Orphan Society and the Civil Service Annuity Funds. It is only the three civil funds which have been added. The payments for them altogether come to 242,000*l.*, so that the charge in that year on account of the other funds was about 1,200,000*l.* There is some receipt against that, but not much; about 85,000*l.*

11,960. And that is entirely on the old funds which have been wound up?—Entirely the old funds.

11,961. Surely the old funds, if they had had to produce such a charge as that now on 3,700,000*l.*, would have been swallowed up directly?—It was not dependent upon any calculation made as to the condition of the funds; the Government was under obligation to contribute to their support, while receiving in return the income that they would derive from their capital and the subscriptions of the officers; if the Indian army had not been abolished, there would have been a very large income from the subscriptions of the officers to meet this charge which is now shown.

11,962. The case, as I understand it, was that the Indian Government had not treated this at the time as an insurance fund should be treated, and it was hopelessly insolvent?—I am not prepared to admit that, because, if there had been an army going on for the next 30 years, the subscriptions of the officers would have all come in to meet this charge.

11,963. But is it not the case that an insurance fund, whenever you wind it up, ought to be self-supporting? It would have been like many of the benefit societies one hears of in England, in which the managers, instead of laying by such a sum as will keep the fund solvent, apply the premiums paid this year in liquidation of engagements incurred long ago?—Yes.

11,964. That is to say, they are always eating up, instead of accumulating, their premiums?—Yes. It would also have been necessary to continue the Government's contribution to the funds.

11,965. There was a Government contribution?—There was a Government contribution in each case.

11,966. A large one?—According to a return given to Parliament in 1853 (No. 975), the contributions in 1850-1 in India amounted to Rx. 62,577, besides 2,500*l.* paid in England. Favourable rates of interest also were given on the balances of the funds. Altogether, the aid given to the funds by Government was at that time Rx. 222,379 in the year; and, owing to the great increase of the capital on which interest was given, it must have been largely exceeded before the transfer.

11,967. But probably the fund was guaranteed at that time. As you know, about that time no Government, so far as I know, based its calculations on actuarial advice?—The condition of some of the funds was certainly carefully calculated, because, when taking them on, the Government considered whether they should increase the pensions paid to the widows or the other benefits. In the Civil funds certainly there were calculations made; but after the abolition of the army, when it became essential to take over the funds, I am not sure that it was considered necessary to make an actuarial calculation, as the Government were obliged to meet the obligations, whether there were receipts to meet them or not.

11,968. (*Mr. Jackson.*) You took over the funds and liquidated them, I suppose?—Yes.

11,969. (*Chairman.*) You applied the capital in payment of the current expenses at the prescribed rates?—The capital was drawn upon as long as it lasted to meet the annual charge.

11,970. The Home Charges Committee endeavour to make a defence of that course in paragraph 24?—It is an explanation, I do not know that I would call it a defence, of the course adopted. The defence, if I may so call it, of the procedure adopted in the accounts, was given to the Select Committee on East Indian Finance in 1872 or 1873. A full explanation was given to them.

11,971. (*Sir Donald Stewart.*) Are you sure that no actuarial calculation was made when the Military funds were taken over?—I do not remember that there was.

11,972-3. Then how does it happen that an increase of the advantages was sanctioned to families of the officers of Bengal?—Then I must be mistaken; in that case there must have been such a calculation.

11,974. I think there was a calculation?—Yes. Sir Donald Stewart corrects me.

(*Chairman.*) Do you know whether that calculation was published?

11,975. (*Sir Donald Stewart.*) Some years before the Mutiny the benefits were reduced, and the subscriptions were increased, because upon an actuarial inquiry it was found that the fund was not in a solvent condition; but I think about the time that the funds were taken over some inquiry must have been made into it, because the Secretary of State agreed to restore the old advantages, and I rather think the subscriptions were also slightly reduced to the old rate. I am not quite sure about that?—The guarantee was given to the Military funds in 1861, without any calculation; but, when they were finally transferred in 1866, there was an acturial calculation of their position. This was also done in the case of the Medical and Civil funds; and, with one exception, it was found that the position allowed of extra benefits being given. Therefore, it may be considered that, with that exception, there is no charge on the revenues of India through the transfer of the funds to the Government.

11,976. (*Chairman.*) If you can find that calculation, will you give it us?—I will look it up and see what it is. In the 26th paragraph of the Report of the Home Charges Committee, you will see it specifically stated that the Civil funds were self-supporting.

11,977. Will you read paragraph 24?—"The system "of using up the capital of the military and medical "funds was adopted with the view of relieving the "finances in the years when the payments were heaviest; "and the charges, though, perhaps, scarcely yet at their "maximum, may be expected before long to decrease "and gradually disappear. The position of the Civil "Service Annuity Funds, which were transferred to "the Government under an Act of 1874 (37 Vict. c. 12), "was different, as the civil annuities were a permanent, "and for many years would be an increasing, charge "(owing to the concessions made to the civil servants in "1871, by which all were allowed to retire on a full "annuity of 1,000*l.* a year, after completing 25 years' "service and 21 years' residence). If, therefore, the "system adopted with the former funds had been "applied in this case, and, after the capital had been "exhausted, a class of receipts previously included had "been excluded from the accounts, a very inconvenient "disturbance would have been caused; it was, con-"sequently, decided that the capital, which amounted "to 3,051,918*l.*, should be brought to credit as an "extraordinary receipt, instead of being added to the "revenue."

11,978. Now what was the effect of bringing it to credit as an extraordinary receipt?—It was added to the surplus in that year of receipts over liabilities, not of revenue over expenditure.

11,979. Oh, exactly; it was brought in as capital into the balances?—Yes.

11,980. Therefore it was used up when convenient?—Quite so.

11,981. At all events, these millions would have produced something very material in diminution of this immense charge of 1,400,000*l.* a year?—Yes, but this charge, although it lasts for a very long time is one that will vanish; it is not a permanent liability.

11,982. But I think it will be a very large charge for a long time?—It will go on for a long time.

11,983. And I suppose in some shape these charges will go on for ever, will they not? The new payments are included in this figure?—No; the new payments are entered separately; they are shown separately as receipts and payments.

11,984. This 428,000*l.* is a matter which will porbably take 60 or 70 years to get rid of?—Very possibly.

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11,985. (*Mr. Jackson.*) Does that mean three generations?—The children of those officers who were in the Service before 1861 will have the right, if they are otherwise qualified, to the benefits of the fund until the day of their death.

11,986. It will be two generations?—Yes, it will be two generations; it may last, as the Chairman said, 60 or 70 years.

11,987. (*Chairman.*) The benefits will apply to the children of a man who was in the army in 1861, and they might be born up to 1900?—Quite so; they will apply to any child of his if he has subscribed for them.

11,988. And therefore the extinction of these charges will take a very long time?—Of course, when I say any child, I mean unmarried females; the boys would go off at the age of 18; it would only be unmarried girls, who would remain so long.

11,989. (*Mr. Jackson.*) Do the girls go off when they get married too?—Yes.

11,990. (*Chairman.*) That would diminish the liability; and widows?—Widows are entitled as long as they live unmarried.

11,991. That may go on for a long time?—Yes.

11,992. It is only very recently that we ceased paying a widow whose husband was in the American Civil War, which ended in 1783, and the widow lived over a century from that date?—Yes.

(*Mr. Jackson.*) At any rate you made your payment.

11,993. (*Sir Donald Stewart.*) On the other hand, you have officers subscribing for 50 years who never get any benefit, or whose families will probably never get any benefit from these funds.

(*Chairman.*) How will that be; if the children die, you mean?

(*Sir Donald Stewart.*) They will get no benefit as long as the subscribers live, and may have become disqualified by the time of his death.

11,994–5. (*Chairman.*) We have heard from Mr. Jacob the general views of the Indian Government on the subject of superannuations; is there anything connected with them that you would like to put before us? Is the India Office completely satisfied with the system under which 1,000*l.* a year is given after 25 years' service for the Indian Civil Servants Annuities? A large amount on this account is paid among the English charges?—Under the head of the Civil Annuity funds.

11,996. Those annuities are among the non-effective charges paid here?—It is entirely non-effective charge.

11,997–8. I am asking the question to give you an opportunity of giving your views upon it. Mr. Jacob explained the working of the system very clearly to us. 1,000*l.* a year sounds *primâ facie* a largish pension after 25 years' service; but I think that we tried to work out with him a comparison between the operation of such a system as that and our Civil Service pensions, and the excess, which is rather apparent on the face of such an arrangement, melted away very much, and it was very doubtful in the end whether the system is not quite as economical as the English system, always bearing in mind one point, that it must be a heavy charge in one sense, because it means early retirement?—Yes. The proportion which the superannuation of an officer bears to his salary in India is very much less than it is in England, I think. It is on a different basis.

11,999–12,000. Mr. Jacob represented to us that he thought the salary upon which a man retired would be about 3,000 or 3,500 rupees a month, against which he gets 1,000*l.*, which is equivalent at the present moment to Rx. 1,700. This amounts to half-pay?—No; his salary would be Rx. 3,600 or Rx. 4,200 a year; and a large part of the pension is met by his own payments.

12,001. That is a payment which the English Civil Service do not make?—If you allow for the contributions, the pension from Government is not more than 500*l.* or at the outside 600*l.*

12,002. Do you not think it would be desirable to show more clearly what is the effect of your regulations in this respect? The subscriptions of the officers towards their pensions are deducted from their pay, and they do not appear in any way or in any account, which is put before us, so as to show the consequent diminution of the charge of the pension?—No; the salaries are paid net and brought into the accounts net.

12,003. Of course it is very important to show that so large a subscription is made by the officers themselves towards their own pensions; but in no account that I know of is it possible to find the amount of subscriptions, or arrive at any financial conclusion as to the operation of those subscriptions?—No account is kept of the aggregate; each officer's account is kept in order to show his position.

12,004. Do you not think that, in all these cases where Indian finance is called in question, it would be very desirable that there should be accounts showing what is the real charge to the taxpayer under the Indian system of administration? I am perfectly clear that the charge on the taxpayer in respect of an Indian pension is not anything like 1,000*l.* a year, because the man himself has contributed a considerable portion?—Quite so.

12,005. Do you not think it is desirable that there should be some account to show the real charge in such form that the student of Indian finance could find it out?—I should doubt if it would be worth the labour involved; it would be a considerable labour.

12,006. Would it be a very great labour? You know the sum to be deducted, I suppose?—In each monthly salary bill the 4 per cent. is taken off.

12,007. If you take 4 per cent, off salaries, that would represent roughly, would it not, the contribution?—Yes. In that rough way it is a very simple matter. You may take the total salaries that are paid to Covenanted Civil Servants and add the increase of 4 per cent. upon that. You would have to show an increase of salaries.

12,008. You would add the 4 per cent. on them?—Yes.

12,009. And then the 4 per cent. upon the total sum due represents their contribution?—Yes.

12,010. And if every year you took that amount, it would at all events give you an approximate view of the financial result of the Indian system, would it not?—It would increase the charge for salaries by that amount, and there would be an increase of receipts against it; it would be merely nominal.

12,011. I am not suggesting at the present moment that you should pay the whole salary and bring that portion of it into your exchequer as a receipt; that might be good finance, or it might not. I am not suggesting that; all I am suggesting is that by a note under the superannuation estimates, or in the accounts, it should be shown what sum approximately the Indian officer has paid towards this charge?—Yes.

12,012. (*Mr. Jackson.*) To the casual observer the percentage of pensions seems large compared with the amount of salaries?—I think it is not so.

12,013. I mean larger than it really is in fact?—Oh, quite so, yes.

12,014. It does not give full credit in fact?—No.

12,015. That is a point which has struck us in one or two instances in dealing with this question, namely, that the Administration does not make the best account of itself?—Yes, I see your point; I will consider what can be done.

12,016. (*Chairman.*) When a Commission takes up the question, and goes into it, it is easy to find out, especially when one has officers at hand to tell us about it; but when an ordinary person takes it up and wants to find out something about Indian finance from elaborate accounts presented, they lead him to not quite a true conclusion?—No doubt the amount which is put down as payable for Covenanted Civil Service annuities is larger than is borne by the Government; that is so.

12,017. Quite so, and that is put as a charge upon the Indian taxpayer?—Yes, but then, of course, you would have equally to increase the amount shown under salaries; if you reduce the amount of the charge for pensions, you must increase the amount of the salaries.

12,018. I am only suggesting at present that in superannuation estimates and accounts, a note should be put at the bottom of the account to state exactly what the charge on the taxpayer is?—Yes, I will see what can be done.

12,019–20. I was not raising the question as to whether it was necessary to swell both sides of the account. I have only one or two further questions to ask you. The Home Charges Committee made certain recommendations about the allowances that are made

to selected candidates for the Indian Service. I think it is in paragraph 26 of the second report. "We "agree with the Committee of 1879 in considering "that these allowances should for the future be "withdrawn, and that young men who intend to "enter the Covenanted Civil Service should, like "those who intend to enter the other branches of "the Public Service in India, provide, as a general "rule, for the expense of their education up to the "moment of their proceeding to India. But, if it "is thought desirable to continue to offer special "allowances as an inducement to the probationers to "become members of some University which has been "approved by the Secretary of State, we consider that "there is no sufficient reason why such allowances "should exceed 80*l.* a year, that being the amount "which the Universities Commission considered to be "the proper limit for Scholarships at Oxford and "Cambridge"?—The question was examined most carefully; it was not found possible to withdraw the amount altogether; it is now granted on the condition that it shall be held by a student at some approved college or university. The amount that they get is 100*l.* a year.

12,021. (*Sir James Peile.*) Is it not 100*l.*, because there is only one year?—Yes; the course of study has been reduced to one year.

12,022. (*Chairman.*) Then there were certain recommendations made with regard to allowances and outfits. Without going into the detail of them, do you happen to know whether the views of the Committee were adopted?—Yes; they were considerably reduced. Power was taken by an Act of Parliament to enable the Secretary of State to make reductions, and the scale is considerably less than it was. The allowance for a Governor-General is now 3,500*l.*, instead of 5,000*l.*; the allowances for the Governors of Madras and Bombay are 1,000*l.*; the allowance of the Commander-in-Chief is 500*l.*; of Members of Councils and Bishops, 300*l.*; these show very considerable reductions on the former allowances.

12,023. (*Mr. Naoroji.*) There are no Indians in the India Council nor in the India Office establishment, nor in any of the services here for which the India Office pays?—There are none in the India Council, and there are no pure natives of India on the India Office establishment.

12,024. The whole benefit of salary and employment remains with the British people, although money is provided by the Indian taxpayer?—Yes, if you consider that we give no benefit to the people of India by our services.

12,025. In this country the revenue raised from the people returns to the same people; that is, the British people get all the salaries and employment in England; whereas a portion of the Indian revenue does not return to the Indian taxpayer, but to a foreign people, that is, to the British, that is a mere matter of fact also?—Yes.

12,026. Is not the expenditure of the India Office for the interests of the maintenance of British rule as well as for the interests of India; in fact, the interests of both countries are concerned in the expenses of the India Office?—The interests of both countries are concerned.

12,027. When any money is spent from the British Exchequer either in this country or in India for any purpose in which both countries are interested, India is asked to contribute a share; should not in justice the same principle apply that when any money is spent from the Indian Exchequer for any purpose in which both countries are interested, Britain should also contribute its proper share?—It is a matter of opinion, of course, in any particular case, how far that may apply.

12,028. I merely ask your opinion whether it is right or not that it should be so. We are asked to contribute to certain disbursements made by the British Exchequer, because, it is said, they are for the common interest of both countries; in the same manner, if the Indian Exchequer disburses any money which is also for the common interest of both countries, should not the British Exchequer contribute, just as we are asked to contribute?—I think that the question of apportionment of charge must be considered in each case. I am not prepared to say that the payment for the India Office should necessarily be shared.

12,029. I am putting it as a general question, whether it would be just or not that the British Exchequer should contribute in the same way and on the same principle as the Indian Exchequer is asked to contribute, for any disbursements made by the British Exchequer?—The British Exchequer undoubtedly must contribute to the expenses of the Empire. I cannot say how the apportionment, in any particular case, should be arranged.

12,030. I am not giving you any particular case, I only want the principle, that both should be treated on the same principle?—As I say, I think that the expenses of the whole Empire must be apportioned in certain degrees.

12,031. Should not any expenses in which both countries are interested be apportioned?—Not necessarily. In each case it must be considered whether the particular expense is a proper one for apportionment or not.

12,032. Yes, but if the expenses are for the benefit of both countries for common purposes, just as the reference to this Commission assumes?—Yes, I am not able to assent to it in this particular case.

12,033. I am talking of expenditure for the benefit of both countries; then the contribution must come from both. In certain cases where there is a benefit for both countries India must contribute? while in other cases where the benefit is also to both countries the British should not contribute at all. That would not be just?—I think, as you were putting it to me, you asked whether a rule which applies to some particular cases should not be applied to all cases. I say that I am not prepared to assent to that.

12,034. I am not asking for any particular cases, I am asking it generally; any case in which both countries are interested then both must contribute to it; it is a simple question?—Well, I do not agree that necessarily it must be so.

13,035. With regard to the Engineering College, can you give us any idea of the amount of money disbursed from the Indian revenues up to this time for its maintenance, for its establishment, and also whether there is any chance of that money being reimbursed by the students that come in generally for other purposes or for their own purposes?—It is not likely that past expenditure will be reimbursed.

12,036. No; so all that is gone?—But, as I explained to the Chairman, efforts have been made to put it now upon a self-supporting footing, and it is very nearly accomplished. I think there is still some charge each year.

12,037. The past expenditure, therefore, is beyond recovery?—I think so.

12,038. Though it is useful to the British youths here, and has been from the very beginning?—If your question refers to the students who come in, not going to India, they do fully pay their cost, I think. I believe there is no doubt that they do. I do not think there is any charge on the revenues of India through that; it is rather the other way.

12,039. (*Sir William Wedderburn.*) I wanted to ask Sir Henry Waterfield some questions with regard to the statement he has put in as to the progress of expenditure. In that memorandum, there are given a number of tables—30 tables—and if he is able to give some supplementary information I shall be glad to have it to elucidate four of those tables. Perhaps Sir Henry Waterfield could kindly get the information by next meeting, if it is obtainable. The first has reference to Table 1, which has reference to the improvement or deterioration of the finances; and I should like to have a statement showing the additional taxation imposed since 1884–5, and the amount obtained therefrom, gross and net, in 1894–5, distinguishing the Imperial and provincial shares, in order to ascertain whether the financial condition is deteriorating or otherwise. We want to know whether new sources have been tapped, and I want the information in order to ascertain what the additional taxation has produced since 1884–5?—Yes; I am not quite sure that I understand your point about the Imperial and the provincial share; do you not mean how much is credited to the Imperial Government?

12,040. That was what I wanted, so far as it could conveniently be done?—Yes.

12,041. The second has reference to Table No. 4, the net military expenditure, to show the numbers of European and native troops in Burma before the annexation of Upper Burma and since the annexation, and as far as possible the cost of the Chitral Expedition. The Chairman referred generally to it, but I should be glad

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to know what the amount of that was. And there is a question with reference to strategic frontier railways, bearing on that same table, because it appears to me that it is not quite fair to debit the Government of India's commercial railway enterprise with railways built solely, or in great measure, for military purposes; and I have made a note to ask for, as far as it can be done, perhaps only roughly, the amount of the military works that can fairly be debited to the commercial enterprise of the Government of India.

(*Chairman.*) May I interrupt you? We had this question under consideration, and I think Mr. Jacob is endeavouring to give us that information.

12,042. (*Sir William Wedderburn.*) Has he promised to do that?—He spoke to me about it. I thought he was preparing such a statement.

12,043. (*Chairman.*) I asked him particularly about that?—If Sir William Wedderburn will give me that note, I will see what we can do about it.

12,044. (*Sir William Wedderburn.*) The next remark has reference to Table 6, and the cost of railways constructed by private companies; whether we could have papers showing the latest terms upon which the Government of India promotes the construction of railways by companies, and the financial results of the past construction, with the rights and responsibilities which the Government of India have with regard to these railways?—We can give the present terms, but whether we can compare the result I cannot say. I do not quite know whether you mean what are called the feeder line terms; I do not think we have any statements yet that would show the financial results of such lines.

12,045. At page 12 of my memorandum my object is shown a little more in detail?—I will look.

12,046. Namely, to show what the financial results of the past arrangements will be?—Yes.

12,047. And the last point has reference to political charges; Table No. 7; if you could let us have what was the estimate and the actual cost of the Gilgit Agency and the Upper Burmah political charges and what the estimate now is as regards the future?—You mean the estimate and the actual for a recent year.

12,048. What was the estimate and what the actual cost; I think that they rather differed?—The estimate at what time?

12,049. At the beginning of the Gilgit Agency; it is not very long ago?—The estimate made, that is all you wish?

12,050. The estimate made, and what the actual cost has been, and what the estimate is for the future?—I have never seen that, I will see what can be given.*

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

At the India Office.

TWENTY-FIFTH DAY.

Wednesday, 1st July 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Sir H. Waterfield, K.C.S.I., C.B.

1 July 1896.

Progress of Expenditure.

Sir HENRY WATERFIELD, K.C.S.I., C.B., Secretary in the Financial Department at the India Office, re-called and further examined.

12,051. (*Chairman.*) You have seen a note by Sir William Wedderburn upon your tables, have you not?—Yes.

12,052. We propose at the commencement of this sitting to give an opportunity for some discussion of your tables. Perhaps, Sir William Wedderburn, you would put some questions to the witness on the subject?

(*Sir William Wedderburn.*) I should like to put some questions to Sir Henry Waterfield; but, before doing so, with the permission of the Chairman, I should like to express my thanks to Sir Henry for the extremely obliging way in which he has assisted us in our criticism of the tables. I believe there is no difference as regards the figures; it is only a question of the application of the figures, and the conclusions to be drawn from them. I thought it would perhaps be desirable that I should explain that, before asking these questions. Then, first, with regard to Table I. in Sir Henry Waterfield's note upon the increase of expenditure.

(*Chairman.*) That is "Indian Revenue and Expenditure 1875–76 to 1895–6."

(*Sir William Wedderburn.*) Indian expenditure 1884–5 to 1894–5. This is a note dated 26th June, 1895.

(*Chairman.*) There is an amended paper, is there not? Are you taking the first, or the second paper?

12,053–4. (*Sir William Wedderburn.*) I am taking the first, because the memorandum was prepared on the first set of tables?—Yes.

12,055. And, therefore, my questions will refer to that. In the first place I would ask whether it would not be more convenient to treat the net revenue and expenditure according to the new form prepared by Sir Henry Fowler? If that form be followed, I think it will add about 8½ millions Rx. to each side, and show the annual net expenditure well over 60 millions?—That is so. The reason my tables were prepared on the old form was not from any desire to minimise the amount, but at the time I was preparing them no decision had been arrived at as to the precise shape that the new form should take. You yourself were in correspondence with Sir Henry Fowler on the subject, and, under his direction, I was communicating with Sir James Westland; and, for fear of having a third form put forward, which again might be rejected and a fourth taken, I thought it better to keep to the old form; but it has now been decided that the new form shall be

* *See* Appendix 38.

adopted in the returns to Parliament. The main difference, I may explain to the Commission, between the two is, that the collection of revenue, excluding the charges for the cultivation and manufacture of opium, is now being treated as a charge against, instead of as a deduction from, revenue.

12,056. (*Chairman.*) That puts the method of stating your account very much upon the same footing as the method in which the Imperial accounts are stated, does it not?—It was prepared with a view to adopting that form.

12,057-8. (*Sir William Wedderburn.*) Then in paragraphs two and three of my memorandum of the 10th August 1895, there is a statement of the division between Imperial and provincial expenditure; is that, generally, a correct statement of the present method of division?—That is an accurate statement, I think, of the distinction between Imperial and provincial expenditure. With the assistance of Mr. Jacob, I have explained that to the Commission at considerable length on a former occasion, and they will probably not wish me to repeat it.

12,059. With regard to paragraph four, would it not be correct that the Provincial Governments should be debited with this loss by exchange arising from increased expenditure which they control?—I do not know exactly to what expenditure you refer as that which they control. The exchange compensation, if they can be said to control it, is debited to them. The expenditure in England is not under the direct control of the Provincial Governments, except in so far as indents for stores are concerned.

12,060. I meant to ask whether, where an increase of expenditure is made by the Provincial Governments, they should not be debited with the corresponding cost of exchange on account of that expenditure, instead of that falling in a lump sum upon the Imperial?—I do not know whether you can give me an instance, but I should say that the increase of expenditure which arises under the direct control of the provincial governments occurs entirely in India, and there is no exchange applicable to that.

12,061. Would there be such a case as regards the pension and allowances of officers under their control?—The provincial governments have no power to alter the system of pensionary allowances; that is entirely under the direction of the Imperial Government, subject to the control of the Secretary of State.

12,062. But might not an additional charge, either for absentee allowances or pension, be affected by an increase sanctioned by the Provincial Government?—Your point, I think, is that, if a Provincial Government increases an establishment, there may be as resulting from that some increase to the absentee or superannuation charge. That is so, but I think it would be impossible to calculate it and debit the Provincial Government with the exchange on it, and in any case it would not be a very material amount I should suppose, as the leave and pension allowances would, in such a case, to a great extent be paid in India.

12,063. Then as regards paragraphs 5 and 6.

(*Chairman.*) There is a point there. You raise a general criticism that the Provincial Governments are directly invited to incur increasing expenditure by reason of the growing revenues at their disposal. That is a general criticism upon a principle which in other respects seemed to have had your general approval.

(*Sir William Wedderburn.*) Yes.

(*Chairman.*) I do not know whether you would wish to elicit any opinion from Sir Henry Waterfield on that point.

(*Sir William Wedderburn.*) Well, it was rather with that view that the reference was made. It is a small blot upon what is an excellent system.

12,064. (*Chairman.*) But I do not know that you have taken from Sir Henry Waterfield what his answer to such a criticism as that would be?—I think it is true in a certain sense that the Provincial Governments are invited to increase expenditure. I should prefer to say that they are invited to administer the provinces under them in an efficient manner, and that where that involves an increase of expenditure they are bound to meet it from their own resources.

12,065. (*Sir Ralph Knox.*) Is not the result generally to encourage a better collection of revenue, a more stringent and perfect collection of the revenue, rather than to make an economical administration?—It answers both purposes. A very large proportion of the collection of the revenue is under the Provincial Governments, and the provincial system induces them to collect it more efficiently; but also the civil expenditure is under them, and the provincial system induces them to manage that more economically.

12,066. That is to say, in order to spend more money upon certain objects which they think very desirable, the provincial system results in a better collection of the revenue and a strict watch over other classes of expenditure which are not so much in favour with the provincial authorities?—Yes.

12,067. That is practically the result of it?—I think so.

12,068. (*Chairman.*) Would you put it in this way, that undoubtedly, if you give a province great discretion over its own revenue, in one sense that leaves it at all events in its power to increase expenditure in a manner which some authorities might hold to be excessive? On the other hand, if you give a province a real control over its own revenue, and if it knows that it has a certain sum of money which it can apply, that is one of the best inducements to administrators to lay out that money as usefully as possible?—Yes.

12,069. (*Sir William Wedderburn.*) There is an important column in Table I. headed "Improvement or deterioration compared with previous years," the fifth column. I should like to ask a general question with regard to that, whether, in estimating the comparative financial position in 1884–5 and 1894–5, a distinct line should not be drawn between increased revenue arising from increased productiveness of taxation existing in 1884-5, and increased revenue from new taxation imposed since that date. The point is this: is not revenue from new taxation "deterioration" rather than "improvement," in that it represents the exhaustion of reserve resources?—The point which you take is one which certainly should be borne in mind; but I should like to say that, in using the word "improvement" or "deterioration," I merely referred to the financial position in the ordinary sense that, when there is a greater surplus, or a less deficit, of revenue as compared with expenditure, the financial position is improved; and that I was not in the least referring to the position of the people as affected by the increase of revenue, or assuming anything with reference to the mode in which that improvement had been attained.

12,070. So that the words "improvement" and "deterioration" are used in a distinct and limited sense?—They refer solely to the financial position, and not to the position of the people.

12,071. Can you supply to the Commission a statement showing the additional taxation imposed since 1884–5 and the amount therefrom gross and net in 1894–5 and 1895–6, distinguishing imperial and provincial shares, and can you show the details of the imperial under the heads of salt, customs, and assessed taxes?—I have prepared the following note explaining the additional taxation which has been imposed since 1884–5.

"Salt.—Duty raised in January 1888, from Rs. 2 to 2½ per maund in India generally, and from 3 annas to 1 rupee in Burma.

"Customs.—Duty of 6 pies per gallon imposed on imports of petroleum February 10, 1888; and increased to 1 anna per gallon, March 10, 1894.

"Duty on imports of spirits raised from Rs. 4 to 5 per gallon of L.P. spirit, January 14, 1887; and increased to Rs. 6, March 21, 1890.

"Import duties at 5 per cent. on most articles, and at 1 per cent. on iron and steel, imposed March 10, 1894, cotton manufactures being free.

"Duty at 5 per cent. on imports of cotton yarns and manufactures above certain counts, imposed December 27, 1894, with a countervailing excise.

"Duty reduced to 3½ per cent. on all imports of cotton goods, with excise duty at the same rate on all manufactures of such goods, yarns being freed, February 3, 1896.

"Assessed taxes.—Tax of 5 pies in the rupee on incomes of Rs. 2,000 a year, and 4 pies if less than Rs. 2,000, if derived from salaries or pensions, profits of companies, or interest on securities, with a graduated scale for other sources of income, imposed January 29, 1886."

12,072. (*Chairman.*) By other sources of income do you mean professional gains?—Professional gains are included in that graduated scale.

Sir H. Waterfield, K.C.S.I., C.B.

1 July 1896.

Progress of Expenditure.

12,073. (*Sir Andrew Scoble.*) It is other sources of income than land, is it not?—I was going to add, "Incomes derived from agriculture, and all incomes less than Rs. 500 a year, exempted. Previously existing License Tax abolished.

"Provincial rates.—Patwari cess re-imposed in the North-west Provinces (where it had been taken off in 1882) and freshly imposed in Oudh, March 29, 1889.

"Local rates show a gross increase of Rx. 750,000 from 1884–5 to 1894–5. This is partly due to increase in the land revenue and consequently a proportionate increase in the local rates; but in some few provinces it is due to enhancement of the rates.

"Excise.—The duties on opium, spirits, and fermented liquors, consumed in India, have been gradually enhanced; and the rates on spirit made after European methods have been raised to correspond with the customs duties. The enhancement on native spirits has been imposed at different times and in different ways in the several provinces; for instance, the selling price of excise opium has been considerably raised in Assam, Eastern Bengal, and Bombay, while in Madras an excise on locally consumed opium has been imposed for the first time; a tree tax instead of a license tax on vendors has been laid upon toddy trees in the greater part of Madras and Bombay.

"The excise revenue has increased from Rx. 4,011,867 in 1884-5 to Rx. 5,527,676 in 1894–5; and at least two-thirds of the increase is attributed to additional taxation on drink and improved methods of raising the revenue. On March 28, 1890, a tax of 1 anna per gallon was imposed on all beer brewed in India."

Approximate Receipts from the Additional Taxation.

—	Account, 1894-5.	Revised Estimate, 1895-6.	Budget, 1896-7.
	Rx.	Rx.	Rx.
Salt	1,806,868	1,857,000	1,841,100
Customs	2,472,315	3,523,500	3,168,000
Assessed Taxes	1,296,232	1,326,900	1,331,400
Provincial Rates	200,000	200,000	200,000
Excise; insufficient data, but say about	1,000,000	1,000,000	1,000,000
Increase of gross revenue	6,775,415	7,907,400	7,540,500
Increase in charges for collection, refunds, and compensations.	300,778	409,600	468,800
Increase of net revenue	6,474,637	7,497,800	7,071,700
Divided roughly thus			
Imperial	5,454,232	6,475,600	6,054,200
Provincial	1,020,405	1,022,200	1,017,500

12,074. (*Chairman.*) What relation does that increase bear to the total increase on the revenue between 1884–5 and 1894–5?—The increase in the net revenue from 1884–5 to 1894–5 is thus composed: Land, forests, and tributes, an increase of Rx. 4,035,924; opium, the receipts are reduced by Rx. 1,492,712 but the charges are reduced by Rx. 1,346,130, so that there is a net reduction of Rx. 146,582. The increase under taxation is Rx. 9,655,265 and under miscellaneous heads Rx. 313,986. In 1894–5 the total increase in the receipts was Rx. 13,858,593, and the net receipts from new taxation approximately Rx. 6,474,637 as I read out just now.

12,075. (*Sir Ralph Knox.*) About half?—About half; not quite half the total increase of net revenue.

12,076. (*Chairman.*) The increase in net revenue since 1884–5 is thus divided, and you then proceed to compare 1884–5 with 1894–5. You work up these to a Rx. total of 13,711,700. It is a very small difference, but in the previous answer I understood you to give the net revenue at Rx. 13,858,593?—The first figure which you gave, Rx. 13,711,700, is the increase on the revised figures for 1894–5, adopted in Sir William Wedderburn's memorandum. The Rx. 13,858,593 is the increase shown in the actual account.

12,077. (*Sir William Wedderburn.*) Can you state roughly what portion of the increase of the land revenue, that is about 3½ millions, has been obtained from extended cultivation, what portion from newly acquired territory, and what portion from enhanced rate of demand?—The only newly acquired territory of importance, I think, is Upper Burma. I can give you the amount for that. The gross receipt of land revenue from Upper Burma in 1894–5 was Rx. 798,181 and the charges were Rx. 219,502. Therefore the net land revenue from Upper Burmah in that year is Rx. 578,679. I am not able to say what the addition to the land revenue in all India is from fresh settlement. To give that, it would be necessary to make a very intricate calculation, which could only be obtained in India, if at all.

12,078. The same limitation that you spoke of as regards "improvement" and "deterioration" would apply in the case of enhancement, and the revenue arising from enhancement, that is to say, that it is only improved so far as the Government treasury is concerned, but that it represents a certain increased strain upon the people?—No, I cannot assent to that, because the increase of the land revenue which is taken by the Government, implies that a much larger share in the increased yield of the land is left in the hands of the owner or of the cultivator, or of both.

12,079. A larger amount has been withdrawn from the people?—A larger amount of land revenue has been paid by the people.

12,080. Upon the assumption that they have made larger profits?—Yes.

12,081. (*Chairman.*) When you say a much larger portion is left in the hands of the people, is that the conclusion from the principle upon which re-assessment is made—does that principle of re-assessment carry with it the instruction that only a portion and a very limited portion of the improvement as ascertained should be taken by the Government?—Yes. I am not an authority on revenue matters, but I believe there are two instructions, one that the amount paid by the people shall never exceed a certain proportion, 50 per cent. of the gross rental, and the other that in certain provinces no enhancement shall, save for special causes and under special sanction of the Government, exceed 33 per cent.

12,082. (*Sir William Wedderburn.*) Can you similarly state what portion of the increased excise, that is to say, some two millions, arises from increased consumption, and what portion from enhanced rates?—No, I cannot, and I am afraid I must say that questions of this kind should be put to the Revenue Secretary. I doubt whether he can answer it, but certainly it is not one that falls directly within my department, and I can only obtain it by asking him. It would probably be more convenient if the Commission examined him himself.

12,083. Then with regard to paragraph 7. This is a somewhat general question that I should wish to put to you. In apportioning responsibility for increased expenditure between 1884–5 and 1894–5, should not a distinct line be drawn between that portion of loss by exchange which is beyond the control of the Government, and that portion which is not beyond that control. There is, on the one hand, what I will call "automatic" increase of burden from sterling charges incurred before 1884–5, arising solely from the fall in exchange, and also from the additional rupee pay of British troops whose pay is on a sterling basis; on the other hand, there is what I will call the "voluntary" increase arising from exchange compensation allowances and from increase in home charges, the increase for exchange being part and parcel of the increased expenditure necessarily foreseen when such expenditure was incurred. Would it not be convenient to distinguish throughout between "automatic" and "voluntary" loss by exchange?—I think not; I cannot agree to that proposed division. I should object to calling the exchange compensation allowance a voluntary increase. It was an increase forced on the Government by the difficulties in which their officers were put through the fall in exchange. It is not more "voluntary" than an increase of salaries would have been, if adopted under similar circumstances; but, owing to a remark of this kind which was made in one of the papers issued by the British Committee, I think it was about 18 months ago Sir Henry Fowler desired me to look into the point. It was there stated that the increase of 1,085,317*l.* in the Budget for 1895–6 over the charge of 1888–9, in the home expenditure in seven years, was reprehensible, because under no circumstances, it was stated, should an increase of over a million pounds sterling have been incurred. At the desire of the Secretary of State I prepared a note to show how that increase of the net expenditure had been incurred, and I found it was in this way. The increase which was beyond the Secretary of State's control arose thus: reduction of receipts from interest on cash balance, 130,477*l.*; contribution for ships in the Indian seas, 42,325*l.*; manning

of defence vessels, 59,600*l.*; management of debt, 8,091*l.*; superannuation, 211,506*l.*: payments for army effective service and for furlough on passage, 150,475*l.*; payment for non-effective services in the army and for pensions, 349,450*l.*; postal service, mail contract, 23,100*l.*; Indo-European telegraph, 20,308*l.*; completion of the railways which were already in hand, 221,217*l.*; making a total increase of 1,216,549*l.*, which was automatic, that is to say, from which the Secretary of State, having the obligations which he had in 1888, could not free himself. On the other hand, there were the following items of increase which the Secretary of State might possibly have controlled; the visit of the son of the Ameer of Afghanistan to England, 30,000*l.*; the Zanzibar and Mauritius telegraph cable 10,000*l.*; and the payment for the Assam-Bengal railway in that year 59,000*l.*, making a total of 99,000*l.*, and thus bringing up the increase to 1,315,549*l.* Savings had accrued or had been effected in various ways 230,232*l.*, bringing the net increase to 1,085,317*l.* Therefore, as regards that figure, I should say that the Secretary of State could not control the increase of 1,216,549*l.*, but might have possibly controlled an increase of 99,000*l.*; and he effected reductions not necessarily through his own discretion, but they were effected, of 230,332*l.* Now I think it would be most unfair to say that the increase of exchange on this million must be put down as not "automatic" and be excluded from the automatic increase of exchange, when I have shown that the Secretary of State, so far as he had any power, effected a reduction rather than an increase.

12,084. In this I was putting the questions generally at present, and I think perhaps the meaning of the word "voluntary" has not been quite understood. I was not questioning the necessity nor even the propriety at the present moment of any particular expenditure. I was only drawing a distinction between those liabilities which the Secretary of State so to say inherited from a previous time and which he could not repudiate, and the increased expenditure whether in the form of increase of salary or the accruing loss by exchange which came within his control. However great the pressure might be upon him, or however great the difficulty might be, it is on the question of principle that I wanted to draw a line between this "automatic" or inherited liability, and what I call "voluntary" which has been incurred since with or without good reason?—Yes, in that sense, the exchange compensation allowance has no doubt been sanctioned by the Secretary of State within the last few years; but I still think that my point is valid as an objection to your excluding the exchange on the increased sterling expenditure which has arisen, except in those few items in which the Secretary of State could have exercised a control.

12,085. I do not wish to dispute any particular items. It was rather the general method of apportionment which I wished to clear up?—Yes, but, to take the single case of superannuation, the increase of the sterling payments on superannuation arises from general rules which have been in force for 30 or 40 years, and under which all the officers who have recently retired entered the service. Although it is true that the superannuation charge has increased and therefore exchange thereon has increased, it is not the fact that that has arisen from payments voluntarily incurred, in the sense in which you use the word "voluntary," within the last 10 years.

12,086. (*Chairman.*) When you speak of these charges being beyond the control of the Secretary of State, and take as an instance that of superannuation, I think it is perfectly clear that without an alteration of the law that charge is not within the control of the Secretary of State?—And even with an alteration of the law it could hardly be retrospectively applied.

12,087. Only gradually applied?—Yes.

12,088. But does the same definition apply, we will say, to the postal service, the mail contract, or the Indo-European telegraph? Of course I suppose it would have been possible in those cases that the Secretary of State in the renewal of a contract could say, "I cannot find any more money"?—I do not think that the increase arose from a renewal of the contract. I think that is an increasing charge that arose under the working of the contract. The last contract was made in 1888, and therefore I think any increase from that over the previous contract would not have come into my statement.

12,089. And the same would apply to the Indo-European Telegraph; it has increased under that head?—There is an increase under that head.

12,090. Then again, completion of railways already in hand. I think we had it in evidence before us that the Secretary of State had ceased to borrow in England for railways and that he borrowed the money in India, and therefore paid the interest in India, in rupees?—No, this is the case of companies; that rule is applicable to state railways; but these are payments made to companies for interest under contracts already entered into.

12,091. (*Sir William Wedderburn.*) But if a new appointment were made, or a salary raised so as to cause increased sterling payments for absentee allowances or pensions, that loss by exchange would have been voluntarily incurred by the government?—Yes, in every fresh appointment that is made, no doubt there is a certain amount of absentee or non-effective charge involved, and so far you may say that that is an increase that has been within the control of the Governments; but with reference to the particular case put by you the appointments which have been made within the last eight or ten years have not yet brought any addition to the superannuation list; nor can the officers who have been appointed have come on the furlough list except to a very small extent.

12,092. Should not increased expenditure in England, with the added cost of exchange such increase entails, be shown as an increase of Imperial expenditure, and not as a set off against "improvement"?—I think that is the same point that you took before as to my use of the word "improvement."

12,093. Yes, to a certain extent?—I only use the word "improvement" where there is relatively more revenue against expenditure.

12,094. I have got some further questions to ask on this subject. My object was rather to combine Indian and English expenditure, and not to show the Indian expenditure separate, and then afterwards to show the English expenditure under, so to say, a separate heading?—Well, on that point I think I should like to give the Commission a short explanation of the reason why I adopted this form in which I prepared the returns. I dare say it is not intentional, but there is an implication running through your memorandum that it was desired to minimise the expenditure by dividing it. My only object was to give the Commission, as clearly as I could, the information which I thought they would require for an examination of the increase of expenditure which undoubtedly has arisen. Certainly, in my position of financial secretary, where I am constantly trying to check expenditure, I should be very unwise to attempt to thwart your object in examining it; but I felt that, when you called on me to give explanations, it would be very inconvenient if under every heading I had to say, "You must make allowance for so much of "this being at the disposal of the Provincial Govern-"ments, or you must allow for so much of that resulting "from exchange," and that it would facilitate the inquiry of the Commission if I began by dividing the net expenditure into those four great groups; the government of India's expenditure on its own account; the Provincial Governments' expenditure; the expenditure by the Secretary of State; and the Exchange; but of course it is open to you at any time to add them together, and take the figures in the finance accounts as showing the total increase.

12,095. Of course you understand I am only trying to get out the clear general views, that I do not wish to raise any imputation upon your bona fides?—I only wish to say why I have adopted that method of dividing into those great groups the total expenditure.

12,096. It is only because the general totals come more before the public than the items from which they are framed, and therefore I was anxious that the ultimate total should as far as possible come under the notice of the Commission. That is my object?—Yes, but that is exactly my reason for so preparing the tables, that I think the public is misled by the very large totals, and they cannot judge whether the increase has been necessary or not, without taking the figures to pieces and seeing how the increase does arise.

12,097. If the above view were accepted, namely, the combining the items of Home and Indian expenditure, the increased Imperial expenditure would be £1,751,945 home charge, plus Rx. 1,459,954 exchange, plus Rx. 791,900 imperial share of exchange compensation; total Rx. 3,993,799. Would those be correct?—Yes, I think those figures may be taken as correct.

12,098. Then with regard to paragraph 8, how can a reduction of Rx. 1,499,934—this is subject to your

Sir H. Waterfield, K.C.S.I., C.B.

1 July 1896.

Famine Insurance Fund.

explanation very much, but I will just put the question as I noted it down—how can a reduction of Rx. 1,499,934 in the famine insurance grant be treated as an "improvement" in the financial position? According to the Government of India, is it not tantamount to the reduction of a surplus, or is not the suspension only a deferred liability?—No, it is not a deferred liability. It is the reduction of a surplus which is applicable to a special purpose whenever it is possible, in the particular year. In that year, as it proved, the Government of India were not able to make the usual appropriation—they had no surplus which they could appropriate to famine insurance, and therefore the amount of the charge was reduced. In that sense there was an "improvement" in the proportion of the revenue to the expenditure, and it is only in that sense, as being a reduction of expenditure by not spending the surplus on famine insurance, that I used the expression.

12,099. If the above methods be accepted—this is paragraph nine—will not the figures of Table I. show a net deterioration of Rx. 5,622,988 instead of an improvement of Rx. 1,376,946 for 1894–5?—There is a net increase of charge to the extent of Rx. 5,622,988, which had to be met partly by increased taxation and partly by reduction of the expenditure under the famine insurance grant, and in that way an "improvement" was effected to the extent of Rx. 1,376,946.

12,100. In fact, measures were taken to meet the deficit?—Quite so.

12,101. (*Chairman.*) You speak of the reduction in the famine insurance grant. Do I understand that your view is that the famine insurance grant is only practically such surplus as the other needs of Government may permit? that is to say, in your estimate at the beginning of the year, you include in your expenditure, we will say, Rx. 1,500,000 for the famine insurance grant. If, in the course of the year, either the revenue falls off, or warlike expenditure increases, you, so to speak, pull and haul upon this Rx. 1,500,000 which should go to the famine insurance grant?—Yes, in a certain sense; that is to say, the Government of India is no doubt under a distinct pledge, whenever they can, in framing the budget, to appropriate a certain amount of money, which was originally taken at Rx. 1,500,000, and which has now been recently reduced to Rx. 1,000,000, as provision against famine or for the relief of famine. That is really providing a surplus to that extent and appropriating that surplus. It is very much in the same position as the English surplus, which is devoted to the reduction of debt only. The Government of India puts the grant into its budget as part of its expenditure for the year, while in the case of the English Government it remains to be seen whether such a surplus does come out in the end.

12,102. *Quâ* an effective surplus; because I quite agree with you that it is practically a sinking fund, though applied in a different manner from ours. The English principle includes that surplus or sinking fund in the charge of the National debt, and whether the expenditure increases or the revenue falls, that is a first charge upon the revenue?—Yes.

12,103. And that is the distinction between our sinking fund and your sinking fund, because, I think, in its essence, your famine insurance fund is a sinking fund?—Yes, a large part of it is so.

12,104. You do not show it up in that way, but you leave it as a charge which will be duly honoured if the revenue and expenditure admit?—Yes; the Government of India has on frequent occasions been obliged to consider whether it should appropriate this grant to other purposes or put on fresh taxation; and it has usually decided that it would be unwise and impolitic to put on additional taxation merely in order to comply with the pledge that they will appropriate it in that year to famine insurance; but they never wilfully absorb the grant; if they can provide a surplus revenue without further taxation for this purpose, they always do so.

12,105. Of course that is open to the criticism that if the Expenditure Departments know that there is such a margin they would hardly feel bound down to the same, what I would call, rigid economy under your Indian system as they would under our English system?—Oh, I think that in no single case has the Government of India ever allowed the spending departments to encroach wilfully on the surplus which would be devoted to famine insurance; the cases in which it has been reduced have been the occurrence of a war or a great fall in exchange.

12,106. I quite understand the perfect justification of your use of the term "wilfully," because, of course, it would not be admitted; but still if people know that there is a means, we will say, for carrying out an expedition and that that expedition can be carried out without an increase of tax by drawing upon the famine insurance fund, there is not such a guarantee for economy as is afforded by the English system, is there?—I do not think so, because, if a war arose—happily you have not the question of our fall of exchange to deal with—but, if a war arose, you hardly ever would immediately begin to restrict civil or other expenditure. You have to provide for it by supplementary estimates and taxation, or by borrowing.

12,107. One has always understood that one of the great difficulties and dangers in Indian finance is the temptation to the military authorities to indulge in frontier expeditions. Of course there may always be a question whether a certain expedition might be delayed. There will always be a certain number of military officers who think it better to press it on—perfectly fairly without any regard to extravagance, that is the forward notion. They may be kept back if they know that their expedition will involve an increase of taxation, but if they know that there is a standing surplus of Rx. 1,500,000, they will not have any such incentive to economy?—I do not think it affects the position at all. The military expenditure of that kind would only be incurred under urgent pressure, and the Government of India, as a whole, must provide for it; but the Finance Department would certainly object very strongly indeed to the absorption of the famine insurance, quite as much as to the putting on of taxation, if they felt that the expedition was not absolutely necessary.

12,108. The only point to which I wish to carry my argument is that putting on fresh taxation, especially in India, is, except under very pressing circumstances, thought almost impossible?—Yes.

12,109–10. But it is not so impossible if you have this standing surplus of Rx. 1,500,000, to draw upon. I will put it to you whether you think the Viceroy himself would not hesitate, would not wish to delay one of these expeditions which cost four or five hundred thousand pounds, if he knew that he was going to increase taxation. But if he has got this Rx. 1,500,000 on which he can draw, he would sanction the expedition under these circumstances?—I think as bearing on that point you must remember that nearly all the Rx. 1,500,000 would usually have been allotted to specific railways and canals, on which expenditure cannot be checked at once, and the question which the Government of India would have to consider would be rather whether the money should be provided by borrowing or taxation. The operation of the famine insurance grant is to reduce the amount that must be borrowed, but the Government could not very well check the protective railways which they were constructing out of that grant any more than they could other railways. I was going to say that I have prepared a statement which, perhaps, may interest the Commission, showing the position of Indian finance from 1881–5 to the present time, if the famine insurance fund be considered as surplus revenue devoted to reduction of debt. I will put in the statement.* In the 13 years as shown in the accounts there was a surplus of Rx. 1,493,380. The famine insurance grant amounted to Rx. 14,057,513; or, excluding what has been spent upon actual relief, to Rx. 13,735,841. If the amount charged under the railway revenue account for the working of two protective railways be also excluded, it amounted to Rx. 9,701,907. Therefore, if the statement be revised so as to treat the famine insurance as surplus revenue, there was in the 13 years a surplus of either Rx. 15,229,221, or Rx. 11,195,287, according to the inclusion, or exclusion, of the charge for the two railways, say, about a million a year.

12,111. (*Sir Andrew Scoble.*) I was going to ask you, is it not rather a mistake to talk of the famine insurance fund as an available surplus?—Yes, it is. I have endeavoured to point that out, that it is a surplus which the Government of India aim at providing and which they appropriate to a specific purpose, but it is not in their case available for military operations during the year.

12,112. In fact it depends on what the budget estimate is. If you can frame a budget which includes the famine insurance fund, then the famine insurance fund is distributed over the object it was intended to serve?—Yes.

12,113. If the exigencies of the time do not admit of your budgeting for such a surplus, then only so much

* *See* Appendix 39.

is expended as is necessary to pay obligations already incurred under that head?—That is all that is available for the famine insurance grant.

12,114. (*Chairman.*) What was the least grant in those years of which you have just given us a summary?—In 1887-8, Rx. 376,295, excluding Rx. 402 for famine relief.

12,115. That was the expenditure?—That was the expenditure.

12,116. And what had been provided in the budget in that year?—The amount inserted in the budget for famine insurance was Rx., 94,500 under famine relief and insurance, besides Rx. 228,000 in the Railway Revenue Account, making a total of Rx. 322,500; and in the financial statement Sir Auckland Colvin said, "the deficit which would otherwise have occurred in the "revised estimate of 1886-7 and the estimates of 1887-8 "has been met by transferring to loan charges against "the famine insurance grant, the sum of Rx. 1,049,400*l.* "and Rx, 1,248,000*l.* in those two years respectively." It was the year following the annexation of Upper Burma when there were very heavy charges.

12,117. Therefore in those years a considerable sum was estimated in the budget as applicable to famine insurance, but under the financial pressure it was not applied?—No. In the year 1887-8 it was almost entirely absorbed. Only Rx. 94,500 was set aside for Famine Relief and Insurance.

12,118. Was provided?—Provided in the budget; and in the actual account they found it impossible to give more.

12,119. (*Sir Ralph Knox.*) You say that 13 millions were set aside altogether in the 13 years?—Yes, if the payment for the two railways be included; this sum added to the actual surplus as shown in the accounts made a surplus exceeding 15 millions in the 13 years.

12,120. Then what was the expenditure against that directly applicable to the famine fund purposes?—The total expenditure on famine relief down to March 1896, has only been Rx. 312,833, of which Rx. 66,191 was incurred before 1884-5, so that there was Rx. 246,672 spent in those 13 years in the actual relief of the people.

12,121. And how much has been spent on relief works and war?—Perhaps it will answer your purpose if I give you the figures from 1881-2, going back a little further. The amount spent on actual famine relief is Rx. 312,863; on the construction of protective irrigation works, Rx. 1,815,724; on the construction of protective railways, Rx. 6,555,864 in direct construction, and Rx. 3,632,435 in the payments for interest, &c., on the famine railways constructed by companies.

12,122. Then is there a balance?—Those figures together make Rx. 12,316,886 in the 15 years, and besides that Rx. 5,327,299 has been appropriated to the avoidance of debt or its reduction.

12,123. You look upon that last sum practically as an accumulation; you could borrow to that extent in the relief of famine, supposing famine were to arise?—We look on it that, excluding the famine relief, we could borrow to the extent of the whole without having put the Government into a worse position, because the irrigation works, and the railways, although the money is spent on them, are undoubtedly protecting the country against famine.

12,124. Have circumstances arisen since the establishment of this fund which would have been very likely to have caused a famine, which, however, has been mitigated at all events by the existence of the works which have been constructed—those irrigation works and railways?—In certain districts that is the case, but happily we have not been exposed to scarcity over a large part of India in the same way as arose in the years 1877-8.

12,125 (*Sir Andrew Scoble.*) But there have been cases of scarcity which might have amounted to famine if facilities had not been provided for carrying food by protective railways into the districts affected?—Yes; in certain districts that is the case.

12,126. (*Chairman.*) That is what you call a protective railway?—Yes.

12,127. Then the operation which devoted Rx.5,000,000 odd in avoidance of debt would work, I suppose, in the following manner: you charge upon the whole revenue of commercial railways, 4 or 4½ per cent., do you not?—The charge on the State railway account is 4 per cent.

12,128. I am now following the working out of the commercial undertaking as such?—Yes.

12,129. But of that sum, whatever it may be, you have not had to borrow 5½ millions; you have applied it out of revenue?—That is so.

12,130. Therefore, so far, the railroad, although it is charged with 4 per cent., has not actually to pay interest, as part of its expenses on that 5,300,000, inasmuch as the Government did not borrow it. Or perhaps it is more correct to put it this way. The Government supplied out of revenue and not out of borrowed money 5,300,000; therefore on that 5,300,000 it has no interest to pay; on the other hand, the money has been laid out on a railroad which the Government charges in its commercial account with 4 per cent.?—Yes, that is the case, if you join together the railway account and the famine insurance account; but this sum which I have mentioned as being applied to the reduction or avoidance of debt has in some cases been actually applied to the discharge of debt. It has not all been applied to the reduction of the loans which would have been incurred for the railways.

12,131. Then to that extent the same operation occurs?—The effect is the same.

12,132. The debt is reduced while at the same time in your commercial account you charge that expenditure along with other expenditure at 4 per cent.—you expect to get 4 per cent. on it?—Quite so.

12,133. And having defrayed that portion out of revenue you have not to pay interest upon it?—Yes.

12,134. (*Sir Ralph Knox.*) But regarded as a separate fund the famine fund loses the advantage of having made an investment as it were. The famine fund does not get credit for that interest that it would have received supposing it had been invested?—That would be the case if there were a famine fund, but there is no such thing. The famine insurance grant is only the application of that surplus which the government of India undertook to find for the purpose of famine insurance. There is no fund from which money can be taken, and that was the reason why I rather objected to the chairman's application to the railway account of the whole of the famine money which had been appropriated to the reduction or avoidance of debt. The two have not necessarily any connection.

12,135. (*Chairman.*) I only gave that as an instance?—Yes.

12,136. (*Sir William Wedderburn.*) I do not wish to open up the history of the famine insurance fund, but I should like to explain at present—I should say that, when I referred to the famine insurance fund as being tantamount to the reduction of a surplus, I only referred to that as the view that the Government of India take of it?—Yes.

12,137. Because we do not accept that at all; we consider that certain taxation was pledged to this. I do not wish to go into the particulars, but it is only to explain what I have said here. We consider that certain items of taxation were raised for that special purpose and were pledged for that purpose, so that I only ask this question with reference to the Government of India's mode of treating that item.

12,138. (*Mr. Buchanan.*) Apropos of that, might I ask how often during these 13 years did the Government of India budget for the full 1½ millions?—Six times.

12,139. Is it in your statement?—I will revise the statement, so as to show this. I will hand it in.

12,140. (*Sir William Wedderburn.*) Then we will go on to paragraph 10, and with reference to the last question I asked about "deterioration," on the same footing, will not the deterioration for 1895-6 be Rx. 7,559,288?—I believe that the figures are right as to the budget for that year, but it has been so completely upset that no good purpose would be obtained by using those figures any more.

12,141. Then paragraph 11. If it be reckoned that in 1895-6 there is 2 millions of "deterioration" from 1894-5, I quite accept what you say about that. Is it not the case that not more than 250,000 Rx. is due to exchange?—Yes, in the budget the rate of exchange is the same practically as the one that was adopted in the revised estimate: therefore there is very little alteration. Happily there was a very great change in the actual result.

12,142. These are all the questions with regard to Table I. I now go on to Table II.?—Perhaps at this

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point I might hand in the table which I have been asked to give, showing the rate of exchange.*

12,143. (*Sir Andrew Scoble.*) Can you state what the drawing rate has been during the period covered by your tables?—Yes. I have put in a table which will show that.

12,144. (*Sir William Wedderburn.*) Then with regard to Table 2, there is an analysis in my paragraphs 12 and 13 of the net increase of total expenditure. Can that analysis be generally accepted?—Yes. The figures may be accepted in the same way as before.

12,145. Then I go on to Table 3, paragraphs 14 and 15; would not this table be more instructive if it were combined? This is now the question that we have discussed before. Would not this table be more instructive if it were combined with Tables 10 to 17, so as to show the total increase or decrease whether in India or England under each heading of expenditure? For example, Table 3 shows a decrease in public works in India of over Rx. 3,000,000, but there was at the same time an increase in England of over 1,500,000*l.*?—Yes, as I said before, there is no difficulty. It is simply necessary to take the figures which are in the published accounts, but I think the Commission would not find it assist them in their inquiry to throw the two together. It is very important that you should know that the reduction has taken place in the receipts from the public works in India, and the increase has taken place in the charge for interest in England.

12,146. I quite see the value of the separate tables, but I was only referring to the advantage of combining them into certain totals?—Yes.

12,147. (*Sir Ralph Knox.*) Is it not the case in regard to several items of expenditure, that you can form really no accurate judgment of the growth without putting the two together—the home expenditure and the Indian expenditure?—You cannot form any idea of the total growth, undoubtedly, without combining them, together with the exchange, but for the cause of the growth you must look to the separate groups.

12,148. But in some cases—stores, for instance, required from England to carry out the works planned in India, which appear to vary very much from year to year—is it not very confusing to have the statement made separately?—My reason for that was that I thought that perhaps one of the points that the Commission might specially wish to take up was the supply of stores, as to which a great deal has been said in India with reference to pushing the local supply, and I thought it would be convenient to them to have a statement of the stores supplied from England given separately. There is no difficulty at any time in adding it. In fact it is, as I say, only needful to take the figures in the account, where in each head the stores are shown belonging to it.

12,149. But the accounts generally do not bring those items altogether, do they?—The stores are shown separately. There is in the Finance accounts a table, No. 3, which shows the expenditure under each head in each province, the total in India, the expenditure in England, and the exchange; and then a supplementary table, No. 4, gives the details of the expenditure in England, showing how much is on stores.

12,150. But the budget statement does not agree with that, does it?—No; in the budget there is no such statement. The budget table gives the total in India, imperial and provincial, the total in England, and the exchange, but it does not divide the expenditure in England into stores and other charges.

12,151. But the accounts do that?—The accounts divide it distinctly.

12,152. (*Sir William Wedderburn.*) Then Table 4, paragraph 16—of course, this is subject to what you mentioned about the budget estimate of 1895–6 being practically upset—but dealing with those figures, can the Rx. 3,958,852 and Rx. 5,277,469 be accepted as the total increase in net military expenditure of 1894–5 and 1895–6 budget estimate, respectively, over 1884–5?—I believe that the figures may be accepted.

12,153. Then paragraph 17. Can you supply to the Commission a statement showing the numbers of (A) European, and (B) native troops in Burma; first, before the annexation of Upper Burma, second, since the annexation?—The British troops before the annexation were 2,297, at present 4,533. The native troops were 3,072, and now 11,207. The total was 5,369, and is now 15,740. I will read a table which shows it in somewhat greater detail.

STATEMENT of TROOPS in BURMA before the ANNEXATION of UPPER BURMA, and at present.

	Before Annexation.		Present Time.	
British:—				
Artillery	1 mountain battery at 111	471	1 mountain battery at 111	401
	3 garrison batteries at 120		2 garrison batteries at 145	
Infantry	2 battalions at 913	1,826	4 battalions at 1,033	4,132
		2,297		4,533
Native:—				
Artillery	—	—	1 mountain battery	226
Sappers and miners	1 company	125	2 companies	351
Infantry	$3\frac{1}{2}$ battalions at 842	2,947	$12\frac{5}{8}$ battalions at 842	10,630
		3,072		11,207
Total		5,369		15,740

12,154. (*Sir Andrew Scoble.*) Are those native troops all regular troops, or do you include military police?—No, not military police. The native troops consist of one mountain battery, two companies of sappers and miners, $12\frac{5}{8}$ battalions of infantry reckoned at 842 for each battalion.

12,155. (*Sir Ralph Knox.*) Has any statement ever been compiled making an attempt to divide the expenditure upon the European army in India from the native army?—A statement has been given to Parliament, No. 20 of 1894, in which a calculation was quoted of the cost of a European soldier and the cost of a native soldier, but I am not able to say in what way that calculation was arrived at. It was sent in some papers received from the Government of India, and adopted in this Office.

12,156. But you have no statement dividing the whole military budget as it were between native Indian army and European army?—Yes. The Indian budget shows the European military force and the native force quite distinctly.

12,157. But does it work out the detailed expenditure of all kinds on the European and native?—No, only the pay; the total is not divided, and I do not think we have any such statement.

12,158. (*Sir William Wedderburn.*) Can an explanation be given of the large cost of Rx. 420,000 for quartering extra troops in Upper Burma, so long after the annexation, and can you inform the Commission what is the inference to be drawn from that amount?—I am afraid I can only give the information, which is in that statement, as to the amount of the extra force that is in Burma now. I do not know how to give any further explanation than that the addition of 10,000 men must necessarily cost more than the charge that was before incurred.

12,159. But does not this quartering mean exceptional or extraordinary additional cost, it may be from expensive provisions or carriage; is that what it represents?—Yes, the charge is the extra allowances which are caused by the force being in Burmah, beyond what would have been incurred if it had been, say, in Madras.

* *See* Appendix 40.

There are extra allowances, and there is extra expenditure for clothing and for quarters, which is included in that amount of Rx. 420,000.

12,160. And is there any object in maintaining that as a separate extra charge, when practically it must be a permanent one?—No, it is merely done in order to show what is the cost of the annexation of Upper Burma.

12,161. Can you state the total cost of the Chitral Expedition, and the additional estimated annual cost for military, political, public works, and administrative charges?—The expenditure on the Chitral Expedition is shown in the financial statement for 1896–7 in the following manner:—

	Rx.	
In India, 1894–5 -	67,200	
1895–6 -	1,647,500	
1896–7 -	20,000	
		1,734,700 Rx.
In England, stores - -		16,000*l.*
To which must be added Exchange		11,900 Rx.
		1,762,600 Rx.

12,162. (*Chairman.*) Is that the total cost of the expedition?—The total cost of the expedition as shown by Sir James Westland in his budget this year.

12,163. I may be only speaking from memory, but I thought that Sir Henry Brackenbury's statement of the military expenditure, which he made in March in the Legislative Council, gives rather a larger sum than that?—There is a very small amount carried over to 1896–7, Rx. 20,000 in India, and Sir James Westland mentioned that there were stores still to be brought to account which he took at 16,000*l.*

12,164. Was that in the budget of this year?—In the budget for this year.

12,165. (*Mr. Buchanan.*) Sir Henry Brackenbury's speech, of course, is in that Blue Book?—Yes.

12,166. (*Chairman.*) No doubt Sir James Westland is right, but, as you read the figures, they did not seem to tally completely with my memory of it. Do not trouble yourself with it; it is only a matter of my recollection. Perhaps Sir William Wedderburn will go on. If I can see the figures I will show them to you?—Yes.

12,167. (*Sir William Wedderburn.*) Can you give us any estimate of the total, and of the additional, annual cost of military, political, public works, and administration charges, in fact, the permanent charge upon the State in connexion with Chitral?—The future charges?

12,168. Yes?—"The increase next year caused by "the decision to occupy Chitral and its communications "is estimated at Rx. 22,000. This is a permanent in- "crease which will continue in future years, though it "may be possible to effect some reduction in the amount "of it." That is from Sir James Westland's statement, page 44.

12,169. (*Chairman.*) That represents about Rx. 23,000?—Rx. 22,000; that is the political charges. "The only "other matter which need be separately noticed is that "the political charges connected with the Chitral relief "expedition and the subsequent occupation of Chitral "and its communications have increased the political "expenditure this year by about Rx. 20,000. The in- "crease next year caused by the decision to occupy "Chitral and its communications is estimated at "Rx. 22,000. This is a permanent increase, which will "continue in future years, though it may be possible "to effect some reduction in the amount of it."

12,170. Is that Sir James Westland?—That is from Sir James Westland's statement.

12,171. (*Mr. Buchanan.*) Then there is also a permanent military charge?

12,172. (*Sir Ralph Knox.*) That includes the military expenditure?—No, that is the civil charges; what I was just reading referred only to the civil charges; but then there is the military charge.

(*Sir Ralph Knox.*) Do you know what is the increase of the military charge?

12,173. (*Chairman.*) I have got the paper of which I spoke from recollection?—Paragraph 11 says:—"The "occupation of Chitral and of its communications has "involved in 1895–6 an expenditure of Rx. 102,200, "and will involve in 1896–7 an expenditure of "Rx. 231,700;" so that in the military charges in 1896–7 there is an increase of Rx. 129,500 in connexion with the occupation of Chitral.

12,174. (*Sir Ralph Knox.*) Is that to be a continuous charge?—That is an increase of the army charge.

12,175. Has there been an increase as distinct from the expedition?—The expedition has passed away, and then there remains an increase of Rx. 129,500 in the military charges, besides Rx. 22,000 in the political in 1896–7, over the previous year.

12,176. And has there been any increase of force, an increase of strength of the Indian army in consequence of this operation?—No.

12,177. It is the additional cost of locating a small force in Chitral then, and also the expenditure on road-making for them?—Yes.

12,178. (*Chairman.*) This is what I was alluding to. Sir Henry Brackenbury in his speech says:—"The "Indian Budget estimate of 1896–7 includes three "great items of expenditure which have not appeared "in the former budget estimates." Then he goes on to give two of them, and "the third is the cost of the "occupation of Chitral and the line of communications "to it, and of the relief of troops, which has to be "carried out during the current year, and adds 23 lakhs "to the estimates," which I took to be Rx. 230,000?—Yes; Rx. 230,000.

(*Chairman.*) That was the figure in my mind when I said what you said did not tally with my recollection?—I was then referring to the arrears of the charges of the expedition, not the permanent increases.

12,179. (*Sir William Wedderburn.*) I do not think I have given you notice of the estimate?—No, I was not prepared for that.

12,180. Then perhaps you could make a memorandum of that; the military, political, public works, and administrative?—The table, which I now hand in, is, I believe, complete.*

12,181. Will you state the total cost of special military operations from 1875–6 to 1884–5, and 1885–6 to 1894–5? Am I correct in stating that the total in the first 10 years was Rx. 161,562, and in the second 10 years Rx. 4,925,877?—Yes, the figures are approximately correct. Down to 1892–3 they agree with the return given to Parliament: for 1893–4 and 1894–5 I should give the amounts as Rx. 219,700 and Rx. 380,800 (including Chitral), which would raise the second total to Rx. 5,010,227.

12,182. Can you account for this great increase? Is it attributable to a change of policy?

(*Sir Andrew Scoble.*) Are we to go into that, Mr. Chairman.

(*Chairman.*) I thought you were speaking of special operations.

(*Sir William Wedderburn.*) Yes.

(*Chairman.*) And I thought you were asking whether certain figures were correct.

(*Sir William Wedderburn.*) Yes, and I asked whether Sir Henry Waterfield can account for this great increase, and whether it is attributable to a change of policy.

(*Chairman.*) I think that is admissible. We are not discussing the policy.

(*Sir William Wedderburn.*) We are not discussing the policy.

(*Sir Andrew Scoble.*) It seems to open a very wide field of inquiry.

(*Chairman.*) I think the question may be allowed. If Sir Henry Waterfield were to say it was due to a change of policy, and that were to raise a discussion on that change of policy, I think your objection would hold. I think it is reasonable to ask whether this is due to a change of policy, or to an automatic operation.

(*Sir Andrew Scoble.*) But these special military operations must necessarily depend on questions of policy. They are all military expeditions of one sort or another, including, I believe, the Afghan war.

(*Chairman.*) I suppose you wish, Sir William, to draw attention to the fact to which, I think, your memorandum calls attention, namely, that if you put aside the Afghan and Egyptian expeditions in the earlier years, those expeditions were very small.

* *See* Appendix 41.

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(*Sir William Wedderburn.*) We have a good deal of evidence upon this from Sir Auckland Colvin and Sir David Barbour.

(*Chairman.*) Quite so.

(*Sir William Wedderburn.*) And I should like to have Sir Henry Waterfield's answer upon this increase. I do not wish to open up the merits of, or the necessity for, this policy, but I should like to have his answer upon that if you see no objection.

(*Chairman.*) Your point being that the expeditions in former years were very few, and that they have been very considerable in later years.

(*Sir William Wedderburn.*) Yes, and I ask whether you can account for this very great increase; and whether it is attributable to a change of policy.

(*Chairman.*) I think you must remember the position of Sir Henry Waterfield. He is a permanent official, and therefore he cannot enter upon any questions which involve political considerations.

(*Sir William Wedderburn.*) I do not wish him to give any opinion upon it.

(*Chairman.*) Would you not stop at "can you give any reasons for this increase" without entering upon change of policy, because I imagine Sir Henry would not be able to answer on that point.

(*Sir William Wedderburn.*) I do not wish to press Sir Henry to give more of an answer.

(*Chairman.*) Perhaps if you ask him if there is any reason for it, you may leave him to say what he can.

(*Sir William Wedderburn.*) I should not like to acquiesce in what I consider an unreasonable limitation of the inquiry, and if I reduce this question it might be admitting Sir Andrew Scoble's contention, which I do not admit at all.

12,183. (*Chairman.*) Put your question as far as that goes. We quite understand that Sir Henry may be able to say "I think it is a change," or "I do not." He cannot answer a question if it goes into the necessities for these expeditions. Then I think we should agree that that lies outside of our inquiry?—The Commission will observe that a very large part of the increase in the later decade arose in one single year 1885-6, Rx. 2,185,371, which was the occasion of a special force being sent up to the frontier, commonly known as the Quetta force, and there was undoubtedly a very heavy expenditure incurred in moving the troops before the railway had been constructed; that will explain nearly half of the total in the 10 years. Putting that aside, I should say that the expenditure from 1887-8 to 1894-5, which is about Rx. 2,800,000, has arisen mainly from the necessity of keeping in order the frontier tribes not only on the north-west but also on the north-east of India.

12,184. (*Sir William Wedderburn.*) I do not wish to press you for any details, Sir Henry, that is sufficient. From 1884-5 to 1895-6 there was special military expenditure of Rx. 11,633,434. How does that compare with similar expenditure in the preceding 10 years. Does the increase indicate a change of policy?—The amount which you mention includes the expenditure on the special defence works which has been incurred on the north-west frontier and on the harbours of India. It is a policy which was devised to protect India against the incursions of an enemy, and has cost a good deal of money. The construction of those works is now drawing to a close. We hope that it will be finished this year, and to that extent certainly there has been a change from the former policy, in that it has been thought desirable to protect India more efficiently.

12,185. Can you supply to the Commission a statement showing as regards strategic frontier railways, what part of the cost should fairly be debited to military expenditure, and what part to general railway enterprise? Under what headings is it now shown as regards capital cost and yearly loss?—I found, after you told me last Wednesday that you would wish to have such a statement, that the question had been put to Mr. Jacob on a former occasion, and that he was preparing it. I have not therefore got out any figures for that purpose.

12,186. Table 5, paragraph 18. On what ground is the net charge for the Indian Midland and the Bengal-Nagpur railways treated as a set-off against the suspension of the famine insurance grant? If a profit accrues, would that be added to the famine grant?—The reason for treating the Indian Midland and the Bengal-Nagpur railways as a charge on the famine insurance grant is to be found in the circumstances under which Lord Randolph Churchill gave his consent to their construction. In 1885 the Government of India proposed a very large scheme of railways, including the frontier lines and various protective lines, for which latter, however, the Government of India were unable themselves to find the money; and therefore they proposed to construct them through the agency of companies under a guarantee, charging the interest thereon against the famine insurance grant. To this, Lord Randolph Churchill replied as follows:—"Great objection has "been taken, both by former Secretaries of State and by "the Select Committee of the House of Commons "last year, to the proposal to appropriate as interest any "portion of the famine insurance grant, the declared "object of which was to keep down debt. I recognise, "however, that the circumstances of the present time "are of a special character, and could not have been "contemplated either by my predecessors or by the "parliamentary committee . . . . I, therefore, "authorise you to charge against the famine insurance "grant the amount payable during the next five years, "as interest on capital raised by companies for the "purpose of constructing any of the lines which are "mentioned by your government as being, in your "opinion, needed for the protection of the country "against famine, but which you are not at present able "to construct through State agency." Subsequently, after the lines were opened, it was agreed in 1890, that the charge against this grant should be, not the guaranteed interest, but the net loss on the railways, including that interest.

12,187. Then with regard to Table 6, paragraphs 19 and 20, under the railway revenue account an "improvement" is shown of Rx. 2,706,242, but if account be taken of the home charges with exchange, will not this improvement be changed to a loss of Rx. 1,910,241?—Yes.

12,188. With regard to paragraph 21, in order to judge of the actual results of the railway enterprises of the Government of India, must not the home charges be included in the cost, and is not the future railway policy of government liable to be influenced in the wrong direction if the accounts seem to show a profit when there has really been a loss? Does not this result affect the policy of borrowing in gold for railways?—I think it is a misapprehension to suppose that the accounts show any such result. This is simply a table which I prepared to show the result of the working of the railways in India apart from payments in England. In the accounts, the statements of total revenue and total expenditure together in India and England are shown distinctly.

12,189. Paragraph 22. As regards feeder lines of railway, do you approve of the policy of allowing a private company to raise the capital, the Government building the line, working the undertaking, and ultimately buying out the company; do you approve or not of that from a financial point of view?—I think I must not give an answer to that question. I am representing the Secretary of State, and I can hardly give an answer whether I approve or not of his policy.

12,190. How shall we ascertain the merits of this financial policy?—Will you read the question again, so that I may see if I can give an answer?

12,191. Perhaps I might substitute this question—what are the merits of the policy of allowing a private company to raise the capital, the Government building the line, working the undertaking, and ultimately buying out the company. I have shown one or two objections to it. Perhaps you would kindly mention what is to be said on the other side?—The object is to induce private individuals to join as shareholders in the railway company, and to find the money for the construction of railways in India, so that railway construction may proceed at a greater rate than it can if it be limited to the money which the Government is able to borrow for the purpose; in order to induce investors to undertake such works, some prospect of profit must be shown to them.

12,192. Whether by allowing the company to raise the capital, whether it does not raise it on less favourable terms than the Government does its own?—Government can only raise limited sums. I do not say what is the limit, but there must be some limit of the amount which they can with advantage raise on their own direct security. If the Government were to go into the market and borrow the whole of the money

which it is desired to appropriate to railway construction, the price of their stock would not remain so high as it now is, and the cost would therefore be greater. It has to be considered from time to time whether the Government can in any particular year more advantageously raise the money itself, or allow a company to raise it on certain terms at a cheaper rate.

12,193. Then the second objection is, that a large amount of money is wasted in promotion money, commission, and other preliminary expenses of floating the company?—Yes. That always has to be taken into consideration in calculating what will be the probable result of entrusting any railway to a company.

12,194. And the third objection is that a whole separate staff and establishment with directorate, &c., is brought into existence at unnecessary expense, for a line which is dependent for its existence upon the Trunk Railway, and which could be, and is, most effectively and economically worked with the original undertaking?—Yes, that undoubtedly is an objection, which the Government endeavour to meet as far as they can by entrusting the construction of the feeder lines to existing companies.

12,195. And the fourth objection is that a small and separate line, with separate interests, is planted in the middle of a great system of state railways, and must be ultimately bought out on terms less favourable to the State than those on which it originally could have been built?—I think there is a very considerable danger in that respect, which has to be watched in each particular case.

12,196. Can you supply to the Commission the documents showing the Government terms upon which railways are constructed by companies, and a statement showing the financial result of each railway so constructed, with the rights and responsibilities of Government regarding it?—I put in a note which has been written by the Secretary in the Public Works Department, to which he has attached the resolutions of the 15th September 1893, the 29th March 1895, and the 17th of April 1896, under which what we commonly term feeder lines are constructed, together with an abstract of the contracts that have been made with the companies under those terms.* As to the financial results, none of them are yet at work, and therefore we can prepare no statement showing what the result will be.

12,197. My question was directed to the past railways that the Goverment have completed?—I thought you spoke particularly of the new terms; do you mean the guaranteed companies, the old companies that are still working?

12,198. Yes; would it be possible to give the financial results of the old companies that have been taken over by Government?—Yes, but has not Mr. Jacob already given that to the Commission?

12,199. (*Chairman.*) As to the terms; my recollection is that Mr. Jacob has given us the information?—I thought so. As to the railway system generally, I think he has given you full information about the guaranteed railways.

12,200. (*Sir William Wedderburn.*) As regards other feeder lines before this new arrangement?—The term feeder is applied to lines constructed under the resolution of 1893 and subsequent resolutions.

12,201. But have there been any formed lines, even if that term was not used, have there been any branch railways of this kind constructed under similar circumstances?—Yes, I think you have already received an abstract of the contracts with the companies, and in some cases extensions have been made: but they are constructed by the same railway companies which have made the main lines, and are not those to which the term feeder railways is now applied.

12,202. Then with regard to sub-paragraph B; the Government some years ago waived their right to purchase the Great Indian Peninsula, the Bombay and Baroda, and other guaranteed lines, in return for a modification of the contracts with the companies, and I should like to ask these questions; what is the yearly loss arising from this waiver; what is the yearly gain from the modifications in the contracts; and for what price might Government have purchased in 1875, and what is the probable price when Government can next exercise their option?—As regards the yearly loss or gain to the revenues of India on account of modifications of the contracts, we can show, if necessary, the charge paid year by year since that date to these railway companies; but that is not a representation of the loss or the gain, because it is impossible to say what the Government would have received had it worked them as State railways. Fresh contracts have been made with the companies which have undertaken to work purchased lines, and it is impossible to frame a hypothetical statement of what the charge would have been if those contracts had not been made. And as regards the loss, the effect on the money market of the Government declining to exercise its option of purchasing the line in 1875, cannot possibly be stated. No one can say what would have been the value of the shares of the railway if the Government had not publicly announced that it was not going to enforce its right of purchase. Also it is impossible now to say what will be the value of the shares at which the Government will have to buy the three remaining lines when their contracts expire.

12,203. Sub-paragraph C. Why was a guarantee given to the Bengal Central Railway? and why is it classified as a State railway when it is the property of a company?—The Bengal Central Railway Company was formed under a contract dated July 26, 1881, for the construction of a line from Calcutta to Khulna, and from Ranaghat to Bongong. The Company was to raise 1,000,000*l.*, and more if necessary. The Secretary of State was to pay 4 per cent. on any sum or sums not exceeding in the whole 1,250,000*l.* till the lines were open for traffic, but not beyond June 30, 1886. Out of the net earnings the company was to receive 5 per cent., and any surplus was to be divided equally till the Secretary of State's advances were repaid, after which the company would receive the whole. Purchase might be effected in 1912 or 1932, on paying 25 per cent. bonus over the capital expenditure, the total payment being limited to a maximum of 1,812,500*l.* The company raised 500,000*l.* share capital, and debentures for 250,000*l.* were issued by the company in 1883 and 1884 at 4 per cent. In 1882 the Eastern Bengal Railway Company entered into a contract with the Bengal Central Company to work their line, and, on the purchase of the former undertaking by the Government in 1884, the management of the working was continued by the Government. The expectations of profits not having been realised, and the position of the company being such that the Government feared it would prove damaging to the prospects of railway construction in India, and perhaps even to the credit of the Government itself in the money market, a fresh arrangement was made in 1885–6, by which the government guaranteed 5½ per cent. on the share capital (not exceeding 1,000,000*l.*), and took over the debentures (on which until paid off 4 per cent. would still be payable), allowed the company one-fourth of the net receipts (out of which the excess over 3½ per cent. of interest on debentures would be payable to the Secretary of State), and acquired the right of purchasing the line in 1905, or any succeeding tenth year, by giving back the capital expenditure at par. These terms were embodied in a fresh contract dated January 5, 1887. In 1887 the company raised a further 250,000*l.* by debentures at 3¼ per cent. In 1889 the whole of the 500,000*l.* debentures were discharged by advances being made to the company by the Secretary of State, who charged 3¼ per cent on the money. The company have recently given notice to terminate the working agreement at the end of this year, and to work their line themselves. That is a statement of the position of the Bengal Central Railway Company, and I think the answer to the question is that the estimates and calculations on which the company had been formed had proved perfectly illusory; that the Government were under their contract liable to buy the company out at a heavy price afterwards; that the position was, as it was expressed, likely to be damaging to the construction of railways by the Government; and that therefore it was thought better to make a fresh arrangement which should guarantee to them what was then a moderate sterling rate of interest, and get rid of the heavy bonus that was to be paid on purchasing the company out eventually.

12,204. And it is classified as a State railway, because substantially it is now the property of Government, I suppose?—It is a matter of convenience to treat it so in the accounts, instead of treating it as an exceptional railway by itself; but as regards the contract the ownership rests with the company, and therefore a footnote is put into the notes to express that.

12,205. Then with regard to sub-paragraph D., does not the system of declaring surplus profits and paying extra dividends to shareholders on the Great Indian

* *See* Appendix 42.

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Peninsula Railway result in serious loss to Government, as shown in "The Economist" of the 27th July 1895, where it is pointed out that in 1894 the shareholders received 16*s.* 4*d.*, over 5 per cent., while the State suffered a loss of Rx. 887,500; would this loss have been reduced to 583,500 Rx. if the surplus profits had been declared yearly? Could the change be made under the existing contract from half-yearly to yearly?—I have not verified the figures, but I have no reason to doubt that they are accurately stated. The privilege of the company under their contract in having the dividends declared half-yearly and the surplus profits shown thereon, is a considerable advantage to them, owing to the fact that in one half-year the line frequently does not pay sufficient to cover the interest, but the Government have no power under the existing contract to alter that arrangement.

12,206. Then that has been very advantageous to the shareholders and disadvantageous to the Government. Was the Government aware of that? Do you know whether it was done with a knowledge of that effect that it would have?—I doubt whether it was foreseen. The contract was made in the time of the East India Company, and I doubt whether enough was then known about it; but a similar provision has been avoided in contracts of recent years. Now the surplus is declared on the annual profits, not the half-yearly profits.

12,207. (*Chairman.*) I understand that the Secretary of State is not responsible for this result?—No.

12,208. He really is bound down by the contract made by his predecessors the East India Company?—Quite so; by the East India Company.

12,209. (*Sir William Wedderburn.*) But was it not renewed in 1875 after it had come under the Crown, was not that provision continued then?—It was not then altered; no fresh contract was made in 1875; all that was done was that the Government waived its right to purchase under a particular clause.

12,210. But the Government could then have negotiated a correction of that provision, could they not?—They could have negotiated for it, no doubt. I do not know whether it would have been of advantage. They would, probably, have had to give the Company something else in return; it might not in the end have proved advantageous.

12,211. (*Chairman.*) What pressure could they have put upon the Company at that time?—What happened at that time was that the Government promised to the Company that it would not enforce its right of purchasing the line after the expiration of the first 25 years of the contract. In return for that the provisions regarding the surplus profits were modified, and the Government thought at the time that they were getting an advantage. I think that now we see that they did give much more than they gained in return, but at that time it was not fully foreseen what the effect would be, and it was supposed to be an equivalent for what the Company gave up.

12,212. (*Sir Ralph Knox.*) What were the peculiar circumstances which led up to this different result in different half years?—In one half year the net earnings of the line in India are frequently insufficient to cover the full amount of the guaranteed interest, but, nevertheless, the Government must pay it; in the other half year, the earnings are more than sufficient to pay the guaranteed interest, and there are surplus profits of which the company receive one half. Although there may have been a deficiency in the first half year, that deficiency is not set against their share of the surplus profits in the second half year.

12,213. (*Sir Andrew Scoble.*) Is it not the reverse? the first half is the profitable one and the second half is the unprofitable one?—Yes. I did not mean to use the words first and second with reference to the calendar year.

12,214. The difference arises from the occurrence of the monsoon, does it not?—Yes.

12,215. (*Mr. Caine.*) Which stops the moving of the produce?—Yes, that is it.

12,216. (*Sir William Wedderburn.*) Table VII., paragraph 23; is it correct to say that the total increase in the net cost of civil administration is Rx. 5,517,276, including Imperial, Rx. 1,951,078; and Provincial, Rx. 3,566,198?—Arranged in the manner in which the table is prepared in paragraph 23, I have no criticism to make on the figures. The same objections that I made before would apply here.

12,217. Paragraph 24; is it correct to say that permanent political charges have increased by Rx. 337,459 during the last ten years?—Yes, on the same principle.

12,218. Paragraph 25; can you supply to the Commission a statement showing the estimate and the actual cost from first to last of the Gilgit Agency in the past, and what it is estimated to be in the future?—I referred to the Political Secretary to know if he could give me such a calculation. His answer is:—"When the Gilgit Agency was re-established in 1889 the cost was estimated at about 40,000 rupees annually, but in 1892 the operations of the agency were very largely extended. Annexed is a table showing the annual cost in subsequent years. The expenditure in 1895–6 and 1896–7 has been presumably much the same as in 1893–4 and 1894–5. It is impossible to forecast the future cost, as already considerable reductions are being made, and the transfer of work from the Gilgit Agency to another is under discussion. It is impossible to say what were the political charges for Upper Burma as originally estimated. Several years elapsed after 1886 before the outlying feudatories of Ava were brought under the British control. Boundary Commission charges are in their nature temporary, and incapable of being foreseen. The line between political and administrative charges is also being constantly shifted. Purely political charges on the Burmese frontier must fluctuate according to the course of events in China or in the French possessions, and it is impossible to anticipate the future expenditure." To that he added a table, which I will put in, which was prepared in India, and which shows the expenditure charged to British Indian Revenues on account of the Gilgit Agency since its re-establishment in 1889, giving a total in 1889–90 of Rx. 3,673; in 1890–91, of Rx. 5,379; in 1891–92, of Rx. 6,181; in 1892–93, of Rx. 112,907; in 1893–4, of Rx. 164,370; and in 1894–5, of Rx. 400,718. And I have made an extract from the estimates which are prepared in India, in which I give such of the charges for both Gilgit and Upper Burma as are distinctly identified, but in the case of Gilgit all charges for exchange compensation allowance, establishments, and contingencies, are included under the Cashmere Residency and other agencies, and therefore I am unable to take them out (*statement and extract put in*).*

12,219. Then, with regard to Table VIII., paragraph 26, I think there has been a return supplied by the Secretary of State for India bearing upon this, but I am not sure that it gives the full information?—It was one prepared in consequence of a motion made by yourself in the House, and I think it gives exactly what you wish. It came down to 1893–94, and I have had it continued now for 1894–95 and 1895–96, and I think that that gives the information that you desire.

12,220. Does this return show the money received from railway companies?—Yes, it is divided in this way. The disbursements show the discharge of debt, the payments to Indian railway companies, and other disbursements; and on the receipt side is the mode in which provision was made for those disbursements, first, by bills of exchange and telegraphic transfers on India; secondly, from debt incurred; thirdly, by bills on London purchased in India; fourthly, from bullion remittances and gold. Then there are grants from the Imperial Government in aid of expeditions, Mediterranean, Afghanistan, Egypt, and Soudan, and the total. As regards the railway companies, the net withdrawals are shown, not the total amount, but the amount that was available towards meeting the disbursements of the Secretary of State.

12,221. Then as regards the Tables XIV., XV., and XVII., there are some remarks under paragraph 28, and I should like to ask, is not the term "Army effective charges" used in a narrower sense than it is ordinarily used by the Government of India, and is not the result to show increase of such charges as Rx. 178,527 instead of Rx. 465,298?—The tables are prepared in a somewhat different manner, and I have to express my regret if I have caused confusion to the Commission by it. The reason that I prepared them in that way was that I thought that, in investigating the payments in England, it would be desirable to show clearly how far they were incurred in cases in which the Secretary of State might exercise some control, as, for instance, purchases of stores; how far they were unavoidable, such as payments of superannuation allowances and furlough pay; and how far they might form the subject of consideration as to apportionment, such

* *See* Appendix 38.

as payments to War Office, transport, &c.; and in consequence my sub-tables regarding the charges in England are not in exactly the same form as those relating to expenditure in India; but the total is prepared in the same manner as that for the Indian expenditure.

(*Chairman.*) In what way do you mean, Sir William, that the description of army effective charges (I think you said) is narrower than in the other accounts to which you have been referring?

12,222. (*Sir William Wedderburn.*) In that paragraph some of the reasons are mentioned—paragraph 28?—In No. X. of my tables I divide the expenditure into interest and management of debt, railway revenue account, civil administration, India Office, army effective, furlough, non-effective, and stores. Sir William Wedderburn is quite correct in saying that in the ordinary use of the term "effective charges," furlough and stores should be included.

(*Chairman.*) Still that breaks up the account and puts it in a form that is very useful to us, I think.

(*Sir William Wedderburn.*) It is only to keep uniformity as regards the use of the term.

(*Chairman.*) Quite so; yes.

12,223. (*Sir William Wedderburn.*) Then as regards Table XVI., is not the reduction of Rx. 371,394 in military pensions only a matter of account?—Scarcely so. It is more than a mere matter of account. It was owing to a change of system in the mode of payment for the Indian portion of the pensions assigned to British officers and soldiers, by which a very large reduction was shown in the year 1884–5 owing to the capital payments no longer being continued, and a gradually increasing charge in subsequent years as the pensions increased.

12,224. (*Chairman.*) Yes, I think that has been explained by other witnesses?—It has.

12,225. The real fact of the matter is, if you take 1875–76 when it was Rx. 350,000, and assuming for the moment that was a normal charge in 1885–86, inasmuch as India had been forestalling her liabilities by paying in capital sums, when that came to an end she got the benefit of her thrift, if I may so call it, and as it were started afresh with a new pension system?—Yes.

12,226. Which, of course, naturally speaking, is a gradually growing one?—Gradually growing, as she was freed of all pensions which had accrued before 1885–86.

12,227. (*Sir William Wedderburn.*) As regards Tables XVIII. and XIX. and my paragraphs 29, 30, and 31, is it correct to say that the total net increase in the cost of exchange in 10 years is Rx. 11,156,204; and that out of this Rx. 8,914,350 is inherited and "automatic," I would call it, and Rx. 2,241,854 is "voluntary"?—For the reason which I gave before, I cannot accept that division of the exchange as being a fair one.

12,228. (*Chairman.*) You yourself make a difference between those charges over which the Secretary of State has no control and those over which he may have a control?—Yes.

12,229. But the difference between you and Sir William Wedderburn is that he makes a different apportionment between those charges to that which you would accept?—Yes. What he puts down as the net increase due to new expenditure, I would accept so far as it was voluntarily incurred since 1884–85; but I do not accept as such the increase due to expenditure resulting from what had occurred before 1884–85.

12,230. (*Sir William Wedderburn.*) And you mentioned one or two instances that you specially considered should not be treated in that way. Would you be inclined to make that answer a little fuller, and give a more general statement of your objections to our way of calculating?—I thought I had stated it fully; I do not think I have anything to add to what I have said.

12,231. (*Chairman.*) I think you have in answers previously in this day's evidence given the explanation of the division which you advocate?—Yes, that is what I mean.

12,232. (*Sir William Wedderburn.*) My reason for asking the additional question was that before I had only stated the general principle; and here we have actually shown the figures; as we bring them out according to our method of computation. Then paragraph 32; is the conclusion in paragraph 32 correct?—The conclusion in that paragraph is that, of the increase which has undoubtedly occurred, the part due to the automatic increase in the cost of exchange is about 5½ millions, and all the rest is attributed to other causes. I should say that the amount due to the automatic increase in the cost of exchange was very much larger. I think I calculated it at more like Rx. 11,000,000.

12,233. Could you put in a statement analysing these figures and putting them in the form that you would consider correct?—

12,234. (*Chairman.*) Is that in your table?—In a footnote I stated the increased charge of exchange. The question that is put to me is whether I could pick out from that sum the amount that is due to expenditure sanctioned since 1884–5. I am afraid it would be a very troublesome calculation indeed. I can easily tell the amount due to the increase of expenditure which has occurred since; and it can be reckoned in the way that you, Sir William, have put it, as showing the increase of exchange on the sterling amount that was in existence in 1884–5.

12,235. (*Sir William Wedderburn.*) What I rather meant was whether you would from your view of the case correct yourself?—I gave it to you as I picked it out since 1885–6. I have done it for that particular year, but do you want anything more than that?

12,236. I thought it would bring it better to an issue if you showed (these figures being not in dispute) what portions of these two total figures upon page 19 should be considered "automatic," and which portion should not?—The question would be whether I can take the expenditure for 1894–5 in sterling, and see how far the increase of that over 1884–5 is the result of measures that have been taken since.

12,237. Exactly?—I will try what I can do. The increase will be much greater, if taken from 1884–5, as it will include the charge arising from the augmentation of the European forces, and the new railways.*

12,238. Table XX., paragraph 33: A net decrease in ordinary debt is shown of Rx. 9,495,957, but should not 44,734,738*l.* increase in England be shown as Rx. 65,269,252, being the equivalent according to current rates of exchange: and should not 19,943,152*l.* transferred to the public works be shown as Rx. 28,133,680? If these corrections be made, would it not show an increase in ordinary debt of Rx. 2,848,029 instead of a decrease of Rx. 9,495,957?—I do not accept that way of treating the debt. It is a very complicated matter, and I have prepared a note which perhaps the Commission will allow me to read, but I do not know whether I shall succeed in making my point clear.

No true addition of £ and Rx. can be made without also including exchange. It is, however, sometimes necessary, for the sake of balancing the total account of Indian and English transactions, to add such sums together without including exchange; for it would obviously be fictitious and misleading to describe 2,000,000*l.* in the cash balance of the home treasury, as at one time Rx. 3,000,000, at another Rx. 3,500,000, and at another Rx. 4,000,000, because the exchange had altered. Or, instead of speaking of the sterling debt as 100,000,000*l.*, to describe it one year as Rx. 150,000,000, the next year Rx. 160,000,000, and the next Rx. 170,000,000. In order, however, to show that, when the amounts in India and in England are thus added together without exchange, the result represents neither sterling nor tens of rupees, it is the practice to omit the sign either of £ or Rx. before the figures, as is done in the last three columns of Table XX. The following is the practice adopted in the accounts:—Where specific sterling debt is issued for the purchase of a railway or for redemption of liabilities, it is treated as public works sterling debt, and a corresponding amount in sterling is included under "capital expenditure." Exchange is not added, because the transaction is simply incurring one gold liability and cancelling another, and does not involve a remittance from India.

With regard to the purchase of stores, &c., in this country for railway construction, the case is different. The money required each year should be remitted from India; and, although in practice this is not always done, it is, for the purposes of account-keeping, assumed to be so. Exchange is consequently added to this sterling expenditure to express it in rupees, and a like sum treated as public works rupee debt.

Your argument is that the raising of the gold debt set free the equivalent number of rupees, at not 2*s.* each, but the rate of exchange of the year, which otherwise would have had to be remitted to England; that the total

* *See* Appendix 43 and 44.

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debt should be considered as if it were all raised in rupees, and the English portion converted accordingly; and that the total would then be so largely increased, that the ordinary portion at the end of 1894–5 would exceed the amount on April 1, 1835, instead of showing a reduction.

Your method is, however, at least as much exposed to the charge of being illusory as that with which you find fault. It assumes that the Government was under an obligation to remit from India rupees in order to cancel gold liabilities, and could have effected such remittances at the existing rates of exchange. The transactions were for the most part effected, because, by borrowing in sterling stock, the Government was able in each case to cancel a heavier gold liability in the shape of an annuity, guaranteed capital stock, or debentures, or to avoid the issue of guaranteed debentures under a contract. Such transactions would not, and could not, have been effected if they had involved remittances from India. If in entering them in the accounts the exchange had to be added to the amount of sterling debt raised, it would be necessary on the other hand to show, in the transfer to the Public Works portion of the debt, a corresponding amount of exchange on the gold liabilities cancelled or avoided.

So far the final result would be the same; but the method of arriving at it would be much more cumbrous, and would involve a great deal more of assumption.

12,239. What portion of the Rx. 73,583,117 transferred to public works is productive?—That is a very difficult question to answer, owing to the amount spent on the railways and irrigation works which are still under construction, or which have only recently come into working. Taken as a whole, they do produce more than the 4 per cent., and, therefore, are productive, although in many cases there are individual works which have failed to come up to the expectation. I think Mr. Jacob has already given you evidence on that, and, I believe, he has satisfied the Commission that as a whole these works are productive.

12,240. Is it the object to limit the transfer to productive works?—No, the amount transferred includes all expenditure on works of the class of railways or irrigation works. The intention is to treat the account as if the whole expenditure on such works were either met from borrowed money, or, if partly met from revenue, as if that revenue had been applied to cancel debt and fresh debt to a corresponding amount had then been raised.

12,241. Tables XXX. and XXXI.: Does the reduction by Rx. 2,000,000 of provincial balances denote anything except deterioration of provincial finances?—It certainly does denote that the reserves of provincial governments are not so large as they were before. I do not know whether it is quite right to apply the term deterioration, because it may have been usefully spent on the province, and may have promoted the welfare of the province, but the financial position of the government is worse by that amount, no doubt.

(*Chairman.*) Are you taking the budget estimate, the figure Rx. 1,235,400, and comparing it with the balances in 1883, 1884, and 1886, which are considerably over 2,000,000?

(*Sir William Wedderburn.*) It is only compared with 1891, the 2,000,000.

(*Chairman.*) Table XXXI., I think, you were referring to, were you not?

(*Sir William Wedderburn.*) Yes.

(*Chairman.*) And then the balances are given from 1875; it runs 717,184, 324,719, 398,595, 721,182, and so on, till it comes down to the revised estimate of 1895, that is 1,647,100, and the Budget of 1896, 1,235,400: are those the figures upon which you are building your statement?

12,242. (*Sir William Wedderburn*) It was with reference to those tables, but I suppose a good part of that is not spent in the province but has been withdrawn by the Imperial Government?—No, as is shown in the last column of Table XXX., there was Rx. 405,000 withdrawn in 1894–95; but the reduction in the Budget of 1895–96 was not in any way attributable to action by the Imperial Government; it simply meant that the Provincial Governments expected to spend a very large amount of money out of the balances at their disposal for their own purposes, and it is a very common thing to find that in the Budget each Provincial Government expects to spend very largely, much more than it is eventually able to do. As a matter of fact, the large provincial and local balances, which were estimated at Rx. 2,343,354 on the 31st of March 1895, proved to be Rx. 3,381,728. The Budget provided for a very large expenditure for provincial purposes, and the Governments were not able to spend nearly so much; so that there was not nearly so great a deterioration as would appear from the Budget figures.

12,243. The only time was in 1882–83, when the contributions of the two previous years were returned; I think that is the only occasion?—And this year the Rx. 405,000 contributed in 1894–95 has been repaid.

12,244. (*Chairman.*) Do I understand rightly that the principle upon which you make up these accounts in order to bring sterling and rupees into line is this:—after you have stated the charge on a sterling basis, you leave it in England in sterling; you then state the rupee charge in conventional Rx., and you state separately the sum in Rx. required for exchange, but those two sums would have to be added together in order to convert the charge into sterling?—To turn it into tens of rupees you mean, do you not?

12,245. You turn it practically into sterling, do you not, you leave the sterling untouched?—You are speaking of expenditure in England.

12,246. I am speaking of these accounts where you have to bring in sterling and rupees?—Without exchange.

12,247. Without exchange; I want clearly to understand first of all, supposing there is 10,000,000*l.* sterling, you leave it 10,000,000?—Yes.

12,248. But supposing you have got Rx. 10,000,000, you state that Rx. 10,000,000?—Yes.

12,249. And then, under ordinary circumstances, or rather in old time, you would have added those two together and you would have arrived at 20,000,000?—20,000,000.

12,250. But at the present time in consequence of the exchange, that would give a very untrue result, so that you put nominally, do you not, that amount of exchange which would be necessary in order to convert the 10,000,000 into sterling. It might be in this case, I will put it roughly, another 7,000,000 Rx.?—No; in the case to which Sir William Wedderburn referred, and with which, therefore, I suppose, you are dealing, such a case as that of debt, we do not add any exchange at all. We first express the 10,000,000 in Rx. which is debt in India; under that we should put the 10,000,000*l.* in England, and we call the total 20,000,000, but we put no denomination against it.

12,251. Quite so?—But then we do not add exchange in such a case as that.

12,252. Oh, you do not put the exchange down underneath it?—No, not in such a case as that. The case in which the exchange is added is where there is a real transaction, such, for instance, as the purchase of stores for construction of railways, which are charged against debt. There we add to the sterling the amount of exchange to represent the sum in tens of rupees which had to be obtained to defray the actual cost, but where it is an assumed figure, as for instance, to show what are the total cash balances of the Government of India in India and the Secretary of State in England, the two are put together, if it is necessary, without any denomination.

12,253. And for that purpose the Rx. is considered equivalent to the pound sterling?—In such a calculation it is neither pounds sterling nor Rx., but if possible we avoid joining them like that. For instance, if you look at the statement of assets and liabilities in the explanatory memorandum, you will see that we give the two separately and make no addition. The assets and liabilities in India are stated in Rx. and those in England in pounds sterling, and the explanation at the end says that there is an asset in India of so much and a debt in England of so much, but it does not deduct the one from the other.

12,254. Uncovered debt in England 47,000,000*l.*, but in India there are surplus assets to the extent of Rx. 25,000,000, but I thought I had seen accounts in which the exchange is added?—No, exchange is not added in such a case as that to which you are referring. The point that Sir William Wedderburn took, and no doubt there is a good deal of force in his criticism, had reference to such a case as the debt statement in the Finance Accounts where the two are added together; the debt

in India is shown in Rx., the debt in England is shown in pounds sterling, then the total debt is added without any sign, and that no doubt is not an accurate statement, but it is the only way that can be adopted if it is necessary to make a total.

12,255. But you were mentioning just now that there were some cases, for instance, cases of purchase of stores, in which you do add in the exchange—actual transactions?—Yes, the actual transaction is represented there.

12,256. And I suppose you would add in the exchange, would you not, in the case of a loan borrowed in England, which is dealt with as if it were remitted to India, that is, that it is worth so many more rupees, the sovereign being worth 17 rupees, we will say you would in some shape or other take credit for 17 rupees?—The sovereign is applicable to the payment of 1*l.* in England, and we thereby avoid the remittance of 17 rupees from India, but we have no occasion to represent the 1*l.* as 17 rupees; all that happens is that the sterling amount for which rupees must be remitted is reduced, and against the total of, perhaps, 16,000,000 sterling, we say that we require to draw Rx. 30,000,000.

12,257. I thought in one of your answers, or in your memorandum, I had observed that you had said in a case, I think, of a loan raised here, you treated it as if it had been rupees remitted from India?—I do not think we should ever so express a debt in sterling. As I have shown you in the finance accounts, we have to add sterling and rupee debt together in that statement, but we put neither £ or Rx. before the figures, to show that it is not a real amount in either denomination.

12,258. But, perhaps, the difference about the conversion into rupees would be avoided if we had the accounts shown both as regards sterling and as regards rupees, so as to keep the two separate?—I do not think that is possible, because in theory we do not borrow directly in this country for public works. We guarantee interest on sterling capital to the companies, and allow them to issue debentures; and, if we subsequently assume those debentures ourselves when we purchase their undertakings or raise sterling debt in order to buy the works, so far it may be said that the debt has been incurred in sterling for public works; but we do not incur debt in England for public works in the same way that money is raised in India for the construction of State railways and irrigation works by the Government. I have recently had occasion to try if we could show in the accounts the amount that we have been obliged to borrow in this country for particular purposes, such as in the purchase of specific public works from companies, and we found that it was impossible to state it accurately; it would be a perfectly arbitrary account.

12,259. This account of assets and liabilities in the memorandum of the Secretary of State which you have been showing us, as an instance of the way in which you state sterling and rupees, ends with the statement that there is uncovered debt in England amounting to 47,000,000*l.*, but in India there are surplus assets to the extent of 25,000,000 Rx., stating among the assets railways constructed by the State and irrigation works 89,000,000 and 31,000,000 respectively; are those the sums which have been laid out on those railroads, or does that allow for any depreciation of works?—No, it is the recorded capital expenditure on the works.

12,260. Therefore it would not do to place too great reliance upon that balance sheet, inasmuch as, supposing railroads were made 30 or 40 years ago, you would have had to replace rails and renew buildings probably and all sorts of things; in the meantime both the original outlay and the renewals would appear among the assets?—No, the maintenance is always charged to the revenue account, and therefore the works are kept up in at least as good condition, probably in better condition than when they were first made, out of revenue, so there is no set-off to be made on that account against the capital.

12,261. You do not write off a depreciation every year, because you spend out of revenue sufficient to keep the property up into full working order?—Quite so.

12,262. In India there is a debt for obligations; what are those obligations, savings banks, and so on?—Savings banks are the largest head; there are some others on which Mr. Jacob has already given you evidence.

12,263. (*Mr. Caine.*) I would just like to ask on the question of railways, page 11 of Sir William Wedderburn's memorandum, in which he mentions the fourth disadvantage:—"A small and separate railway with "separate interests is planted in the middle of a great "system of State railways, and must ultimately be "bought out on terms less favourable to the State than "those on which it could originally have been built." I do not think you expressed any very strong opinion as to the constant and pressing danger of that disadvantage. Do you think that it is at all likely, or could you at all suggest the possibility of that happening?—I think that we have already had experience which shows that it may happen. There have been certainly many proposals made, which the Government of India has been obliged to refuse on the ground that they would materially interfere with the interests of the system of State railways in which these so-called feeder lines were to be placed; and in one or two cases where contracts have been made it has been necessary to make special provision in order to guard against any danger to the State line from the enterprise of the new company.

12,264. But there has been no instance that you can quote in which the disadvantages have been realised?—These feeder lines are entirely new, and the results yet have to be seen.

12,265. Are the Government of India well aware of it, and have they guarded against it?—Yes; a great deal of the difficulty has arisen under the rebate system, owing to the necessity on the one hand for providing the new company with a sufficient remuneration, and on the other hand of taking care that it is not simply drawing away the earnings of the State line.

12,266. Have you any experience yet of these feeders, as to how they are paying?—No, not yet.

12,267. None of them old enough yet, I suppose?—They are still in their infancy and have not yet been opened; Mr. Colvin's memorandum, which I read, states that none of them are yet at work. May I mention, before the Commission adjourns, that I was asked last time about the military funds, whether valuations had been made, and Sir Donald Stewart corrected me. He was quite right. I find in every case a valuation was made about the time that the Government were taking over any of the funds, military, medical, or civil, and in every case but one benefits were given in consequence of the result of that valuation, so that speaking roughly it may be said that we took over the funds at an equilibrium. There was one case in which there was a deficit, and the Government were unable to give any further benefits, but in all the others it may be said that the capital amount of the fund that was received by the Government, so far as actuarial calculations are valid, represents the charge as it comes on year by year.

12,268. (*Chairman.*) Quite so; therefore the only question that can arise upon it is whether the Government would be well advised in appropriating to current expenditure the capital sum which represented these liabilities?—Yes.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

(For the 26th Day's Evidence, *see* page 474.)

At the India Office.

TWENTY-NINTH DAY.

Wednesday, 29th July 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal Sir DONALD STEWART, Bart. G.C.B., G.S.C.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Sir T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

MR. COLIN G. CAMPBELL, *Secretary*.

Dr. K. N. Bahadurji.

29 July 1896.

Medical.

Dr. K. N. BAHADURJI called in and examined.

13,409. (*Chairman.*) We are much obliged to you for coming up to-day; I am afraid we have put you to some inconvenience, but it was really the last opportunity we should have of inviting you to give us your opinion. I think you have put in a paper expressing your views on the subject?—Yes, my lord.

13,410. And I shall ask you generally, as the most convenient course, that you should take that paper and make us a statement on the subject of your views. No doubt that will give an opportunity to different members to ask questions as the examination goes on. There is nothing to which I think we could take exception in your paper as coming within that rule of the Commission, that they will not deal with individual grievances, therefore no doubt you will confine yourself to your views on the general reform of the medical service?—Quite so.

13,411. I see your first point is that you advocate an amalgamation of the two medical services in India, namely the Army Medical and the Indian Medical Service. Perhaps you will give us the reasons upon which you found that recommendation, calling our attention, no doubt, to any supporting evidence which you have in favour of it?—The amalgamation of the two services would be beneficial from a military point of view so far as the efficiency and discipline of the army are concerned, and, at the same time, result in large economies. This I urge on the *a priori* ground that the British Army being only one organisation, and the Indian Army being but a mere wing of the British Army, it hardly seems right or reasonable that there should be two medical departments for a single organisation, and it is clear that such a double administration would lead to a good deal of departmental clashing and inefficiency. It was only last year in my study of the question that I came upon a Parliamentary return respecting medical officers in India, in which I found that the whole case has been gone into very fully by competent authorities, such as Lord Strathnairn, our present Commander-in-Chief (Lord Wolseley), Sir William Muir, and the Government of India. In that return I found, from their letter dated November 1877, that the Government of India themselves admitted that this double system led to a great deal of inefficiency and extravagant expenditure.

13,412. (*Sir Donald Stewart.*) Would you mind my interrupting? You are talking of a state of things that does not any longer exist?—I am talking of a state of things that in part still exists, if you will allow me to say it. I wish to go into the history of the question a little, and show first how far the double system has been already done away with, so as to better understand how far the double system still exists. At first, in both the branches, the administrative and executive, of the two military services, there used to be a double system. In his minute Lord Wolseley has worked out how far the amalgamation could be effected, and on what grounds, and with what economy. He has dealt with the question in both its administrative and executive branches, and has pointed out that the best way to calculate the required number of medical officers for the British army, including Indian and British troops, was to do it on a fixed basis of one officer to so many men, and he came to the conclusion that, if the two services were amalgamated, there would be a reduction of something like 250 officers, leading to a saving of 20 lacs.

13,413. (*Chairman.*) I see in your paper here you say that the late Finance Commissioner quoted the figure of 17½ lacs?—Lord Wolseley's figure was 20 lacs. 17½ lacs is the figure the report of the Finance Commissioner quoted from the report of the last Army Commission, in which are pointed out, under distinctive heads, economies that could be effected by the amalgamation of the administrative, by the amalgamation of the executive, branches of the two services, as well as some other minor savings as from the abolition of Netley for the Indian Medical Service. In the administrative branch, amalgamation has taken place; in fact, it has practically worked itself out; but, in the executive branch, amalgamation has not yet taken place, and it is in the executive branch, that I quote the saving which would be effected, if the amalgamation were carried out; and that is put down in the Army Commission Report at 17½ lacs, and quoted at that figure by the Finance Commissioner. As is contended by the Government of India and Lord Wolseley, the amalgamation of the two services would be to the interest of the army, inasmuch as in times of war the existing system is reversed, and amalgamation takes place; and it would be to the advantage of the army to have the same arrangement in times of peace so as to enable medical officers to know something of both the troops, Indian as well as European. Moreover Lord Wolseley says that there are stations——

13,414. Would you allow me to interpolate at this point. There are two services, one called the Army Medical and the other called the Indian Medical?—The Army Medical and the Indian Medical.

13,415. The Army Medical is that which belonged to the European army?—To the European army.

13,416. While the Indian medical is that which attends to the Indian troops only?—To the Indian troops only.

13,417. They are not in any way connected with the civil medical branch?—The Indian Medical has a civil branch consisting of military officers lent to the Civil Department. To continue, Lord Wolseley argues that there are stations where there are both European and native troops stationed, and seeing that the native troops hardly required the aid of an European medical officer, almost all their wants being attended to practically by the native hospital assistants (who really stand on a par with our old licentiates of the Apothecaries' Society here), European medical officers for native troops in stations where there are European as well as native troops, could be well dispensed with. He points out one difficulty, namely, that, although European medical officers may not be required for the purpose of looking after the wants of native troops; they would be required for the European officers attached to the native troops. But he solves that difficulty by pointing out that the European officers of

native troops could be well attended to by the British medical officers in charge of European troops at the same stations. The amalgamation of the two services ought to be carried out in the executive branch, as it has already worked itself out in the administrative branch. As it is, all officers doing military work with European or native troops, are now under the command and the authority of the Army Medical Service. Practically, therefore, it is really one service, only some are called Indian Medical Officers, because their whole tour of service is in India, and look after the Indian troops only. As Lord Wolseley says, there is no necessity, whatever, for a double enlistment. If we had one enlistment only, the Army Medical Service would look after both the European and the Indian troops. The members doing service in India, no doubt with pay and conditions now enjoyed by those in charge of Indian troops only, would form, practically, an Indian section of a Royal Medical Service, looking after the wants of the whole British army.

13,418. Perhaps you would tell us, as shortly as you can, the manner in which this economy, which I think you prefer to put at 17½ lacs is attained?—That is the latest calculation.

13,419. Tell us generally how that is attained?—That is taken in this way. Supposing for a moment that there is a station where there are two or three native regiments; it would require under the present circumstances as many doctors as there are regiments. By the proposed change, in stations where there are native regiments as well as European regiments a certain proportion of medical officers would disappear, because the doctors belonging to the British troops could very well look after the wants of the native troops. Lord Wolseley points out in his minute, I think it is in paragraph 20 how 71 officers could be at once reduced at stations where there are more than two or three or more regiments in each station, for, as he says, and very rightly, there is hardly work enough for a man with even two or three regiments in a station. There is no reason to entertain three or four officers, or as many officers as there are regiments, in the station.

13,420. Where is Lord Wolseley's minute published?—it is published in papers respecting medical officers in India; it is a Parliamentary return.

13,421. (*Mr. Jackson.*) What is the date of it?—His minute is dated 1879.

13,422. (*Chairman.*) Do you know the date when it was laid before Parliament?—It must be 1879, I think.

(*Sir Donald Stewart.*) That is an old story.

13,423. (*Mr. Jackson.*) I wish to ask one question about this. Are we to understand that the opinion of Lord Wolseley, which has been quoted, applies, or would apply, to the existing state of things?—It would apply to the existing state of things, so far as the executive branch of the service is concerned.

13,424. But, when he expressed the opinion, a different order of things prevailed?—The administrative branch also was double; that is done away with.

13,425. (*Chairman.*) I think it is very desirable that you should, if possible, bring your statement to the present time, and show how it would affect the present time. It would make your evidence very much more effective if you could do that?—I quite agree with you. My statement does apply to the present time, in reference to the executive branch. The Army Commission show a saving in the administrative branch, but as it has been amalgamated, that particular saving I do not take into account; I simply take into account the saving in the executive branch, which was quoted, so late as 1886, by the Finance Commissioner, and I do not think that this particular saving has been effected. I have asked several Army Medical officers, as well as members of the Surgeon-General's department, as to whether any action has been taken with regard to the executive branch, and they have replied in the negative.

13,426. (*Sir Donald Stewart.*) Could you give us a statement showing the garrisons at the different stations, where these economies could be brought about by your method?—I would not undertake to do that myself, but would simply refer to the work of the Army Commission itself; they have gone into the whole question and have put down the figures for us.

13,427. (*Chairman.*) The Army Commission to which you refer is that, the report of which was laid before Parliament in 1884?—I think so; yes, that is it.

13,428. (*Sir Donald Stewart.*) But things are not now the same as they were in 1884?—I would draw your attention to page 140, where the whole thing is summed up, and the Commission say that in the administrative branch the saving would be Rs. 6,12,600; in the executive branch, Rs. 17,22,000; hospital establishments, Rs. 1,43,000; by abolition of Netley, Rs. 70,000; total, Rs. 25,47,600. In the administrative branch, which is referred to, there used to be two surgeon-generals, two deputy surgeon-generals, and a double set of other administrative officers. This double set has been done away with. The rank of brigade surgeon was introduced on the recommendation of the Army Commission. The amalgamation reform has been carried out in the administrative branch only, so far, of course, as I can understand by my own lights and from information received from some army medical officers. But the executive branch has not been touched, and this it is that is referred to in the last Finance Commissioner's Report of 1887.

13,429. (*Chairman.*) And that has never been touched?—That has not been touched. The report of the Finance Commissioner refers also to the station hospital system. Lord Wolseley is of opinion that the station hospital system would give a further reduction, just as it did for the European army, and the saving by the introduction of station hospitals is put down at 4½ lacs in the Finance Commissioner's report.

13,430. But before you go to the station hospitals, I see this report adopts the saving of 17 lacs?—17 lacs.

13,431. And you hold that there has been no change made in that respect?—Not in that respect.

13,432. And, so far as this is a report which on consideration might be worth carrying out, there remains a saving of 17½ lacs which might be made?—Quite so, and that is the opinion of the late Finance Commissioner also.

13,433. And you also tell us that the reform that might be made, is that which is shadowed forth and detailed in this report, and which works up to a total of 17 lacs for the executive medical officers?—Yes.

13,434. You were passing on to the station hospital system?—With regard to the station hospital system, there is no doubt a great deal of difference of opinion. But so far as I could read the opinions of Lord Wolseley and the Finance Commissioner's recommendations, it seems that station hospitals are, if anything, more necessary and suitable for native troops than for British troops, and Lord Wolseley goes into details on the question. Of course it has been said that the native troops always like to know their officers, and that this is one of the principal reasons why the regimental system is still adhered to. But when you come to think of the fact that the native troops are mainly attended to by the hospital assistants, and not so much by the European officers, the argument that they are always anxious to know their own officers and be intimate with them, does not hold ground. I know this is the principal reason—I read it again only last Friday in the *British Medical Journal*, and it seems that the inquiry is still proceeding in India—why the regimental system is still adhered to, and is desired to be adhered to, because with the station hospital system they would not have the same opportunity to know their own officers; the station hospital being the hospital for any regiment that may happen to be quartered in that particular station.

13,435. I understand from your paper that the station hospital system has been adopted for British troops?—For British troops.

13,436. With a pretty considerable saving?—With a pretty considerable saving.

13,437. And your proposal is that it should be extended to native troops also?—Yes, and, if I may be allowed to add, I would like the Finance Commissioner's recommendation to be carried out, namely, that it might at any rate be tried at Madras where the disposition of the army, as he says, favours the adoption of the system.

13,438. (*Sir Donald Stewart.*) In what respect is Lord Wolseley considered an authority upon such a question as the medical charge of the native regiments?—I cannot presume to give any opinion on that.

13,439. You quote him as an authority?—I quote him as an authority; and I thought at least he would know the wants of the army much better than myself, and I availed myself of such authorities as I could find.

13,440. It seems rather strange that you should go to Lord Wolseley for the consideration of a matter of this sort. Have you ever heard the opinion of officers who have served in native regiments?—I have heard of their opinions, but the only thing that they have said is that, however much it may be useful for the British troops, it is not useful for the native troops. That is scarcely an

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answer which I could accept. Lord Wolseley actually goes into the reasons why he thinks that a station hospital would be more favourable for the native troops than for European troops. I never got any explanation of the contrary opinion.

13,441. What are those reasons?—The reason is that the station hospital system would mean really the giving over of the care of native troops to the people who now actually look after them, namely, the hospital assistants, the European officers in the station being available for consultation with them in special cases.

13,442. (*Sir Andrew Scoble.*) I should like to ask you one question. Every native regiment has its doctor, has it not?—Yes.

13,443. From the Indian Medical Department?—From the Indian Medical Department.

13,444. Who is very frequently an European, sometimes a native of India?—Yes.

13,445. Every regiment has its own hospital at present, has it not?—Yes.

13,446. Am I to understand you to say that the medical officer neglects his duty—leaves the charge of the native hospital for the native sepoys to the native medical assistants?—You misunderstand me. He does not neglect his duty at all, but what is said is that there is hardly any work for him.

13,447. Because, you say, it is left to the hospital assistants?—The hospital assistant looks after the patient in the first instance, and when there is anything particular to which he would like to draw the attention of the European officer, he does so.

13,448. Does not the medical officer of the regiment attend the hospital regularly?—He does.

13,449. And looks after the cases himself, and gives his instructions to the native hospital assistants as to what they are to do in regard to particular patients?—But there is hardly——

13,450. But is that so or not?—That is the general view.

13,451. (*Sir Ralph Knox.*) But your argument is that there is not enough in one regiment for the European officer to do?—Yes.

13,452. He ought to do the work of two regiments?—Yes, of two or three.

13,453. (*Sir Donald Stewart.*) But in what respect is the duty of a medical officer in a native regiment, in regard to the treatment of his patients, different from the duty of the medical officer of a British regiment in regard to the treatment of his patients; has the latter not also apothecaries and assistants?—He has apothecaries and assistants; but, so far as I know, the British troops are generally looked after by the British officers themselves, and these apothecaries who are their assistants do a sort of dispensing and general work. Not so, the hospital assistants; the hospital assistants are given more professional work than is given to the hospital apothecaries in the British regiments.

13,454. Is it not precisely the same case in the native regiments?—Not so far as I know.

13,455. Are you talking of your own knowledge?—I am talking of my own knowledge, and what I have actually read in Lord Wolseley's minute.

13,456. (*Sir Andrew Scoble.*) But you are not in either medical service yourself, are you?—I am not in the British or the Indian medical service.

13,457. You are a private medical practitioner in Bombay?—I am a private medical practitioner in Bombay.

13,458. You do not speak from actual experience of a British or native military hospital?—I speak of actual experience in so far as I have had occasion to treat military men of the Marine battalion.

13,459. Who have gone to their own hospital?—Who may have gone to their own hospital—at least, they may have taken their round there. If you have any Indian experience you will have heard that Indian servants will go to the hospital simply because they are compelled to go. They will bring their bottle of medicine, but all the same they will go to their quack or their particular family attendant in whom they have faith; and that is exactly the prejudice and the practice of men in the native regiments. They would rather go to their hospital assistants and be advised by them than trouble the European medical officer. Why, in the general hospitals the same thing often happens, as I know from my four years' connexion with a general hospital.

13,460. (*Sir Andrew Scoble.*) The same objection would apply to the station hospital, which you want to create, as to the regimental hospital, which you now condemn?—The objection would be very much minimised because of the work being so very little for the medical officers of the native regiments; we want their number to be reduced.

13,461. No. I am speaking of the case you mentioned—of a native patient preferring to go to his own doctor—I do not call him a quack—but to his own doctor rather than to the official doctor; would not that objection apply in the case of a station hospital just as much as in the case of a regimental hospital?—The same prejudice will remain, of course.

13,462. (*Chairman.*) While you are speaking of Lord Wolseley's minute, this report, in which the 17 lacs is mentioned as a possible reduction on the executive medical officers, goes on to speak of 1½ lacs saving on the hospital establishments. This appears to be a recommendation of the Commission, and dating later than Lord Wolseley's minute, would it not be better, in view of the criticism made in the questions that Sir Donald Stewart has asked, to make that your text than Lord Wolseley's Minute?—This 4½ lacs is not the figure Lord Wolseley worked out; he has worked out no figure for a saving on station hospitals. This 4½ lacs is the figure which the Finance Commissioner quotes from the Army Medical Department. I do not know where he gets it from. In the Army Commission Report I find they did not go to the length that the Finance Commissioner would like them to go. That is why the 4½ lacs appear as 1½ lacs in their report. What the Army Commission recommended, is that they wanted only some of the superfluous hospitals and superfluous subordinate staff to be removed, and thereby effect a saving of 1½ lacs. Then with regard to the abolition of Netley. The grounds that are given in the Army Commission Report, and which I ventured to give in my summary, are grounds which would appeal to all. For if Netley is to be maintained for the purpose of giving special instruction in some professional subjects, and also to give instruction in the special subject of tropical diseases, then I maintain that the instruction in tropical diseases would be better given, and the experience thereof better acquired, by placing medical officers on their arrival in India on general duty at the civil hospitals. With regard to the special professional subjects which are taught in Netley, we all know that the medical examinations of the various boards and universities differ. There is the general course of medical curriculum which is gone through in all the colleges, but there are also extra courses given to meet the special requirements of the various boards and universities. If the competitive examinations were to include these special subjects which are taught at Netley I dare say the candidates would come prepared for them by taking up subjects at their own medical schools. In fact the special subjects of pathology and air analysis and the rest, which are taught at Netley, are really subjects that form part of the curriculum of advanced medical studies in every medical school, so that the grounds on which the continuance of the Netley course is maintained are hardly tenable.

13,463. (*Sir Donald Stewart.*) Are you aware that this very question was carefully inquired into by Her Majesty's Government here—by the War Department, the Government of India, and the Secretary of State—that all the arguments you have used were before those authorities, and that, after full consideration of the whole case, it was decided that the Netley course was to be continued?—I am aware of that, but, at the same time, I am aware of the justice and the truth of these reasons, and I believe in them myself; and that is the reason why I urge them again.

(*Mr. Caine.*) What was that the date of that inquiry, Sir Donald?

13,464. (*Sir Donald Stewart.*) Quite recently, within the last year or two; we were all against the continuance of the Netley course: I was myself, but the authorities, after considering the matter, took another view. I also think you will find that the station hospital system was introduced into the native army in India as an experiment, and was finally abandoned, because it was found to be impracticable?—I read only in the last number of the *British Medical Journal* that they have been trying it, and the only ground on which they say it is being found impracticable is that the native troops require a more intimate knowledge of their medical officers. Now, that is not in consonance

with one's experience of the prejudices, the feelings, the custom, and the practice of the native troops.

13,465. There was a difference of opinion upon it. I have served all my life with native troops, and I entirely concur from my own experience in the reasons which induced the Government of India to give up the system after really a very careful trial. Anyone who has served with native troops must know that, until a native soldier has had some considerable knowledge of his European officer, he does not put very much faith in him; but, if you can acquire his confidence, you can do anything with a native soldier?—That is perfectly correct so far as the combatant officers are concerned, but he has first to put his faith in the European system of medicine before he puts faith in, and desires closer contact with, European medical officers, as medical officers.

13,466. My opinion is that the principle applies as strongly in regard to the medical as to the combatant officers of the service?—I bow to your superior judgment.

13,467. (*Chairman.*) Then you propose to abolish Netley as far as the Indian service is concerned?—At any rate that might be done, as one of the things recommended.

13,468. In case you did that, you would have to get your medical officers from somewhere; you would go to the open medical profession?—No; the medical officers would be recruited by a military enlistment as at present. Only, instead of spending six months at Netley, they would go out to India at once, and be placed on general duty at civil hospitals in their stations for, say, six months, to give them the necessary opportunity for acquiring a knowledge of hospital diseases.

13,469. I suppose in that case you would draw the officers from the civil profession, without the Government making themselves responsible for their special training?—No; the enlistment will remain as it is at present. The only thing will be that after their competitive examination they will go out to India straight without spending six months at Netley.

13,470–1. (*Sir Andrew Scoble.*) And when they get to India they will be attached to one of the great local hospitals?—For a time.

(*Sir Donald Stewart.*) This argument has been before the authorities over and over again; it is precisely the argument that was used by myself and others. I am in agreement with that view; but it is a view that has not been adopted, and it seems to me that there is not very much use in our going into it now.

(*Mr. Caine.*) Perhaps, if we reported in favour of it, it might induce the authorities to take another view.

13,472–3. I observe that you make a total saving of 27 lacs?—I think, it ought to be 22½; that is a mistake in copying.

13,474. Now, perhaps, you would proceed with your next point?—With regard to the Civil Department, it may be looked at first from the point of view of its present constitution. By this constitution the Civil Department consists of military officers of the Indian Medical Service, who, in the terms of a Government letter, are simply lent to the Civil Department, till their services are required for war purposes. Now such a constitution of the Civil Medical Department must have a meaning in it; and that meaning is probably that it was for the purpose of providing a war reserve that the Civil Medical Department was made primarily military. But you will observe from the same papers that I mentioned to you just now, namely, the papers respecting medical officers in India, that, when that scheme was submitted to several authorities, both civil and military, for their opinion, it was most adversely commented upon. The Government of Madras and the Government of Bengal said that if the Civil Medical Service was to be purely for civil purposes and primarily for civil purposes, there was no occasion to make it primarily military. And the Madras Government went a little further and said, that "among the defects "of the system (of reserving all high grade civil appoint- "ments for members of the military service only) must "be recognised a want of stability, a want of strict identi- "fication with the interests of the natives of the country, "an exclusiveness, which renders it difficult to introduce "the natives of the country to the higher employments "of the service." And naturally so, for, if you look at the system followed in the Arts, the Law, and the Engineering Faculties, you will find that western education is provided in these colleges as in the medical schools. But to the scholars of these institutions all the highest appointments in the faculties are open. The professors of these schools are drawn direct from Oxford, Cambridge, or London or Indian graduates, and when natives are found equally competent and equally qualified, they are appointed to these places without any distinction of being members, or not, of any particular service. Now such a thing is not possible so far as the medical faculty is concerned, because according to the constitution of the Medical service every member of the profession, who desires to take any appointment whatever in the Civil Medical Department, in its higher grades, must be primarily a military man. Now to be a military man is one thing, but to be a professor, or to be a teacher, or a sanitary commissioner is quite another; for you can readily understand that the tests which are prescribed by the military regulations for an army enlistment, are not only intellectual but also physical. The physical tests are altogether absent from the qualifications required for admission to professorial or educational, or scientific appointments, and what has often happened is that a slight physical disqualification has prevented admission to the military service, and, therefore, also to the civil medical departments. Only last year, a very competent graduate of the Bombay University came over to compete for the Indian Medical Service, with a view, no doubt, to gain admission to the Civil Medical Department in India; he happend to have a fraction more myopia, that is to say, shortness of sight, than is prescribed by the army regulaions. The best surgeons in London told him and certified that his sight was as good as their own for all professional and practical purposes. But his eyes failing to come up to the standard of eyesight prescribed by the army rules, he was excluded from the competition, and having been excluded from this military competition, he is permanently disqualified from holding any post whatever in the civil medical institutions in India. The Government of Bengal urge also that "the local medical service "should be no longer primarily military, its chief function "being now civil." The Surgeon-General of Her Majesty's Forces complained that "the application of the principle "of one Military and one Civil Medical Service, acknow- "ledged by the Secretary of State, was maimed by quali- "fying conditions, whereby the proven errors of the old "were attempted to be perpetuated under a new system. "If real re-organisation is to be attempted—and that such "is needed none who are acquainted with the present "system will deny—it can be effected by no partial "measure. The division of civil from military duties "must be trenchant and distinct." These objections to this particular military constitution of the Civil Medical Department were advanced, no doubt, to protect the interests of the Civil Medical Department; but this constitution has been objected to, from military considerations also, by the War Office, for, though it has been anxious to have this amalgamation of the two military services, it could not consent to it because of this mixed constitution of the Indian Medical Service. According to army rules no officer who has done more than five years of civil work is eligible or considered qualified for any further military employment.

13,475. (*Sir Andrew Scoble.*) Is that so now?—Till only very recently it was so.

13,476. I do not think it was the case seven or eight years ago?—I do not know of British medical officers being allowed civil employ for more than five years.

13,477. I can tell you of cases of civil surgeons—military doctors—who had been in civil employ the greater part of their service, and had to rejoin the Military Medical Department?—Which service?

13,478. The Indian Medical?—Quite right; the Indian Medical has that constitution, and that is the constitution which is objected to by the War Department, because that constitution does not apply to the Army Medical Service; and there are other objections.

13,479. But are members of the Army Medical Department eligible for civil employment in India at all?—They are.

13,480. The Army Medical Department?—The Army Medical Department; they do hold civil employment, but only for a prescribed period. For instance, the doctor to the last Governor of Bombay but one was an Army Medical man.

13,481. That was personal staff; that is a very different thing?—But he was in civil employ.

13,482. On the personal staff of the Governor?—But, so far as I know, the War Office have always raised this objection, and the objection has been that the War Office would not agree to the proposal of the amalgamation under the condition suggested by the Government of

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India, for "the effect of the proposal would be to put a "stop to the continuous military training essential to the "efficiency of the service," and because, "the army "medical officer would not, in short, be the officer which "the existing organisation contemplated and whom it "is the object of the costly and elaborate system esta- "blished to provide for the army." I presume that the justice and force of the objections which the War Office raised then in regard to the efficiency and discipline of the army, remain to-day the same. The Army Medical Department in India are dissatisfied with the present system because, as you said, military officers after having done 15 or 20 years of civil duty are pitchforked, as they consider it, into military positions, for which they are not adapted. The immediate purpose of this constitution was really, as already explained, to provide a ready war reserve. Now the question is, whether that purpose has at all been effected or is likely to be effected by such a constitution. I will again quote official authorities. Surgeon-General Hadden declared that such a reserve existed only on paper and not in reality. The experience of the Chitral expedition showed that, although they had got a so-called reserve of 380 men in civil employ, the Government of India could only with difficulty take two men to send up north, and of those two men one was obtained from Poona and the other from Madras. The Civil Department is a department by itself, it cannot at a moment's notice give away its men. But, if the reserve argument were followed to its logical conclusion, it would come to this, that the colleges and hospitals and scientific and sanitary departments which were merely civil reserves, or war reserves, would have to be shut up every time the Government of India were engaged in military operations. Well, such a thing has never occurred, and it cannot occur. Then again, such a reserve is opposed to the original aims and objects, with which the civil institutions were founded; they were founded, as was said by Sir Erskine Perry, not for any governmental or executive wants, but for the cultivation of the science of medicine, for the promotion of human happiness. How, then, can the Government deliberately set to work to devise a system by which it is compelled to maintain these very institutions simply for the purpose of a war reserve? Thus the present military constitution of the Civil Medical Service, I maintain, has not discharged the objects or the purposes for which it was created, and has not only entirely failed in its principal object, namely, the provision of a war reserve, but has been altogether detrimental to the interest of the civil as well as the Military Department. Now, as to economies that can be effected in the Civil Department with increased efficiency. There are the special appointments and the department of general civil charges. The ordinary medical qualification is suitable or avails for the latter appointments, *e.g.*, a civil surgeon; but for such appointments as require special knowledge as those of the professoriat or sanitary commissioners, or analytical chemists, we cannot possibly hold a competitive examination to recruit a service to draw upon for these appointments; no professors are examined before they are appointed to their particular appointments. Taking first the general civil charges, such as civil surgeons, jail and vaccination appointments, and the subordinate appointments in civil hospitals, if we only adopt and extend the principles which the Government of India themselves have laid down for the filling of these posts, and which, I am sorry to say, and as complained by the Finance Commissioners, has not been carried out in its entirety, we would find that very large economies would result. The Government of India have laid down that amongst the civil surgeons there shall be a certain proportion of the uncovenanted service and a certain proportion of the military service, and also a few assistant surgeons. Now their pay scales are very different. The military men in these positions get 500 to 1,500, members of the uncovenanted (Civil) medical service, 300 to 750; and the civil assistant surgeons, 100 to 200. As far as their professional qualifications are concerned, the majority of them are on a par; they are graduates of universities, and the examinations of the Indian universities are not a bit inferior to those of most of the examining boards here. Most of our plucked students, some of whom would never have any prospect of passing in India—as I can tell from personal experience as an examiner—have come over here and to my surprise have returned to put up large boards saying they were L.R.C.P., L.R.C.S., &c. For an authoritative opinion on the subject I will quote the Crawford and Cunningham Committee. They mention in their report that Indian graduates have equal professional status with most of the British qualified men. Nay, more, they go on to say that some of them are better, and that therefore, if a civil medical service were established, they would give the preference to graduates of Indian Universities, be they Indian in nationality, or European, or Eurasian, rather than to the British diplomates. Now if that principle were followed and extended namely, if we were to open up and extend the uncovenanted medical service, and appoint to general civil charges members of this instead of the covenanted military service,—and it has been shown that the men have got identical qualifications, are equally capable, and have done work in these positions with the approbation of the Government, and with satisfaction to the public—we would find that, there being something like 262 such civil charges, we would get a saving of something like Rs. 9,43,000. And this method of appointment to general civil charges is a recommendation of the Crawford and Cunningham Committee.

13,483. (*Sir Ralph Knox.*) You really propose that the Civil Department should be separated altogether from the Military Department?—That is what I propose.

13,484. And you propose that the two military departments should be amalgamated?—The two military departments should be amalgamated.

13,485. (*Sir Andrew Scoble.*) If you propose that the Civil Department should be separated from the Medical Military Department, why should you not propose that it should be abolished altogether?—What is to become of it?

13,486. Are there not sufficient medical graduates in India to take medical care of all the civil population?—But what is to become of the Government civil institutions?

13,487. Reinforce them from any source, any outside source at all, either the Medical Department of the Government or from outside?—I quite agree with you; and that is exactly what I propose, viz., that the military element should be withdrawn from the Civil Department, and the Civil Department recruited for its own wants from the open profession either in India or in England. So far as the general civil charges are concerned, the Indian Universities, I maintain, will supply ample material for these appointments, but for the special appointments of professors, sanitarians, and analytical chemists, we will have to do exactly the same for a long time to come as we had to do, and are even now doing, for our arts, law, and engineering schools, namely, that we shall have to indent upon the British universities, for men competent to deal with these special subjects, at any rate till our medical education is put on the same footing and kept up to the same high level as in the Faculties of arts and law.

13,488. I should just like to ask you one question before you leave this part of the subject; you speak about special appointments, professorships in the medical colleges, sanitary commissioners, and analytical chemists to Government; have not those posts up to this time been fully competently filled by members of the Indian Medical Department?—I am very sorry to say, no.

13,489. (*Mr. Jackson.*) That is your opinion?—That is not my opinion, it is the official opinion; and, if you will permit me, I will just give you one or two quotations.

13,490. But do you mean that it is not your opinion?—It is my opinion also; but of course my individual opinion will not carry so much weight as would official opinion.

13,491. It is not only your opinion, but the opinion of others?—Yes. From the quotation I will read to you, you will see that the idea on which these appointments——

13,492. (*Sir Andrew Scoble.*) I thought you were going to give us the opinion of some authority?—That is what I am going to give you, the "Indian Medical Gazette," which is the service organ, in its issue of December 1893, says—"There are few things doing in the medical "school so much harm, or getting the Indian medical "service into greater disfavour than the assumption that "one man is equal to any professorship that may happen "to turn up at the time, suitable to the favoured indi- "vidual. The idea on which these appointments are "made, viz., that a medical man engaged in practice or a "teacher of one particular subject, can be at once trans- "ferred into a professor on a subject with which he is not "familiar, is, to say the least, preposterous."

13,493. (*Mr. Jackson.*) That is a newspaper article, is it not?—That is a newspaper article written in an organ of the Indian Medical Service.

13,494. You do not know who wrote it, I suppose?—I do not know; but I will give you the opinion of a principal of the college.

13,495. (*Sir Andrew Scoble.*) That is more important?—In 1889 the college principal wrote——

13,496. Which college principal?—Of Bombay.

13,497. Who was he?—Dr. Gray. He wrote to say that "it has often happened that, just as a professor became "expert in one subject, he was suddenly called upon to "teach another, of which comparatively he had an inferior "knowledge. This practice undoubtedly led, in too many "instances, to inefficient teaching." Now, if you permit me, I will give an instance of my own knowledge. Before 1889, the physiology teaching was of the most primitive kind. We have spent whole afternoons in personal microscopic work to examine the tissues of our body. The teaching in practical physiology in Bombay was found to be this. Some half a dozen miscroscopes, mounted with specimens, would be arranged on a table. The students passed them one by one, and the names of the tissues would be called out to them for their information. I happened to be an examiner at that time, and I found that I could scarcely pass more than nine men out of 80. It resulted in this, that the students of the college and the college professors petitioned the syndicate for a revision of the result. I was asked to make a report, and it all ended in this, that I was re-appointed examiner for three years running; and on the basis of my report a representation was made to the Government. The Government in their turn called upon the professors to explain, and the result was that the then professor of physiology was relieved of his professional duties, and another competent man appointed to his place, and a special room was converted into a laboratory within a month. That is exactly the complaint against the inefficient teaching which such a system entails. The idea on which these appointments are made is as I read from the Service Gazette, that the nearest available service man is fit for any vacant post and must have it. And what happened only some months ago? Analytical chemistry, as you all know, is a very special subject. When the chemical analyser went home, his assistant, a B.A., B.Sc., and M.D., of the Bombay University, who had done 18 years work as a chemist, applied for the acting appointment as analyst and lecturer on chemistry. The Surgeon-General said—I learnt this from the assistant, a personal friend,—"You are the proper man to do it, but I am so "sorry you are not a military man." And the place was given to the professor of pathology, who told me himself that he could no more do chemical analyses than he could fly; but he was asked to do it because it was said he had only to sign the papers. The assistant chemical analyser rather than serve under people, who on their own admission knew no analytical chemistry, resigned his appointment in sheer disgust. This is one of the evils of the system. For special appointments and also to carry out the best intentions of Government, and they started with the best intentions, and must have every desire to carry out those intentions, namely, to promote the cultivation of science and raise a scientific medical profession in the country itself, it is very necessary to obtain the services of experts, who may be Europeans or Indians, qualified in India or Europe. Such a system, I maintain, will lead to a large saving.

13,498. It would not lead to a large saving at once, I suppose, until you got the system into operation?—Undoubtedly it will be very gradual. The saving is thus obtained. Already in Lahore College there is a gentleman, a European, who graduated in Edinburgh, and who was, through the personal influence of the Lieutenant-Governor, put, as an exception, in one of these appointments, as a professor of physiology. He is one of the best professors they have got, but he is in the uncovenanted grade with a salary of Rs. 350, rising to 750 a month. He wrote to the Government of India to this effect:—"Here are my colleagues doing exactly the same work "that I do, why should they have a pay scale of 750 to "1,400 and even 1,800, and I only 350 to 750." They first wrote in answer that they were sorry they had no money. He wrote again to say, that, supposing he left the place to-morrow and they had to bring in a covenanted medical officer, they would have to pay him at the higher rate; where would they get the money from then? The answer was, that those rates of pay were reserved for military men. When people say that it will not be possible to get first rate men, I am inclined not to believe in that statement. I have asked my fellow students of University College, and other members of the London University, some of whom will be the future leading surgeons and physicians of England, "Well, would you not like to go out to India on a salary, say, of "400 to 1,000 with private practice;" and the reply is —"Certainly, if I knew for certain that I would get an "appointment." Let us consider the salaries that are paid to the Arts College professors in India; we have had men like Wordsworth and Harkness, and others of equal eminence, on a salary scale of 500 to 1,000. Only recently the services of Mr. Hankin, a scientist of European reputation, a chemist and a bacteriologist, were obtained on a salary of 800 to 1,000, whereas for the very same position which he occupies, the military officers draw 1,500 to 1,800. It is possible to obtain excellent experts on salaries paid to our Arts college professors, remembering that whilst the Arts college professors cannot amplify their emoluments from any other source, the medical professors can, because they will be allowed consulting practice. So that there would be absolutely no difficulty in obtaining good, I may say, first-rate, men at the salaries which are paid in the Educational Department. This system of appointing experts would lead to a fair saving, not only a saving, but, also to increased efficiency. And, moreover, it would be in keeping with the professions, and the aims, of Government and with the aims and objects with which these institutions were founded. The Government could have hardly realized the many evils of the present system when they were led to adopt it. It is against the principles of any civilised Government to utilise its educational department or foster medical education for the primary purpose of holding a military reserve. As Lord Wolseley says, when the Government of India received such advice they could not have gone to the proper quarter for advice. The Indian Medical Service would naturally say, "Oh, that is the "proper way for having a reserve." I will here give you one of the latest illustrations to show what sort of advice is often given, and necessarily acted upon, as the Government have to follow the advice of their paid advisers. Last year the Government of India desired to reorganise their chemical analyser's department on a scientific basis. This action was the outcome of attacks that were delivered upon the department by myself and Dr. Voelcker especially, who had come out to India at the instance of the Government of India. The then Lieutenant-Governor of the North West Provinces had imported Mr. Hankin for the department. Mr. Hankin's work has been very brilliant and very successful. The Government of India sent round a circular to the various Governments, asking their opinion whether or not the time had come, when they should effect a change in the organisation of the Chemical Analysers' Department and import experts like Mr. Hankin, or again revert to their old established usage, namely, to reserve these appointments for military officers of the army. The Government of the North West Provinces were naturally for their new departure. The Madras Government also, be it spoken to their credit, said the time had come when they ought to have specialists for these appointments. But the Government of India were advised to go back to their old system again. And on what grounds? The scientific ground that has been given is—and these are the words of the resolution I am quoting—That it seems doubtful to the Government of India if officers so recruited (that is to say, specialists like Mr. Hankin) would make as suitable lecturers in medical schools as medical officers of the army, which, in simple plain English, means that the Government of India are left in doubt whether specialists in chemistry would make as good teachers of chemistry as the mere ordinary medical practitioner, who has nothing but the ordinary class instruction and test-tube experience of the ordinary medical student. I believe strongly that if the case was properly represented to the authorities, and I have great faith in the justice, the fairness and open-mindedness of the Commission, they would not fail to see the justice and the desirability of the proposed reform. The reform is as much in the interests of the natives and the country, as of the Government. I am bound to say that, if there is any act by which the British rule has conferred the greatest blessing upon India, it is really the implanting of advanced medical science on Indian soil. The British rule, based as it is on principles of humanity and righteousness, could not have done it from any other object than the cultivation of medical science and the raising of a scientific profession in the country itself for the good of the country and its people.

13,499. (*Sir Ralph Knox.*) What are the principal duties of the Civil Department?—The principal duties of posts in the Civil Department are, like those of civil hospitals; physicians and surgeons such as pertain to posts in our civil hospitals here.

13,500. For the natives of India?—Yes, for the natives of India, but there are hospitals in which the natives of India as well as Europeans are treated.

13,501. In the general hospitals they are both treated?—In the general hospitals they are both treated, and there are special hospitals for natives as well as for Europeans in

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the large towns. The Civil Department has also to deal with jail, sanitary, and educational work.

13,502. (*Sir Donald Stewart.*) The only remark I have to make about it is the one I have made before, that all these questions of organisation have been gone into thoroughly by the Government of India, and they are engaging their attention even now?—I dare say.

(*Mr. Naoroji.*) You were in favour of them?

(*Sir Donald Stewart.*) I was in favour of some of the proposals.

The witness withdrew.

Adjcurned till Tuesday next, the 4th August, at 11 a.m.

SECTION III.

APPORTIONMENT OF EXPENDITURE IN WHICH BOTH GREAT BRITAIN AND INDIA ARE INTERESTED.

12th to 14th, 17th, 19th, and 26th to 29th (First Part) DAYS.
Q. 5705 to 7183, 8218 to 8717, 9265 to 9613, and 12,269 to 13,408.

(*See also* 30th Day (Section I.) Q. 13,641–13,681.)

At the India Office.

TWELFTH DAY.

Thursday, March 19th, 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING.)

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Major-General Sir EDWIN H. H. COLLEN, Military Secretary to the Government of India, and Mr. STEPHEN JACOB, C.S.I., Comptroller and Auditor-General to the Government of India, re-called and further examined.

Major-Gen. Sir E. H. H Collen, K.C.I.E.

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5705. (*Chairman.*) Sir Edwin Collen, we understand you are prepared to lay before us the views of the Government of India on the apportionment between the Indian and Home Governments of any payments in which the two Governments have an interest?—(*Sir Edwin Collen.*) I am.

5706. Papers on the subject have been circulated to us, namely, Despatch of the Indian Government, No. 70, dated 25th March 1890, with a memorandum attached to the despatch, and Sir Henry Waterfield's memorandum. Are there any other papers on the subject to which you would direct our attention?—I do not think so, but I should like, if I may, to look over the various despatches which have been sent by the Government of India, and give a list of any I think might be printed and laid before the Commission.

5707. Or perhaps if there are any others of those papers which have been laid before us to which you would particularly direct our attention, you would mention them?—Yes.

5708. I think that would be of much service to the Commission. I will take, first, payments made on account of the effective charges of Her Majesty's forces serving in India. These payments, though based on elaborate calculations of the various services involved, result in the simple form of a charge of 7*l.* 10*s.* per man, do they not?—Yes.

5709. The Indian Government think, do they not, that that is an excessive rate?—That is their opinion.

5710. In arriving at that conclusion, does the Indian Government accept for practical purposes the principle that India should pay the whole cost of that military establishment, or does it argue that the English taxpayer ought to bear a part of the charge of defending India?—It accepts the principle that India should pay, as she does now, for the whole cost of her military establishment in India. I do not understand the second part of the question to refer to the defence of India against an European enemy; if that is meant, I venture to think that the Government of India would argue that England, being vitally interested in the maintenance of the Empire of India, should contribute towards its defence in money, because the policy which might have led to the war would have been an Imperial policy.

5711. My question did not go so far as that. I wanted to clear the ground and to understand whether, for the purposes of our present inquiry, the Indian Government and the Home Government are arguing on the same platform, namely, that the English taxpayer should not be required to pay for the force necessary to defend India in ordinary circumstances?—In ordinary circumstances, no.

5712. Therefore, so far, we are arguing on the same basis?—Yes.

5713. And the objections of the Indian Government would be based simply on the view, not that England ought to contribute towards the expense of defending India, but that in the apportionment of the charges

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the rates, as fixed by the committees which have investigated the subject, are, in their view, excessive?—Well I might perhaps ask that the phrase "defending India" should be altered. I would rather say "maintaining the garrison of India," because the question of defending India, as I have just indicated, seems to involve a larger issue; that is to say, defending India from a foreign power, for instance.

5714. I want for the time being to eliminate the question of any great war and any very considerable expedition outside India, and I want my phrase to cover the ordinary defence of India?—Subject to the general contention of the Government of India that there is no true reciprocity, I should say that the Government of of India is always prepared to pay for the establishment of the army as maintained in India.

5715. With regard to the question of true reciprocity, we shall learn the grounds upon which India holds that opinion when we come to deal with the method of apportionment?—Yes.

5716. Therefore I need not dwell upon that point at present?—No.

5717. At all events, I think we should be agreed that, for the purpose of the present discussion, we accept the principle that India bears the whole charge of the military establishment, whether that establishment consists of Her Majesty's forces serving in India or of native troops?—Yes.

5718-9. And that implies that we must treat separately the question of forces employed on such expeditions as those to Abyssinia, Egypt, and the expeditionary force to Malta. Those are important considerations that we do not lose sight of, but which we will deal with separately?—Yes.

5720-1. We shall perhaps understand the ground of objection to the capitation rate of 7*l.* 10*s.*, if we learn first the services in respect of which the payment is made. Perhaps you would describe them to us?—No. 1. Capitation of troops embarked for India; No. 2, charges for depôts, Royal Horse Artillery, Field Artillery, Garrison Artillery, Riding Establishment, Royal Artillery, Cavalry and Infantry; No. 3, agency charges; No. 4, charges for men who have deserted, died, or who are discharged with less than one year's service; No. 5, maintenance of young officers on first appointment to regiments serving in India previous to embarkation; No. 6, cost of young officers of Royal Engineers while under instruction; No. 7, difference of pay of Royal Engineers, colonels, and lieutenant-colonels, &c.; No. 8, cost of training veterinary surgeons for India; No. 9, cost of examination of candidates for the India Medical Service; No. 10, educational establishments; No. 11, advance of pay to men embarked for India; No. 12, expenses of men waiting discharge, including travelling expenses of invalids; No. 13, share of cost of pay and allowances of staff of hospitals and discharge depôts and expenses of invalids except pay and travelling; No. 14, rebate on men returning from India; No. 15, deferred pay.

5722. Those are the 15 heads which result in this capitation rate of 7*l.* 10*s.*?—Yes.

5723. The bases on which the capitation rate should be calculated, have been long in discussion, I think?—Yes, they have.

5724. (*Sir Ralph Knox.*) The deferred pay, which is a large item, is outside the 7*l.* 10*s.*?—Yes, it is; I was reading the fifteen heads.

5725. (*Chairman.*) Could you tell us when and how the difference of opinion has arisen between the two Governments, the course which the discussion has taken, and the method in which the differences between the two Governments have from time to time been adjusted?—The differences of opinion have been of very long standing. They probably arose directly what were called King's troops were sent out to India, about the middle of the last century. It is evident that differences had occurred, as the Select Committee of the House of Commons of 1808 recommended the repeal of clause 128 of an Act of 1792, which enacted that "the "Company shall be chargeable with all recruiting "and other expenses incurred in England for regi- "ments in India," which in practice had been found so difficult to adjust, and substituted other provisions which might simplify the mode of stating the account, and consequently facilitate the treatment and early adjustment of the charges, and at the same time secure an equitable compensation for that portion of this expenditure. So that in those early days there must have been considerable difference of opinion on the subject.

5726. But, I suppose, practically, the difference of opinion which concerns us, is that which arose when the arrangement was reconsidered after the Mutiny?—That of course was the beginning of the present long discussion. The reasons for such differences of opinion were, I suppose, that the East India Company thought that the charges were excessive, as compared with the amount they paid for raising men for their own local forces. The East India Company had to bear the actual expenses of the support and maintenance of the British troops serving in India. After the assumption of the direct government of India by the Crown, a capitation rate of 10*l.* was adopted. This capitation rate was in force for nine years—from 1861-62 to 1869-70. During the Mutiny, India paid very large sums; 1,175,000*l.* in 1857-58; 2,110,669*l.* in 1858-59; 1,323,300*l.* in 1859-60; 1,379,330*l.* in 1860-61; 1,070,000*l.* in 1861-62. The strength of the depôts at the time of the mutiny, was 19,000 per depôt for all India, and even after the emergency had passed away the depôts were kept up at a very high figure.

5727. May I ask with regard to those mutiny charges, at what rate they were calculated? Were they founded on a rate per man?—No, I think not.

5728. An attempt was made to arrive at the actual cost here of those different services, and a bill sent to India for the amount?—I believe so.

5729. In what manner was the 10*l.* capitation rate arrived at? Was it the result of the recommendations of a committee or of controversy between the India Office and the War Office?—It was the result, I think, of Sir Alexander Tulloch's Committee. Sir Alexander Tulloch was the head of the Pension Department of the War Office.

5730. And he presided over a committee which arrived at the conclusion that 10*l.* per man was a proper charge?—Yes.

5731. Was the India Office represented on that committee, do you know?—Yes, I have not the exact constitution of the committee, but it must have been represented. In 1869 the War Office proposed to terminate the capitation rate, which had been arrived at by the committee which I have just mentioned, and to adjust the claims on actual charges. A committee was then appointed, presided over by Mr. Seccombe, and from 1870-71 to 1878-9 payments were made which, as far as I can judge, appear to have amounted to 9*l.* 11*s.* per man. In 1879-80 till 1889-90 it seems to have been on an average between 7*l.* and 8*l.* per man. With regard to the adjustment of the difference of opinion, I think, from the point of view of the Indian Government, the difference of opinion can hardly be said to have been adjusted, because as early as 1861 Sir Charles Wood laid it down that the capitation rate of 10*l.* which had been arrived at by Sir Alexander Tulloch's Committee was a temporary arrangement, and was not to be regarded as an admission that India could justly be called upon to pay charges which ought really to be borne by the English Exchequer; that was the declaration.

5732. Therefore, India accepted this 10*l.* per man subject to more exact calculation?—It was intended to be, as I understand, a provisional arrangement.

5733. Do you know at all on what that 10*l.* was founded? I observe you say that several years later it was proposed to abandon that method of calculation, and to substitute one based on actual charges. Was not the 10*l.* per man supposed to be based upon actual charges?—I think they were rather estimated charges. I have, no doubt, a portion of them were actual charges, and a portion of them estimated charges. Again, the Duke of Argyll, when Secretary of State for India, protested strongly to the War Office against the excessive cost of recruits for India; that was when the reports of Mr. Seccombe's Committee were under consideration, and this committee—Mr. Seccombe's Committee—in its first report brought prominently to notice the heavy charges attending the system of Indian depôts; also the India Office members protested in several of the reports against the basis of the calculation.

5734. Those India Office members being Mr. Seccombe and Colonel Jameson, were they not?—I think so. The Secretary of State for India did not accept the con-

clusion of Mr. Bouverie's Committee of 1875. I may mention in passing that in 1887 the War Office said that the basis of the effective charge against India was, and had been since 1875, calculations made by Mr. Bouverie's Committee; and the Government of India have constantly objected to the calculations which have been made by those committees. Lord Northbrook's Commission, which is really the last, investigated the matter on an arithmetical basis; but even on this basis they came to the conclusion that a very large reduction should be made in the payment to the War Office.

5735. In passing, can you explain what they meant by an arithmetical basis?—As I understand it, they did not go into the principles upon which the Government of India thought the charges should be divided; but rather they took the claims of the War Office and investigated them and in some cases reduced them—I have no doubt in some cases they enhanced them. The arguments of the Government of India were not laid before Lord Northbrook's Commission. And I may mention that subsequently, although he had when Chairman of the Commission recommended 7*l.* 10*s.*, Lord Northbrook, when he had the opportunity of seeing the whole of the arguments of the Government of India, suggested that a 5*l.* capitation rate was sufficient. That was in his speech in the House of Lords on the Home Charges.

5736. Was that much after the time when his Committee reported?—It may have been two years, I think; I am not quite sure.

5737. And at present the rate that is in force is that which was adopted by Lord Northbrook's Commission?—Yes.

5738. The rate during this time over which your sketch extends has varied considerably, has it not? It began, as you have mentioned, with 10*l.*; I think you said that after that it fell to something like 9*l.*?—Yes, between 9*l.* and 10*l.*

5739. Subsequent to that was there not a time when it was something like 6*l.* 10*s.*, and did it not end finally, on the recommendation of Lord Northbrook's Committee, at 7*l.* 10*s.*?—I remember there was a Committee, of which your Lordship, I think, was a member, which recommended 6*l.* 10*s.*

5740. I think the only share I had in the transaction was that some conferences took place at the Treasury when Sir Henry Ibbetson was Financial Secretary; they took place with him, and I think my name only comes in because I was the head of the Finance Department of the Treasury and was with him at the times that these conferences took place?—Yes, it was a conference, not a committee.

5741-2. The India Office had proposed that 6*l.* should be charged, and, I think, on the information then before us the Treasury made a suggestion at the time, but I think it was purely a temporary measure, that it should be 6*l.* 10*s.* That is my recollection, but I have not papers by which to confirm it. Therefore you do not think that India really ever paid much less than 7*l.* 10*s.*?—No.

5743. (*Sir Ralph Knox.* When that large sum of 400,000*l.* was swept off, the amount paid by India did not amount to much more than that, did it?—I do not quite remember the occasion which you speak of.

5744-5. Well, it was the adjustment which you just alluded to, in which Lord Welby took a share. You remember on the claims 200,000*l.* or 400,000*l.* was written off?

(*Chairman.*) Yes.

(*Sir Ralph Knox.*) Well, after writing that off, it left about 6*l.* or 6*l.* 10*s.*, I forget the exact amount, as the charge which was made for that specific year.

(*Chairman.*) That is to say, if the 400,000*l.*, which went over some years, had been exacted it would have raised the rate to 7*l.* 10*s.*

(*Sir Ralph Knox.*) Quite so.

(*Chairman.*) When that was written off, it left this reduced sum as the sum which was actually received?—

5746. Might I ask in what year that sum was written off?—It extended over some years, from 1870 to 1878?—(*Mr. Jacob.*) Yes, 1870 to 1878.

5747. (*Chairman.*) These conferences took place between 1877 and 1878?—(*Sir Edwin Collen.*) Yes.

5748. You have mentioned in the course of your answers the several committees. Would you tell us, if you remember, what Parliamentary Committees on finance sat during that time?—There was a Parliamentary Committee on Indian Finance during 1874—a Select Committee of the House of Commons.

5749. Yes, and is that the only one which sat during this period I speak of?—I do not recollect at this moment if there was another one.

5750. Was that the Committee which was known as Mr. Fawcett's Committee?—Yes.

5751. Then, besides that, you have mentioned to us the Committee over which Mr. Seccombe presided; did that sit for several years?—Yes.

5752. And it was on the recommendation, was it not, or with the approval, shall I say, of Mr. Fawcett's Committee, that an independent statesman was added to that Committee, in order to increase its impartiality?—Then there was a Committee known as Mr. Bouverie's Committee.

5753. Yes, it is in regard to that that I am speaking. But, as I recollect, the Parliamentary Committee said they learned with satisfaction that the Government had intended to put that departmental committee under the charge of Mr. Bouverie?—I do not remember that the Government of India ever gave that opinion.

5754. No, the Parliamentary Committee?—I beg your pardon. Yes.

5755. "Your committee have been informed in the "course of their inquiry that steps have been taken to "supply this obvious want, and that the Government "have secured the co-operation of Mr. Bouverie, a "former member of your House, as President of this "Committee." Therefore, we may take it that these were purely departmental committees, consisting of what I may call financial experts, up to about 1874, when the committee was enlarged and strengthened by being put under the presidency of a man of statesman's rank?—Yes.

5756. And did that committee under Mr. Bouverie sit year after year, do you know?—I think it sat for two or three years.

5757. But a committee to settle the basis of charge—the actual sum payable by India—sat every year, did it not?—I am not sure whether the committee sat every year.

5758. (*Sir Ralph Knox.*) When Mr. Bouverie's Committee sat for some time in order to work out a basis of calculation, it was supposed that that basis would operate over the years which were outstanding when settled, but they did not go into the details of calculation year by year. They fixed a general basis in order to work out, if possible, the idea of the Indian Government, to fix a capitation grant which, of course, would not vary, except with the number of men who were serving in India?—That was known, if I may say so, as Mr. Bouverie's Committee of 1875, but neither the Secretary of State nor the Government of India accepted the conclusions of that committee.

5759. (*Chairman.*) Then that was followed by a committee over which Lord Northbrook presided, was it not?—Yes, known as Lord Northbrook's Commission.

5760. And do you know in what year that Commission began to sit?—1879.

5761. (*Sir Donald Stewart.*) 1879-80 it began?—1879-80.

5762. (*Chairman.*) And that committee was practically a permanent committee until a comparatively short time ago, was it not?—Yes.

5763. That committee, I think, made a report as to what should be payable on the accounts of each year?—They made several reports.

5764. And what takes place at present? No committee, I think, is sitting now?—No.

5765. And the accounts are adjusted for the time being on the basis of the 7*l.* 10*s.*?—Yes.

5766. These questions at issue have, therefore, been discussed by a Parliamentary Committee in the first place, and secondly by departmental committees on which the Indian Government has been represented?—Represented by members selected by the India Office.

5767. May I take it then that the Indian Government would not make it the ground of their objection to the rate, that in fixing that rate India was not consulted, or that the recommendations of the committees on which

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she was represented were overridden; but that these departmental committees, consisting chiefly of experts, did not accept the Indian view to an extent which would satisfy the Indian Government?—I think the Government objected to the bases on which the calculations of the committees were made as being purely arithmetical calculations.

5768. In what form would the Indian Government have wished the case to be laid before the committees?—I think they would have desired that the advantages which they contend England has from India should be considered; but I have to say that the answer would be in the affirmative, I think, to the second part of your previous question.

5769. That is to say, that these experts did not accept the Indian view to an extent which would satisfy the Indian Government?—Perhaps I should say that they hardly considered those views; in fact, I remember in one report it was distinctly stated that they looked upon their business as that of accountants, and that it was for statesmen to settle the principles on which many of the charges should be fixed.

5770. (*Sir Ralph Knox.*) That was Mr. Bouverie's report?—Mr. Bouverie's.

5771. *Chairman.*) But I think it was also Lord Northbrook's opinion, was it not, that it would require a differently constituted committee, if they were to enter upon the wide subject of indirect advantages derived by England from India, as held by the Indian Government?—Yes, I think so.

5772. Can you direct us to any papers laid before those committees which brought this question forward?—No. The Government of India were desirous that their despatch of the 25th March 1890, and memorandum attached thereto, should be placed before Lord Northbrook's Commission, but it never was placed before them.

5773. But that despatch was only written towards the close of the period of which we are speaking, and these committees had been sitting 17 or 18 years, or perhaps 20 years before that time. All that time had not the Indian Government made known to these committees the grounds on which it objected to the results at which they were arriving?—The committees were convened under the orders of the Secretary of State for India. I am not aware that the particular views held by the Government of India were placed before them with a view to consideration; they may have been furnished in some papers which they had before them.

5774. I think from what has been said the committees, at all events, did not think that they were appointed to inquire into this larger question; but I am anxious to ascertain whether you know of any papers laid before the committees, which distinctly stated the general ground upon which India demurred to the arithmetical method of calculating the capitation rate?—I am not aware that they had the opinion of the Government of India laid before them.

5775. Then I understand that the despatch of 1890, in your opinion, states distinctly the argument of the Government of India on the method in which the payment by India for effective services should be calculated?—I think it sums up generally the arguments which India has used.

5776-7. But, further than that, I should like to learn now whether these views were expressed in any previous despatch laid before the Home Government?—I think they are expressed in many despatches, extracts of which are given in Sir Henry Waterfield's memorandum.

5778. Then I think I may take it as your view that the Indian Government do not hold that the conclusions were incorrect in themselves; but that the references to the committees were too limited to secure a fair consideration of the whole question?—I think they objected to the calculations which were made; and also felt that the reference was not sufficiently wide.

5779. You think they did object to the deductions which the committee drew on the arithmetical basis?—Yes.

5780. Those objections we shall learn, when we go *seriatim* through those heads on which the capitation rate was based?—Yes.

5781. But before taking you *seriatim* through those heads of charge, I would ask whether you would wish to state in a general form the objection of the Indian Government to the present arrangements, such, for instance, as the question of the result to India of the short service system, the question of the local army, the principle of payment for reserves, the charges imposed on India by changes in the home army organisation in which she is not consulted? I do not know whether you would like to make any remarks on those points in a general form, which might be more convenient than to express them in regard to each head in detail?—I should say that, briefly, the leading objections of the Government of India to the present arrangements are that the system of recruiting is unduly expensive, the general contention being that the charges for depôts in England are based not on the most economical way in which the required numbers might be furnished for India, but on a special organisation which is a part of a purely English system. With regard to the question of the local army I do not think it has ever been raised, of late years certainly. The Commission of 1879 that sat in India said that if, as years went on, the existing arrangements were found to be too expensive, then the question might be considered, but I do not think it has come within the limits of practical discussion of late years. Of course, there have been proposals made that British regiments and batteries should have their permanent head-quarters in India; there there have been proposals that this should be a short service army for England and one of longer service—that is to say, 10 or 12 years—for India, but I do not think the question of having a purely local army has ever been put forward of late years.

5782. Therefore we may consider that the Indian Government does not put forward, or hold, the opinion that the amalgamation which took place soon after the Mutiny was a mistake, and that it comes within practical policy to retrace the steps and establish a separate army?—I do not think the Government of India would desire to establish a separate army.

5783. (*Mr. Courtney.*) But if you have a different method of recruiting and a special term of service for India, what is the difference of principle between that and a separate army?—I think there is a great difference. You might look at the matter as one in which the recruiting would be done in the most economical way for India. Of course, you might have general depôts, but still they would be administered and form part of the British Army. And, then, if you had regiments localised in India—regiments and batteries—they would belong to Her Majesty's army; they would be stationed permanently in India—that is, the officers and men would be sent out for periods of service, and the officers would interchange with the battalions at home. The government of the army, as it were, would be under the Horse Guards as at present, and all the details of the interior economy. A local army, as I understand it, would be entirely separate, under the Government of India.

5784. (*Chairman.*) As the forces in India were before the change took place in 1860 or 1861, were they not?—Yes.

5785. (*Sir Ralph Knox.*) A portion of them?—What we call the local forces.

5786. (*Mr. Courtney.*) But wherever the service now is, it is the service of the Queen; is not the essential question whether you shall have a localised force administered on different principles and recruited on different principles, such as you might have in a colony?—Personally, I should draw a great distinction between a local army quite separated from the army administered by the War Office and certain portions of the army which might be localised in India for convenience of recruiting and so forth.

5787. (*Sir Donald Stewart.*) What would be the difference? By giving the army in India a different name?—Supposing a regiment had its head-quarters permanently in India and you had a certain number of men recruited for longer service than at present, the government and administration of the army might remain exactly as it is now.

5788. Have you ever made any estimate of the financial result of such an idea?—No. I should say it would be distinctly cheaper than the present arrangement; but I am not putting it forward as a suggestion; I am merely mentioning it as a point which has been alluded to in the course of the discussion.

5789. But it is presumably on financial grounds that you would suggest the change?—I am not prepared to suggest the change myself; I merely say that it is a suggestion which has been made.

5790. (*Sir William Wedderburn.*) But do I understand that the Government of India have given up pressing this matter, not so much because they think it would not be advantageous that the Indian Government should have a voice in the administration, as because they think the existing arrangement is a *fait accompli*, and that it is hopeless to ask for a change of the system?—No. I should say the general consensus of opinion was that a purely local army would not be advisable.

5791. (*Mr. Courtney.*) The point then arises, what is meant by a purely local army? what degree of association or disassociation with the home force makes the difference between a localised branch of an army and a purely local army?—I should define the local army as one which was essentially under the Government of the country in which it was localised.

5792. (*Chairman.*) As was the case before the amalgamation?—As was the case before the amalgamation.

5793. (*Mr. Naoroji.*) Has not the Government of India objected to the short service army as disadvantageous, and recommended that a longer service would be advantageous to India?—It has made several representations on that subject.

5794. (*Sir Ralph Knox.*) A purely local army would mean giving the Government of India complete power to manipulate, as it were, the population of military age in this country according to its own will; that is to say, it would go into the market in complete competition with the Home Government for the recruits for the Imperial army?—Yes. I do not think it is practicable.

5795. But that is what it would mean, is it not?—Yes.

5796. (*Chairman.*) But when you speak of what I may call localised regiments, would not one great advantage be that the Government of India would then be able to administer those regiments in what it thinks a more economical form? For instance, as I read these papers of the Government of India, they objected to, or, at all events, called in question, various changes which have been made of late years for the benefit of the soldier, or for the more complete organisation of the army, such, for instance, as the abolition of purchase, on which India was not consulted. I should deduce from that that the Government of India think that, if they could have had localised regiments, they would not have adopted any of these expensive steps, and, therefore, we should have in India an army organised as the army was in the forties?—No. I should be inclined to think that if such a plan of localising certain regiments and batteries were carried out, it would merely lead to a somewhat longer service than we get at present of the soldier in India, which is five years and four months; and that other considerations would hardly be affected.

5797. Therefore the Government of India does not really object, as one might be led to deduce from very much of the correspondence which has passed, to the changes of organisation proceeding from the Horse Guards here; their object would simply be, if I may so call it, a device for getting longer service; and, if that longer service were obtained, all that the Indian Government seek would be obtained?—It would be a device for getting longer service.

5798. (*Sir Donald Stewart.*) And the only advantage apparently that would accrue would be that something might be saved in the transport charges between England and India?—But I think there are other advantages, besides the saving of those charges, in getting an army in India which has not so many young soldiers as at present. If we part with the men, as we do, when they have served five years and four months in India, we part from them, I think, just as they are becoming valuable to India.

5799. But have you any fault to find with the men under the present circumstances?—I think that many authorities have considered that the army in India is too young at present.

5800. I have never heard that before.

5801. (*Sir William Wedderburn.*) With reference to Sir Ralph Knox's question about the competition between India and England as regards recruiting, is it not the case that the men who recruited in the old local European corps were drawn from a different class from the ordinary recruits of the army here—that a great many of them were men who intended to make a permanent career in India?—I do not know whether it could be said that they were drawn from a different class of men, but of course many of them did intend to make India a permanent career.

5802–3. (*Sir Ralph Knox.*) The numbers so raised for the local force varied from 800 to 1,400 a year?—I do not know the exact numbers.

5804. (*Chairman.*) I am anxious to clear up this point. I think your evidence would rather lead us to the conclusion that the Government of India feel that the present system acts against them mainly upon the point that the soldiers do not serve long enough in India?—That is so.

5805. And therefore you have suggested—I did not understand you to say that it has ever been put forward as a practical proposition—but you have suggested that that objection might be met by localised regiments?—I have mentioned that it is possible that that might be a solution.

5806. But that suggestion is only thrown out as a device for getting these soldiers on longer service?—Yes.

5807–8. That does not meet the point, which appears to me patent on the face of the correspondence, that the Indian Government do in fact feel that they are exposed to considerable expense through, and in consequence of, the changes of organisation in the English army made by the Horse Guards here. Do you attach great importance to that point, and would you wish to devise measures for avoiding it? Or do you put it forward simply as an objection of which you take note, but which you think does not permit of a remedy?—The remedy, of course, which, the Government of India would say, should be applied, would be that India should be more generously treated in the matter of the charges. We cannot avoid the expenditure thrown on Indian revenues by these changes of organisation, but I think it has always been put forward as a plea on behalf of India that she should receive more liberal treatment in the matter.

5809. That is to say, that all the cost of the improvements that are made in the army with a view to making that army more efficient, should be thrown on the English taxpayer: that India should pay for an army organised as highly, say, as the army of 1840 was organised; but that she should get all the benefit of the improvements made since that time for nothing?—No, I should not say that, certainly.

5810. It comes rather near it, does it not? I am pushing what you said a little bit far in saying that she should pay nothing for them. That is only a way of pressing the argument to the logical conclusion. To whatever extent the English taxpayer is called upon to pay for these improvements, which one must suppose are real improvements, to that extent India would get the benefit of those improvements without paying for them?—With regard to the general class of improvements India has not objected to pay for them; she does not, of course, object to pay for a new rifle which she asks for; but I think she objects to paying for changes of organisation at home, which do not bring any corresponding benefit to India, such, for example, as the present organisation for supplying recruits.

5811. Of course, if you have one army, which I think you, on the whole, think a necessity, the organisation of that army must be controlled by one authority, and it must be accepted by the people who make use of that army, must it not? It is not practicable for the Indian Government to enter into partnership for the use of the army, and wish to avail itself of the benefits of that army so far as it suits its views; but, where it does not suit it, to say, "Oh, no, we do not care about that." It must submit to the laws of the partnership?—But the Government of India say that the partnership is unequal.

5812. Then that is an argument in favour of going back to a separate army, which I understand the Government of India do not desire to do?—They do not desire to do that, but—take, for example, this very question of the organisation of the depôts—supposing the War Office, for some reasons very good in themselves, desired to have improved organisation which would enhance the cost of the depôts, it would be rather hard upon India that she should be called upon to pay extra charges for those depôts, merely because they were inherent in a particular system of English organisation.

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5813. But if the improved organisation tends to make the army more efficient, India gets the benefit of that efficiency as well as England?—If that can be proved absolutely and measured in money.

5814. But still, if two people enter into partnership for the use of an establishment like an army, of course there will be differences of opinion between them on points connected with that establishment, but they must submit to the laws of the partnership, and allow that the principles of organisation which are laid down by the authority with whom the control of the organisation rests, are binding? In the case of a partnership like that, it is hardly permissible for one party to say, "I "will accept these things as far as they suit me; and "wherever they do not suit me, I desire to be free of "the charge"?—The contention of the Government of India has always been that it is an unequal partnership, and that they should not be called upon to pay a number of the charges which have been forced upon them.

5815. In what sense do they mean unequal?—They say that the Government at home have the power of dictating what changes should take place, without consideration of the revenues of India.

5816. Now we are coming to the point. The grievance of the Government of India, as I understand it, is that, when changes of organisation take place, they are not consulted?—As a general rule they are not consulted.

5817. And if they were consulted on every occasion, they might say that they thought such and such an organisation was expensive; but still they would accept it when, as the result of the discussion, the decision was come to that this change was to be adopted?—They might accept it; on the other hand, they might, of course, say that it was throwing a great burden on the revenues of India, and plead that a portion, at all events, of the charge should be remitted.

5818. It was decided here that purchase should be abolished. The Indian Government, I see in this correspondence, raised questions about it; they were not quite certain whether it benefited them; but when once the supreme authority here had decided, India accepted the decision, as she must do, so long as she keeps in this partnership for the use of the army; and the only alternative is to have her own troops, is it not?—India must accept the decision, because the Secretary of State for India rules that she must accept it: but she has contended very strongly that purchase was a purely English abuse, and that it was not right to make India pay for the pensions that followed that abolition.

5819. That would imply that officers might purchase their commissions in India without harm, whereas it would be mischievous if they were allowed to purchase them in England, does it not?—I would hardly say that:

5820. The result of the discussion appears to be this: 1. That you are anxious particularly to get a longer term of service for your men in India; 2. That India complains that she is not sufficiently consulted in the matter of these changes of organisation. You are not, however, pressing that objection at the present moment against the capitation rate?—No.

5821. (*Mr. Courtney.*) With respect to that question of purchase. Is not the Indian position rather this, that, assuming that it is the duty of India to pay a strictly proportionate share of the cost of the army, India ought not to be burdened with the expense of removing a local abuse which had grown up under strictly English sanction?—Yes.

5822. You may start from this point and say that, with respect to all future cases, the share shall be strictly proportionate; but, if you are going to clear the way of some big abuse, that expense ought not to be saddled upon India?—That is what is meant.

5823. (*Sir Ralph Knox.*) But do you really claim, on the part of India, to argue that India paid anything for the purpose of abolishing purchase? Is it not rather that she complains that, in substitution for the purchase system, it was necessary to introduce a pension system for the future?—That I mentioned: it comes to the same thing.

5824. But did India pay any of the cost of abolishing purchase as it stood?—Not the actual sums granted to the officers.

5825. Yes?—No, I suppose not.

5826. Is it not a fact that India has not paid one half-penny towards the abolition of purchase in that sense?—I should say that it is a fact that she has paid a good deal.

5827. In that limited sense of paying anything to any of the officers who are serving in the army?—No, I suppose she did not pay the initial charges, but she paid their pensions.

5828. When the pensions were instituted she paid her share of the pensions?—Yes.

5829. But no more?—I suppose not.

5830. And are you not aware that—in any of the pensions which have been paid—before India is charged for any portion of the non-effective payment, the value of any purchased commission, which an officer had before the abolition of purchase, is deducted from that charge?—I have no doubt that is the case.

5831. That being so, India will not have been charged anything on account of the abolition of purchase in the past, but is now charged simply her proportion of the share of the pensions which were to be granted to officers in the future?—That is, I understand, the case.

5832. (*Chairman.*) Then, if that is the case, there is no very substantial financial grievance, is there?—I think the substantial grievance, as brought forward by the Government of India, is that they are called upon to pay a particular system of pensions, which was created in consequence of the abolition of purchase.

5833. Is there not another way of putting it, namely, that, if there were no purchase, pensions, which are the necessary consequence of there being no purchase, must be paid?—India must pay; she pays the pensions, as I have said, consequent on that abolition of purchase.

5834. (*Sir Ralph Knox.*) But some pensions were in existence before the abolition of purchase, were they not?—Yes.

5835. Half-pay, retired full pay, and so forth; India always paid her share of those?—I understand so.

(*Chairman.*) And in the case of the Royal Engineers and the Royal Artillery, which had no purchase at all.

5836. (*Mr. Mowbray.*) Supposing you had had, at the time of the abolition of purchase, localised battalions and batteries, such as you were speaking of just now, you could not possibly have gone on with the purchase system in those local battalions and batteries when it was abolished in England, could you?—No; I think we should have had to follow the general arrangement which was made.

5837. Therefore such a system of local battalions and batteries in India would not have affected this question of purchase?—No.

5838. (*Mr. Naoroji.*) Supposing the Government of India were consulted, is it not possible that they might on certain occasions have refused to acquiesce in the arrangement, though high authority compelled it; but the Government of India should have an opportunity of declining to accept it?—They may represent to the Secretary of State that they do not think the charge should be incurred, and then it is for the Secretary of State to decide whether it shall be incurred or not.

5839-40. Then that is a decision only of higher authority, without the consent or the goodwill of the Government of India themselves, as representing India?—No.

5841. (*Chairman.*) In the old local army of India was there a system of purchase?—There was.

5842. (*Sir Ralph Knox.*) And that system of bonus which existed in the local army, and which was abolished in consequence of the abolition of purchase, was paid for by the Home Government, was it not?—Was it?

5843. (*Sir Donald Stewart.*) I think something was given to the Engineer and Artillery funds at that time by the State?—Oh, that might be.

5844. But that system of what I call "sale" was not universal; it had no official recognition; it was a private arrangement between the officers themselves

(*Sir Andrew Scoble.*) And paid, not out of the public funds, but out of the private resources of the officers themselves.

5845. (*Chairman.*) I think now, Sir Edwin, if no further general remarks occur to you, we might take seriatim those heads of charge, which contribute to make the capitation rate, and I would ask you upon

each of them whether there is any point to which you would wish to direct our attention?—Yes.

5846. I think you begin with the recruiting, do you not? The first head is the capitation of troops embarked for India, is it not?—Yes.

5847. On that point, I should like to ask you what would be the average strength of the British regiments sent to India from 1834 to 1857, and the average payments made during that period?—The average strength I think was about 24,000.

5848. (*Sir Ralph Knox.*) That is cavalry and infantry?—Yes.

5849. (*Chairman.*) And the average payments?—195,000*l.*

5850. Which makes an average of about 8*l.* per man?—Yes.

5851. Does that compare with the 7*l.* 10*s.* now charged, putting aside deferred pay?—I think so.

5852. But in the meantime the cost of all armies has largely increased, has it not?—Yes.

5853. Then how would you account for this result—that the charge per effective man should have been higher between 1834 and 1857 than it is now?—I have no means of testing the calculations that were made, but it might be assumed that the charge was too high altogether.

5854. You do not know whether that was alleged at the time?—No.

5855-6. In those times was the cost of keeping up a force in India more expensive than it is now? For instance, I take it that the death-rate in India, and the invaliding rate would be heavier prior to 1857 than they are now, would they not?—No doubt the mortality was very much higher, but then you would have to take into consideration the improvements which have been effected since then in India, at the expense of Indian revenues, in the way of barracks and water supply and sanitation.

5857. Quite so. I am only suggesting to you a reason why a lower capitation rate might be justifiable now than was justifiable then; inasmuch as mortality was formerly higher. The expense of keeping that force up to its normal strength, would be much higher in that case, would it not?—Yes.

5858. I am rather suggesting that as a possible reason why the 8*l.* may not have been a very excessive charge in those days.

5859-60. (*Sir Andrew Scoble.*) The cost of transport between England and India per man was heavier before the Mutiny than it is now?—Transport charges do not enter into that 8*l.*

5861. Not at all?—No.

5862. (*Chairman.*) You do not know the average mortality in Her Majesty's forces serving in India in those years, do you?—No. I have not got the figures at this moment.*

5863. Do you know the number of the drafts sent out in those years in order to keep up the strength of the 24,000 men?—I have not got those numbers.

5864. Can you get those numbers, because it would be rather interesting to compare the number of men that it was necessary to send out to maintain an average force of 24,000 and the numbers that are now sent out to maintain a force of three times that amount?—I will make a note of that.

5865. Are there any other remarks that you would like to make upon the capitation question?—Do I understand that you are taking the memorandum of 1890 attached to the despatch of the Government of India?

5866-7. No. In a previous answer you have given the 15 heads, the cost of which has been calculated by the committee and which result in the capitation rate of 7*l.* 10*s.* per man; and I am now going through those heads, so as to give you an opportunity of calling our attention to any points in any of those services, which would support the view of the Indian Government that the 7*l.* 10*s.* was too high a rate. You gave us, you remember, 15 heads?—Yes. That question of the capitation of troops embarked for India is dealt with in the memorandum attached to the despatch of the Government of India in 1890, in which the question is gone into at some length.

5868-9. Would you state shortly what the view of the Government of India is with regard to it?—I think the view is that the capitation on troops embarked for India is excessive, with reference to the services that are given.

5870. Is not paragraph 27 of this memorandum really the answer to my question?—Yes. I may say that since this was written we get soldiers from home with rather longer service than we used to get. The great objection that would be now raised, I think, is, that no allowance is made for the presence of these Indian depôts in England, which form part of the home establishment.

5871. I think the depôts come in the next heading, do they not?—Well, instead of saying depôts, I should say that the services of these men on the British establishment, before embarking for India, are not allowed for.

5872. But would you say that these four changes advocated in para. 27 summarize the objections which the Indian Government have?—The objections they raised at the time.

5873. And do you modify them now in any other respect than that on which you have given us your opinion?—Yes; because I think the training is now for a longer period.

5874. I think the War Office are not in entire agreement with you, and therefore it is rather important to get clearly stated the present objection which the Indian Government have to the system?—I think at present the objection is, as I have mentioned, that no allowance is made for the services of men who are in fact part of the home establishment.

5875. (*Sir Ralph Knox.*) That is to say, you do not argue that six months is a sufficient period of training; but you propose to put it at six months in order to get some general concession on account of the value of the service of the troops in England?—But I think the minimum is six months, is it not, now?

5876. There is a minimum of six months?—Yes.

5877. (*Chairman.*) Then so far the English Government have met your view; six months is fixed as the minimum?—Yes, for infantry.

5878. You contend that that should be sufficient for both branches?—It is nine months for the cavalry.

5879. Well then you also hold in the case of the men embarking for India with less than six months' training, that India should only be charged for the actual period of training?—Yes, that I also hold.

5880. Then the next proposition is that the services of these men on the British establishment before embarking for India should be allowed for?—Yes.

5881. That summarises the objections of the Indian Government to the present system?—To the calculations which were made in 1888-89.

5882. Next we come to the depôt charges. Have you any objection to advance on the part of the Government of India to the method in which those were calculated?—Those were also entered into at great length in this memorandum but, generally speaking, I think that the contention of the Government of India is that the depôts are part of a certain organization which has been adopted in England and is known as the territorial system; and that, if we could have our own depôts, which I recognize we cannot, we could do the business on a more economical basis. As the Commission know, the Warley depôt supplied men at a very low rate, something between 2*l.* and 3*l.*, 2*l.* 8*s.* 11*d.* and 3*l.* 3*s.* 9¾*d.*, respectively, per man on the establishment in India.

5883. I think, between those two figures, the Indian Government rely upon the second, do they not? The first figure, for some reason or other, is not, as I take it, a fair comparison, because it includes two years of the Mutiny. Excluding the two years of the Mutiny, the average charge per recruit was 3*l.* 3*s.* 9¾*d.*?—3*l.* 3*s.* 9¾*d.*

5884. Therefore we may take that as the real figure that the Warley establishment represented?—Yes. It would be impossible to bring the charges down to anything like that figure at the present day, even though we had general depôts: but the Indian Government maintain that the whole of the depôt organisation is on too expensive a scale for the requirements of India.

5885. (*Sir Donald Stewart.*) Surely the men turned out by the establishment at Warley and the men turned out by the depôts in England were not quite upon the same footing? My recollection of the men turned out at Warley is, that they had next to no training at all, and

* *See* Appendix 54.

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they were just clothed, taught the elements of drill, and sent out to India to be trained by the regiments and by the batteries to which they were attached?—Yes.

5886. Beginning from the commencement?—Yes.

5887. Now, under the short-service system, would you wish that the men sent out for the cavalry, the artillery, and the infantry should be men of that description and that the whole of their training should take place in India?—I think it would be a large saving to the revenues of India if it took place.

5888–9. Yes, it would; it would be a very large saving; but that is a little inconsistent with what you were arguing some time back about the shortness of the time that you retained the services of the soldiers. In fact you object to the short-service system; and, as far as I can make out, if you had your will in this way. it would take, at least, two or three years from the effective service of these men in India, of the shortness of which you have been complaining?—But after all, even under the present arrangements, we have men sent out to India who have not been sufficiently trained; we have evidence, for instance, to show that the artillerymen have not fired their ammunition, and so on. And the officers commanding cavalry regiments have reported that the men could not ride. That was another case in point.

5890. That is quite true; I know there have been certain cases of that kind, but, speaking generally, do you know how long it takes to make a cavalry soldier, and how long it takes to make a horse artillery man and driver?—Yes.

5891. You would get little effective service in India out of the men at all if they were not trained to a certain extent here?—No, but I should couple with that a longer service in India—longer than five years and four months.

5892. Quite so; that would be the result of your going back to the Warley system?—I am not saying, Sir Donald, that we could go back to it now; all I say is that the depôt organisation at home is on a more expensive basis than is necessary for the requirements of Indian recruiting.

5893. Can you show us in some detail where the extravagance comes in?—I would not use the word "extravagance" myself; I rather take my stand on the fact that the depôt organisation, under which there is a large number of depôts in the United Kingdom, is expensive compared to that which we could have, if there were two or three depôts, for instance, for training the men who are to be sent to India.

5894. I am entirely in sympathy with you, and I want to get out how savings are to be in that way effected?—I do not think we could now change the system; we cannot ask the War Office to change their system; but I think we might ask that we should not pay such a large share of the depôts.

5895. (*Mr. Courtney.*) Can you give any comparison as to the cost, supposing instead of the numerous depôts, you had one or two, with the same degree of training?—No, I am unable to give any figure; I can only state in general terms that I think it would not be so high a figure as at present.

5896. (*Chairman.*) You think you could turn out at a less expense an equally well-trained man for your purpose at the age which, I believe, is now fixed for India, if you had your own depôt here?—At a less expense; but, of course, I recognise that we cannot claim to have our own depôts; we must take the arrangements that are made. All we do claim is, that some allowance should be made for the fact that these depôts are, as we think, organised on a more expensive system.

5897–8. But, then, I think, if that is the case, you would admit that it lies with you to show that, on the present organisation of the army, those charges are extravagant. I do not understand that you want to get off a fair charge for training the men, but that you think the present charges are too high. That being the case, in order that we may fully weigh so serious an argument, we should know in what respects you think the present system expensive, and how it could be remedied?—I may mention, in the first instance, that this is a subject which has been, as I think I have said before, discussed by various committees, and the India Office members of the Committees always protested against the charges for depôts. For instance, we considered that the charge for the Artillery depôts was very much larger than it should be. Taking the Royal Horse Artillery, in 1887–88 the charge for the depôt was 35,544*l.*; that is to say, India was charged the cost of the permanent staff of the depôt batteries, plus a fixed sum for each man embarked for India. (Of course, the fixed sum was given under the head of capitation.) Now, in 1885–86, 223 men embarked for India; 1886–87, 138 men; therefore the depôt charges were about, in 1885–86, 89*l.* per man, and in 1886–87, 140*l.* per man. We said it was open to question whether this amount was not excessive. Some of the men who were sent out—I have the assurance of regimental officers—were not properly trained; and we know that the practice ammunition for recruits was not expended. Then there are a great many details in which we questioned the cost of this Royal Horse Artillery depôt. We considered, generally, that the depôts were organised on too large a scale for the duties which they had to perform.

5899. The depôts were on too large a scale, resulting in these, as you think, very heavy charges?—Yes, it was 89*l.*

5900. Do you know of any lower standard by which you could measure the excessive nature of that charge? Can you refer us to anything which would show us what you think a training such as this might fairly cost? At the present moment you have only said that the cost at Warley, which was abolished a great many years ago, was very low indeed; but that hardly affords a standard at the present time, and, I think, you have said so yourself?—No, it does not form a standard at the present time, and I have nothing to show what the amount would be, if the depôts were not organised on this expensive scale; we merely say that these charges are very high, and that we think that we ought not to have to pay in such a high proportion for the cost of the depôt as 89*l.* and 140*l.* per man for Horse Artillery.

5901. Would you suggest any method by which the necessity for this charge might be tested to the satisfaction of the Indian Government? What sort of inquiry would you propose in order to satisfy yourself as to what the charge ought to be?—I should be inclined to suggest that an inquiry might be made by independent officers, associated with those on behalf of India.

5902. And would you be content to abide by the result of that inquiry?—On the arithmetical basis; but not, of course, with regard to the general claims which the Indian Government put forward on the ground of the reserve force which the army of India affords.

5903. We are at present confining ourselves to the case of the Artillery, in which the charges are very high; and, I suppose, you apply something of the same objection, in probably a lesser degree, to the other branches of the service, do you not?—Yes, generally.

5904. And we are confining ourselves, as regards this question to inquiry into actual facts?—Yes. Then take the case of the Field Artillery depôts; there was charged in 1885–86 for each Artillery recruit in training 93*l.*, and in 1886–87, 106*l.* We thought that the Field Artillery depôts were organised on a scale which was scarcely warranted; and we said that if the four depôts for which India pays, which are stationed at separate places, were collected together, one set of staff officers would be sufficient, and the cost of three sets would be saved, or nearly so.

5905–6. Then you think economy might be effected by amalgamation?—I think economy might be effected by change in the particular arrangements of depôts.

5907. Now take the Infantry: do you raise similar objections, though the scale is lower?—Well, there again, of course, we consider that the charges should be reduced on the ground that the officers and men form part of the military establishment at home.

5908. I wish to separate that general question from what I may call your detailed criticism of the actual charges for men sent out?—We do not contend that the calculations of the actual charges, according to the present system of the depôts, are incorrect; all we say is that they are kept up on too large a scale, on a system of organisation which is unnecessary for the requirements of India.

5909. And the Indian Government would be satisfied if the scale of these charges were revised by, we will say, a Commission sufficiently independent?—We do not object to the actual calculations of the cost of the

depôts; no doubt they are perfectly correct mathematically; but I think the suggested Committee of officers would hardly go into the questions, which we put forward, as to the men in the depôts forming an integral part of the home army.

5910. Certainly not; but I was calling your attention to the fact that a considerable part of your criticism has been on such charges as 89*l.* and 140*l.* per man, as being on too large a scale; and you have suggested yourself that economy might be effected by an amalgamation of depôts and other means. Those are the points upon which I want to know what kind of enquiry would satisfy the Indian Government as to the proper amount of such a charge: in making that inquiry the inquiring officers would not go into the larger question as to whether these men are available for the home service or not; I merely referred to an inquiry to arrive at the fact of a fair charge for the training of these men?—But then they would have to take the charge, as it would have to be estimated for on a different organisation. All we say is that under the present organisation, although the accounts may be right enough—we do not question them—yet the system under which these depôts are organised is needlessly expensive for India; and I can hardly see how any committee of officers could go into a question of that sort.

5911. You think they would not be able to advise the Indian Government as to whether these charges were excessive? I want to come to something that would promise a conclusion. The great difficulty between England and India is that, on the one side, you have the War Office who arrive at a conclusion that these charges are necessary; on the other side you have the Indian Government who say that they are not necessary. There is no means of arriving at a decision between those two parties—each is equally satisfied upon the point; and what I was asking is whether you or the Indian Government had any idea as to the method by which this difference of opinion could be tested and a fairly independent opinion given? I do not see any other way than by means of a committee, in which you could get at the question. I do not know, of course, what the War Office would say, but I understand the War Office throughout have argued that these charges which you have objected to, varying from 39*l.* to 140*l.* for the Artillery, are necessary; you say they are not?—We say that they are not necessary, because the organisation is on too expensive a scale for our requirements; but I do not quite see how a committee of officers is to determine exactly what sum we ought to pay for recruits. I suppose an estimate might be made of the cost of the recruits if supplied from two or three depôts, instead of from a large depôt; I think that would be a different thing.

5912. You see the difficulty I am in is that you make a certain criticism; I anticipate the War Office will not accept this criticism; who is to be the determining power? With goodwill on the part of the Commission or the Government, there should be some method of bringing the two parties together; but you do not see your way to suggesting a method?—I think the only method would be by endeavouring to arrive at the cost of recruits, if supplied from a single large depôt maintained on an economical scale, instead of from a large number of depôts.

5913. And how would you arrive at that; how would you test that?—It would be a matter of great difficulty, but I suppose it might be done.

5914. When I asked you about a Commission, I was only thinking that the Indian Government very naturally would have a desire to have an independent opinion, and I wanted to know if you see how you could get an independent opinion on this matter which the Indian Government would accept.

5915. (*Sir Donald Stewart.*) Does not your argument suggest that a more economical establishment would produce the same results as regards men?—Yes.

5916. Would you suggest that if, instead of having 10 or 11 small depôts scattered about, you had one or two large ones, you could reduce the number of staff?—Yes.

5917. That would be the only way, would it not, in which economies could be effected?—I think so.

5918. Is there any other way?—No, I think that it would be a reduction in the number of officers employed and their staff, and in other expenses.

5919. The rank of the officers? In having depôts worked by officers of junior rank?—That, of course, would be an important element.

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5920. But that is the only way that occurs to you in which an economy might be effected in carrying out this scheme?—Yes.

5921. (*Chairman.*) You say in this memorandum that the depôt charges should be reduced by not less than 100,000*l.* Well that is a very big sum to be economised unless you see your way very clearly to the method by which the economy can be carried out?—Yes; the only method is the one I have indicated, that of having some authority to estimate, to go into the question thoroughly, and see what reductions could be made, or what drawback India might get, assuming that the present system of organisation cannot be altered.

5922. But, at all events, people like ourselves are rather puzzled by seeing such sums as 100,000*l.* put down as a possible economy without any grounds upon which they are based, except the general statement that the charges are extravagant?—No exact calculation could be made.

5923. The next head is the agency charges. Is there any point there to which you could call attention?—Well, the only point was that the Government of India hardly saw why they should pay these regimental agents.

5924. (*Sir Ralph Knox.*) That is hardly a practical question, because there is no such thing as a paid military agent now?—No, they have been abolished now.

5925. (*Chairman.*) Then we come to charges for men who had deserted, died, or were discharged with less than one year's service. On that, I see, the memorandum says: "It is submitted that the Government of "India may ask that India should be relieved of these "charges altogether." Perhaps you would state the ground upon which that demand is based?—We have no means of knowing whether the loss might have been prevented. And it is stated that in the days of the old Warley depôt there were practically no desertions. Then, again, if we were asked to supply a body of troops for the service of the Government at home, we should not charge them for men they never received, if it happened that a certain number of desertions took place before the force embarked. We should not charge both for the number who embarked and also for the men who deserted.

5926. That is in reality a request that the capitation charge should be reduced by that amount?—Yes.

5927. And in this respect you consider that the charge is excessive?—Yes.

5928. (*Sir Ralph Knox.*) Excessive because you think that you ought not to bear any charge for waste arising from desertion or any such causes giving rise to the disappearance of men, when they may have been enlisted for Indian service?—No, we pay so much on the men who embark.

5929. But is not waste of that kind a part of the expense of raising these men?—Yes, but we pay actually the capitation on the number of men who embark.

5930. Yes, but that is loaded, from the War Office point of view, by a certain charge on account of waste, which necessarily arises in this way. Do you not think that India should bear a charge, just as the British Army bears a charge, on these grounds?—I confess, as we pay this capitation rate for men who embark, I do not see why we should.

5931. (*Mr. Courtney.*) Is not the question how that capitation rate is to be arrived at? Suppose, like in the case of the old Elector of Hesse, the men were sold, would not the selling person take into account the total cost of getting the force he did sell, including those who had dropped out on the way?—Yes, I should think he would.

5932. (*Chairman.*) I think that we could agree that this is part of the charge of raising this force; might we not be agreed upon that?—It is, I suppose, part of the charge.

5933. And, therefore, the plea on your part rather is that 7*l.* 10*s.* is a very high rate, and that minor charges of this kind should not be claimed though they are legitimate in themselves?—I confess that hitherto I have always felt that it was scarcely a legitimate charge; but perhaps it is part of the system.

5934. I do not see how you can drop out the cost of men who in the course of nature, by deaths or other casualty, have been an expense; I do not see where

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that expense is to be charged; if you make a balance sheet that must come in on one side, must it not?—Yes, I suppose it must under the present system.

5935. And, therefore, you should rest on the general argument that the whole charge of 7*l.* 10*s.* is high and that minor items, though legitimately chargeable, should be reconsidered as to whether it is necessary to charge them to India?—Yes.

5936. Then comes the maintenance of young officers on first appointment previous to embarkation. On that the memorandum says: "As India pays a large "contribution for the training and education of the "officers required for India, Indian revenues should "be relieved of a portion of this charge for young "officers"?—Well, one of the contentions is that during the time that these officers are in England, they form part of the British army, and in some cases, while they are retained, their services are made available for duty, or might be made available for duty, which would otherwise have to be performed by officers who would have to be paid for absolutely by Her Majesty's Government.

5937. (*Sir Ralph Knox.*) These young officers are all in excess of the British establishment, are they not?—I do not understand that they are.

5938. A vacancy arises in a regiment in India, and it is necessary to replace the officer who has fallen out for one reason or the other; substitute is recruited in England; he is obtained from Sandhurst, or he is obtained by the Militia examination, and he is appointed to a regiment which belongs to India. Do you not think that that is a proper charge to make against the Indian Government?—Why should we pay for him while he is in England?

5939. Because he is part of the Indian army appointed to fill a vacancy, not appointed for duty in England—not required for duty in England?—Why, for example, should you charge for barrack accommodation, when probably he is on leave.

5940. But do we charge for barrack accommodation for him?—I have found it in calculations, in details, I think.

5941. I do not think so; but you would prefer a system under which the officer should be appointed and kept without his pay until he embarks for India?—No, I did not say kept without his pay; but I would prefer a system under which the charge should fall on the country in which the officer is serving at the time.

5942. But an officer, on appointment, you know, always gets two to three months' leave?—Yes.

5943. Whom is he serving under those conditions?—He is under the general authority of the service at home.

5944. But he has simply been appointed with the view to his being sent out to India to fill a vacancy in the Indian establishment?—Yes, but he has not reached India.

5945. He is in existence because the Indian Government must have him?—Yes, but while he is at home he surely adds in some way to the military strength of England; that is to say, you might utilise his services, if it were absolutely necessary.

5946. Yes, but the Home Government does not want him; he is wanted by the Indian Government; he is appointed because the Indian Government wants him. You would suggest that we should have a system under which officers should not be appointed until they actually embark, in order to meet the wants of India?—No, I should not do that.

5947. You think, then, that if appointed before they embark, the charge for any pay that they may receive should be a charge against the British Government, although they are not on the British establishment, and not against the Indian Government?- I should certainly say that the officers, being in England, might be paid for by the War Office.

5948. They might be, but ought they to be?—Yes, I think so.

5949-50. (*Chairman.*) Your criticism on this point falls under that general argument which runs through your criticisms upon the system, that, namely, when officers are in England, they should be considered as available for English purposes?—Yes.

5951. You hold that, while they are on English soil, they are available for England and not for India?—Yes.

5952. (*Sir Ralph Knox.*) But the logical conclusion of that argument is that India should pay nothing whatever of any expense of raising and training its officers in this country?—Well, this is comparatively a small item. I do not say that; I merely generally contend that we should get a certain drawback.

5953. (*Mr. Naoroji.*) But when the recruit is sent to India he is not sent simply as if India were an independent territory, and for Indian purposes only; he is sent there because British rule is in India; it is for the sake of British rule that they are sent there; a consideration must be made about that?—Yes.

5954. (*Chairman.*) Then, I suppose, on the next heading, cost of young officers of Royal Engineers while under instruction, that your criticism falls very much under the same head, does it not?—Yes.

5955. (*Sir Ralph Knox.*) The case is a little different there; the young engineer officers are under instruction, are they not? and the infantry officer is not under any instruction necessarily?—Still they form an integral part of the Royal Engineers. I do not understand that they are supernumerary in such a case; they form part of the Royal Engineer establishment in England.

5956. Then do you think that the full establishment of Royal Engineers in India can be maintained without raising any additional men to keep up the supply?—I do not quite understand your question.

5957. Half the engineer officer establishment or very nearly half, are serving in India. Do you think it is unnecessary to raise any additional officers in order to keep up the supply to fill the vacancies that arise on that establishment?—No doubt additional officers have to be raised.

5958. But you would seem to say that you thought these formed part of the necessary British establishment?—They form, while serving in England, surely part of the Royal Engineer officers in England.

5959. But they are the young officers specially passed into the Royal Engineers with a view to completing their training and being shipped out to India in order to fill the vacancies in India, and for no other purpose. Is not that their position?—That is so, no doubt.

5960. And do you not think the expense of that is a legitimate charge against India?—No; I do not think that it is.

5961. (*Sir Andrew Scoble.*) I should like to ask you about that, General Collen. Is there not some agreement between the Indian Government and the Home authorities as to the number of Royal Engineers that are to be employed in India?—Yes, it has been laid down.

5962. Can you tell me what that agreement is?—The establishment is 350, distributed as follows; Military Works Department, 150; Sappers and Miners, 61; Public Works Department, 106; Survey Department staff, 39; total 350.

5963. How long has that arrangement been in force?—That was settled in 1857.

5964. A considerable number of these officers are not employed on military duty, but on what you may call civil work in the Public Works Department?—Yes, the number in the Public Works Department was supposed to be 130.

5965. (*Chairman.*) Then there comes a small charge, the difference between the pay of two colonels and one lieut.-colonel on the Indian establishment of Royal Engineers, but employed at home, and the pay of three lieutenants employed instead by India?—Well, I think that in this case it was objected to at the time, but the reason hardly holds good now. I think it was objected to, because at the time the War Office laid stress on the want of lieutenant-colonels, but really we did not want them in India, and we paid the difference.

5966. Are they being paid for now?—Not at this moment, I think.

5967. I think we may look upon this as a case *de minimis*, may we not?—Yes.

5968. Then comes the training of veterinary surgeons for India?—That in my humble opinion comes under the same category as the other charges. These officers, I presume, do duty in connexion with horses in the British mounted services, and we thought that the charge was somewhat excessive.

5969. Sir Ralph Knox, the question how far these officers in training here are useful to England is a very interesting question and important to us;

what do you think would be the best time for taking that question as a whole? The question affects, you see, a great number of these headings. I suppose the War Office have a good deal to say upon the point, that is to say, that they do not think they are of value to England. We hear from Sir Edwin Collen generally his view that India ought not to pay until these officers become available for India. I suppose that you will deal with that point, will you not? or is it a point on which you do not lay any special stress?

(*Sir Ralph Knox.*) I think it is very important that that question is raised; but it is really the case that these are additional officers that the British Government would not think of bringing into existence, except that India wants them; and India wants them as junior officers thoroughly instructed and trained at the Royal Military Academy or at the Engineers' establishment at Chatham. They are not used in the slightest for Home Service.

(*Chairman.*) I understand Sir Edwin Collen's argument to be that, supposing need to arise here, these officers would be available, and therefore they are of service to England in case of need, though they may not in times of peace be necessary. They are in fact part of an actual reserve.

(*Sir Ralph Knox.*) Yes, but, in the same sense, it has been argued that the army in India is in the same condition, viz., that we can use them; under those circumstances we ought to pay for the whole of the army in India.

(*Chairman.*) It is a point that we must not pass by; and I was asking you when you thought it would be most convenient to take it up. Possibly Sir Edwin Collen will have an opportunity of answering you, and perhaps of suggesting questions. It had better be understood that you will ask questions on that point later, and we can then have an opportunity of hearing both sides.

(*Sir Ralph Knox.*) Yes, but it appears to me rather a question upon which some military officer should be asked as to the value of the existence of the men in this country. I think the financial view, the Secretary of State's view, would be that they are in existence only for India, and England does not want them.

(*Chairman.*) That is rather an important point. We have the advantage of the presence of SirEdwin Collen as an Indian military authority, and the question is whether we should not have an English military authority to give information on the point before Sir Edwin Collen goes. I should rather like Sir Edwin Collen to hear what the opinion of the English expert is.

(*Sir Donald Stewart.*) Is not the question one of general application? It would apply not only to the rank and file, but to the professional education of every class of officer trained in England for eventual service in India.

(*Chairman.*) Still, Sir Donald, do we not want an answer on this point? the Indian point is that each of these men in their different spheres, while they are here, is useful for English purposes.

(*Sir Donald Stewart.*) That is a point that should be considered.

5970. (*Chairman.*) As against that Indian view, ought we not to have an English military opinion? At all events we must consider that before next time. If possible, while we have Sir Edwin Collen here, the *per contra* opinion should be stated, so that he can give any answer that he may think fit upon it?—(*Sir E. Collen.*) One point I might mention, with reference to this cost of training veterinary surgeons, we do not make any charge for all the training they receive in India when they are returned to the British establishment. That also applies to a great many cases of officers; we do not charge, for instance, for the musketry training of the British army in India, although we were charged at home. I do not think we are now charged for the Hythe School of Musketry; that charge has been knocked off.

(*Sir Ralph Knox.*) That was when the Indian Government started the same schools of training in India; it was felt that we were under mutual obligations as regards that instruction.

(*Chairman.*) And then the charges were knocked off.

(*Sir Ralph Knox.*) And we knocked off the charge for musketry.

(*Sir Donald Stewart.*) How about signalling?

(*Sir Ralph Knox.*) There is no charge for it.

5971-2. (*Chairman.*) The next heading is cost of examination of candidates for the Indian Medical Service. That, of course, is merely an estimate, and I think it is hardly necessary to go into that question. It is a charge of over 400*l.* in each year. You think that a high one, and the memorandum suggests a reduction of 200*l.*?—Yes, we thought it was too much.

5973. Then come the educational establishments?—In this case, taking the Royal Military College at Sandhurst, the principle of the calculation apparently is, that the whole cost of the establishment is entered, and from that are deducted the contributions of cadets; the net result is so much; upon that interest is added on the total cost of land and buildings at 3½ per cent., namely, 930*l.* Now, we objected to that charge. Those buildings were erected, many of them, many years ago, in 1804, when India maintained its own military college, and we thought, analysing the calculations generally, that that was hardly a fair charge to make against India. Then we thought that it was hardly right that the actual expenditure on behalf of India should be taken in the proportion of one-half of the total expense. The War Office takes the number of officers of cavalry and infantry on the Home and Indian establishments, and gives them as British 3,606; Indian, including Staff Corps, 3,668; and then they say, "Well you must pay half"; but, of course, a great many officers of cavalry and infantry on the Indian establishment never pass through Sandhurst.

5974. And do all the British?—Now, at this time; a good many of them had not passed through Sandhurst, but had passed through Addiscombe, for instance.

5975. (*Sir Ralph Knox.*) But, I think, Lord Welby's question points to the fact that an equally large number of British officers did not pass through Sandhurst with the number of Indian officers that did not pass through?—At that time.

5976. At least at the time this claim was made?—That I do not know of.

5977. (*Chairman.*) The only difference now is that all officers, whether Indian or Imperial, pass through Sandhurst?—Yes, except I suppose the militia—they do not.

5978. (*Sir Ralph Knox.*) No, militia officers do not pass through Sandhurst?—But all but militia officers pass through Sandhurst.

(*Chairman.*) Would you admit, Sir Ralph, that there is any ground for inquiry under these different heads, which are set forth in the appendix?

(*Sir Ralph Knox.*) I do not think so; still less so, because of the fact that India now insists on all officers required for the Staff Corps necessarily going through Sandhurst; she will not take militiamen at all; in fact the larger proportion of the work for Sandhurst now is for the Indian army.

(*Chairman.*) And what do you say to that argument with regard to the excessive nature of the charge for buildings and so forth?

(*Sir Ralph Knox.*) I remember that at one time the College, in consequence of the great increase in the establishment of the army, had to be increased, and it was proposed to the Indian Government that they should share in the cost of erecting the buildings. They declined, I think very properly, but they said they would pay the necessary share of rent for the erection and construction of these buildings. A rent-charge is now made against them for the proportion of the College which is used by them, that rent being calculated upon the money that was shown to have been expended upon the buildings at the rate of 3 per cent. with ½ per cent. for depreciation. That is practically the charge that is made against them for the cost of the buildings at Sandhurst.

5979. (*Chairman.*) Well, now when we come to the Royal Military Academy at Woolwich, the class of criticism with regard to it is very much the same as with regard to Sandhurst?—Very much the same.

5980. I suppose, as far as the future is concerned, if all officers have to pass through these two establishments, you would not object to the proportional division of charge, would you?—No, with one exception, namely, that an officer does not complete his training in England, but has to go through certain military education in India, as for example, garrison instruction. We do not charge the War Office for the additional training that their officers get in India.

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5981. Then have you any remark to make on the Staff College?—The remark which I have to make on it is that the charge is calculated apparently in proportion to the number of officers on the British and Indian establishments who pass through the Staff College and hold staff appointments, and India was charged one-fourth of the annual expenditure at the time because there were 32 British and Staff Corps officers serving in India who had passed through the Staff College and were holding appointments. That we hardly think to be fair, because these officers may not remain in India, and we pay of course directly for the Indian officers who pass: we do not consider that, because the British officers are put on the Indian establishment, we should pay for this particular form of their education.

5982. (*Sir Andrew Scoble.*) Can you say in regard to these 32 officers, how many belong to the Indian Staff Corps, and how many belong to regiments which happened to be serving in India at the time of their admission to the Staff College?—No, I have not got the detail.

5983. What number of admissions to the Staff College, do you know, is allowed to Indian Staff Corps officers?—There are, three I think, now.

5984. Three out of how many?—Out of, at the time this was written, 32; I am not quite sure of the numbers at the present moment.

5985. Anyhow Indian Staff Corps officers are a very small proportion of the officers who pass through the Staff College?—Very small.

5986. (*Sir Donald Stewart.*) Is it not a grievance of the Indian Government that they cannot get admission for more of their officers?—We should have been very glad to have got some more officers admitted.

5987. (*Sir Andrew Scoble.*) Representations have been made by the Government of India on that matter, but they have not been able to obtain any greater number of admissions for the Indian Staff Corps?—No.

5988. (*Sir Ralph Knox.*) Is it not the case that many officers serving in India have passed through the Staff College?—No.

5989. Is it not a necessary part of the training of a certain proportion of the officers of the army?—Yes, it is a general training to improve the army; we do not see why India should pay particularly for the education of the officers who happen to be in India.

5990. But should not she bear her share of the cost of the necessary training given to officers to make them efficient for service in India?—Not in this particular instance, I think; I should say we might as logically charge the War Office for our military Education Department—the garrison instruction that the officers get in India.

5991. But those are omitted, because institutions of the same kind are maintained in both countries; of course the Indian Government might make a charge if we made a charge, but those are maintained, just like the regimental institutions, to keep up the training and efficiency of the soldiers. On the other hand, the Staff College is something special, and India has not a Staff College; and the only Staff College training which an officer of the British Army can get is here: and it is necessary that a certain proportion of the officers of the army should have passed through this college?—Yes, but it is an institution—apart from the few Indian candidates that are allowed to go through it—which was established for the British Army generally.

5992. Including that portion of it which is serving in India?—Yes, that is so.

5993. (*Sir Andrew Scoble.*) Is not the complaint this, that the proportion of officers whose services are secured to India is very small, whereas the number of officers who are practically paid for by India, cease in a few years to serve in India at all?—That is my argument.

5994. (*Sir Ralph Knox.*) But, equally, a considerable number of officers are passing from time to time out to India who have given some of their service in England and given the rest of their service in India, having been trained at the Staff College; and India has the advantage of those services?—The supply is kept up no doubt.

5995. (*Chairman.*) Then the Army Medical School at Netley. On that point I gather that the Indian Government are contemplating the possibility of a disconnection of the Indian service?—That was so when this was written; but it has since been determined to let things go on as they are.

5996. Do you think at present that the charges are too heavy, allowing that some payment should be made on account of Netley?—As I said, it was difficult to follow the method that was pursued in making the calculations; and I merely alluded to the fact that the India Office Committee considered that, as no surgeons had been appointed to the Army Medical Department since July 1887, and only four candidates were selected at the examination in August 1888, all of whom were for the Indian Service, it was necessary to guard against an undue proportion of the cost being charged against Indian revenues: but I am unable to say at the present time what the charge would be.

5997. Then the School of Gunnery at Shoeburyness. Here the memorandum contemplates a considerable reduction, 2,500*l.*?—One of the reasons that we thought made for the reduction of the charge was that we had to pay for the experimental branch of the School of Gunnery as well as the instructional, and that England would be obliged in any case to keep up an establishment to carry out experiments. Also we consider that the numbers of artillery on the two establishments should not form the basis of calculation. We thought a calculation should be made simply on the number of officers sent home from India to undergo a course of instruction.

5998. (*Sir Ralph Knox.*) But every officer of artillery goes to this School of Gunnery, does he not?—At some time or other; not through the long course, I think.

5999. He goes through some course there as soon as he passes out of the Academy and drill?—No doubt.

6000. That is part of the necessary instruction of a young artillery officer, is it not?—I do not think that in every case he goes to Shoeburyness.

6001. (*Sir Donald Stewart.*) I rather think that he must go through a course now?—Yes, through a course.

6002. I am not quite certain, but I think it is so.

6003. (*Chairman.*) Next the School of Military Engineering?—There of course the objection was on the general lines of the other case, that it was hardly fair to charge India so much for the instruction of the young officers of the Royal Engineers, when the professors and instructors had to be kept up in any case.

6004. Then there is the School of Musketry?—That charge has been withdrawn.

6005. The Artillery College?—There again the officers who go through this, I believe, do not always return to India by any means; they take appointments at Woolwich: and we thought the charge was excessive on that consideration.

6006 Now, taking the whole of this head of service, educational establishments, the Indian Government throughout criticises the charges made against them for one reason or another as excessive. Have you ever considered what course would satisfy you in order to arrive at a fair charge? Here, again, I go back upon the same limits as I have mentioned to you before, namely, that the War Office have a reason, and I think we should all admit a fairly arguable reason, on their side; you have a reason, and I think we should all admit a fairly arguable reason on your side, and I want to ask you: Have you ever considered in what form an opinion should be arrived at that would satisfy you as between those two sides?—No, of course, it was with the object of getting such opinion that this memorandum was sent home and placed before, as we hoped, Lord Northbrook's Commission; that was not done.

6007. Of course we should like to know whether the Indian Government have any recommendation to make upon that point?—No. I have never heard of any particular proposition of the kind.

6008. Do you not think it would be a desirable thing that they should formulate an opinion as to what would satisfy them, what form of investigation would reconcile them to paying the sum that that authority might recommend?—Personally I should say that we should have been very well satisfied with the Commission with Lord Northbrook as president, and the members that they had who were investigating the charges and the arguments on all these heads. As I said, Lord Northbrook, after having considered those papers, stated in the House of Lords that he thought 5*l.* a head was sufficient.

6009. I think Lord Northbrook's view was that, if any commission or committee was to go into these questions of principle, it would require to be a commis-

sion differently constituted from that over which he presided?—Yes.

6010. The Indian Government have not considered any form of inquiry that they would like and the result of which they would accept?—No, not with regard to the investigation of these charges particularly.

6011. (*Mr. Buchanan.*) Was this despatch sent to Lord Northbrook's Commission?—No; it was decided, I believe, at home that it should not be laid before his Commission.

6012. But were these points not considered by his Commission?—No. Of course the charges themselves were, but not the arguments which were brought forward by the Government of India in their despatch.

6013. (*Sir Donald Stewart.*) The India Office was very anxious that the memorandum should be laid before them?—Yes.

(*Chairman.*) Do you know, Sir Ralph, why it was not laid before you?

6014. (*Sir Ralph Knox.*) No, I cannot say that?—I think it is stated in the papers.

(*Sir James Peile.*) At first the War Office declined?

(*Sir Ralph Knox.*) Yes, they did.

(*Sir James Peile.*) Subsequently the Commission did not take the letter and memorandum into consideration, because the War Office amended their claims?

(*Sir Ralph Knox.*) They amended their claims in one or two points..

6015. (*Chairman.*) We have got, Sir Edwin, to No. 11. Advance of 25 days' pay to men embarked as drafts to India. On that no question arose, I think?—No.

6016. Then No. 12—Expenses of men awaiting discharge, including travelling expenses of invalids?—There again we have found great difficulty in following the calculation. We thought that the number of days India was charged was excessive, that is, India was charged in 1886–87, for 60 days for men with regiments, and for 36 and 78 days respectively for men who were with detachments or invalids; we thought that the charge for men while they were in England after disembarkation and joining the army reserve, or after discharge, was excessive. We thought that the transfer of the men to the army reserve should be quickly accomplished, and that Indian revenues should not be charged with the pay of the men for a single day after disembarkation, because they then come practically on the military establishment of England. With regard to invalids it appeared to us from the calculation that it was assumed that the invalid was detained 50 days after arriving at Netley.

6017. The contention is that that charge should be reduced by almost one-half?—Yes.

6018. Is that based on any calculation of actual reductions that might be possible?—It was based on a general conclusion, not on any actual calculations.

6019. (*Sir Ralph Knox.*) But it was stated, was it not, that actual experience showed that the invalids, who came from India, did remain in Netley, on the average, 50 days, before they were discharged or sent back to their regiments, was it not?—Was that the average?

6020. Yes?—Is that the average every year?

6021. It was taken over one or two years, I think; of course it may have varied since?—Yes.

6022. But that was the basis of the charge.

6023. (*Chairman.*) Then No. 13—Share of cost of pay and allowances of staff of hospitals and discharge depôts, and expenses of invalids, except pay and travelling?—There, again, we could not follow the calculations exactly.

6024. But there was a representative of India on Lord Northbrook's Commission; did he remonstrate against the data on which these calculations were made? For instance, did he object to the length of time that the men awaiting their discharges were kept upon Indian pay?—Not that I am aware of.

6025. Would you not rather have expected that the Indian representative who was present and heard all these calculations discussed, and took part in the discussion, would have objected if he had thought the data were insufficient?—I do not remember who the officer was except Sir Thomas Seccombe.

6026. I think in Sir Thomas Seccombe India always had a very stout champion of Indian claims?—Yes, I quite admit that under Lord Northbrook's Commission the claims of the War Office were very considerably reduced; but I cannot say whether Sir Thomas Seccombe took exception to those charges, or whether the majority of the Commission may have overruled him. I know this, that as regards the depôts, certainly in his last report, he did make a strong representation—that was at the conclusion of Lord Northbrook's Commission—to the effect that the depôt charges were excessive, and should be inquired into.

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6027. Yes, and the fact of his making such a representation, shows that his attention was fully directed to these matters?—Yes.

6028. And, if he did make a representation upon these other questions, is it not rather *primâ facie* evidence that he, who had to go into the details, did not object to the arithmetical calculations?—I should say so; but of course I do not know what passed before the Commission; it may have been a matter of compromise.

6029. Sir Ralph, have you anything to say with regard to Sir Thomas Seccombe? You see the point at issue is this; there are a great number of objections raised on details, and the difficulty is to find an authority to definitely decide between these different opinions. If you have had a committee on which India was represented, and if the Indian representative, along with the other members of the committee, went through all these arithmetical details, and if he did not object at the time, is not that rather strong evidence that these objections of detail are not altogether well founded?

(*Sir Ralph Knox.*) According to my recollection, Sir Thomas Seccombe did not raise any objection to these minor charges in detail. He went into very great details as regards the charge for the recruits and the period they had served in England, and the period they had to give in India and so on, because he held the view, as the Indian Government did, that an abatement should be made on that account. But I think he accepted the charges that were made on account of the invalids and so forth, from the evidence that was put before him.

6030. (*Chairman.*) If you, Sir Edwin, were assured on that point, should you be content to accept the fact that Sir Thomas Seccombe did not object as sufficient evidence that the arithmetical data were right?—I should be quite prepared to accept the evidence in regard to the arithmetical data; but in a case of this kind in regard to the hospitals, we make no charge against the War Office when soldiers are landed sick in India.

6031–2. That is a broader question. The point which I call the arithmetical point is this:—why should India pay for 50 days for invalids? I class that under the arithmetical objections. What, therefore, I wanted to know was whether, if you were satisfied that Sir Thomas Seccombe did not raise any question on these points, you would be satisfied, while entirely reserving your opinion upon the other points, that that point had been sufficiently investigated?—Of course I should be quite prepared to accept the statement made by Sir Ralph Knox that they are on an average 50 days in hospital, and, therefore, they are charged against India. But taking the question of the army reserve, I do not know why we should pay—I think it is 60 days before they pass to the reserve—because, directly they land in England, they become part of the establishment—at least, they become available.

6033. Your point is that there is no reason why you should pay the War Office for 36 days of a man's service in England, before he is transferred to the army reserve?—Yes.

6034. And what I want to know is whether, if Sir Thomas Seccombe did not raise an objection, you would accept the fact that he was present at the discussion of the question and did not raise an objection, as showing that there was reason for the decision?—I have no doubt that the point received every consideration from him; at the same time I should prefer ——

6035. To know the reasons?—Yes, to record the fact that we thought that India ought not to pay for the man after he had landed in England.

6036. (*Sir Ralph Knox.*) But this 36 days' charge for the man before he passed to the reserve, includes pay for passage, does it not?—28 days.

6037. It takes eight days after they have landed in this country for their discharge?—Yes; we pay everything, in fact—for the men going out and coming home, when they are away from England.

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6038. But this 36 days, which is put down as the claim for the period, does include the period of the passage home, does it not?—Yes, it is stated here—"including 28 days."

6039. Yes, including 28 days. Therefore, it is only assumed that it will take eight days after the man lands to complete his documents and pass him out of the army?—Quite so, but even so we think that the day he disembarks he should be paid for by England, just as we pay for every soldier whom we embark from England.

6040. But this man is sent home to be discharged, is he not?—He is sent home to be passed into the reserve, not discharged.

6041. (*Chairman.*) Then rebate on men returning from India?—There, again, the Government of India protested against the inadequacy of the rates allowed by Mr. Bouverie's Committee, which, however, are more favourable than the rate which was allowed by the War Office. The argument was that the service that the man gave to India was probably not more than six years out of the twelve total colour and reserve service, so that it might be said that he served the War Office for one-half the period of his service. As a matter of fact, the service in India now is only five years and four months. I have a return which I can put in showing this; it was the original War Office calculation, and that is the actual fact at the present time.*

6042. (*Sir Ralph Knox.*) Do you know when that calculation was made?—It was made some years ago, but I have a return showing the actual service of the men who have come, or are coming, home this last trooping season, and the average service in India of the whole of the returning troops is five years and four months.

6043. That is, I presume, after allowing for loss of service in consequence of invaliding, death, and so on?—It is taking the actual service of the men who are going home.

6044. But, of course, the invaliding, and the deaths and so on, do curtail the average?—I do not think the return takes into account the deaths. It is an abstract statement, showing the number of men who have proceeded or will proceed out of India during the trooping season 1895-96, the duration of their service in India up to 31st March 1896, which is the most unfavourable; and it gives the average for the four Commands, viz., five years four months and nineteen days.

6045. (*Chairman.*) Well, that brings us through all the headings, except deferred pay: and, to summarize, I would ask you whether you have made any calculation of the sums which the Indian Government think ought to be remitted under these different heads, because I see that, upon a number of cases, actual sums are spoken of. For instance, 100,000*l.* under the depôts, 10,000*l.* under the expenses of men who are awaiting discharge, and so on. Have you ever put the total charge on which the capitation is at present calculated on the one side, and the amount, which the Government of India think ought to be struck off from it, on the other; so that, at all events, we might get the views of the Government of India as to what the amount of the reduction should be, apart from those general question of what I may call consideration for the circumstances of India?—I think that the general conclusion come to was that there should be a capitation of 5*l.* per head, taking into consideration all the various contentions brought forward.

6046. That has not actually been put down? That would be taking one-third off?—It was actually put down at 5*l.* in the despatch of 1890.

6047. But upon what was that rate based?—It was based upon all these calculations.

6048. The proposal as shown in paragraphs 18 and 19 of the Despatch of 1890 is to deduct something like one-third, 260,000*l.* on 722,000*l.*

(*Sir Ralph Knox.*) That 722,000*l.* includes deferred pay, does it not?

(*Chairman.*) No, it does not include it. The War Office claim was in 1885-86, 770,000*l.*; 1886-87, 641,000*l.*; 1887-88, 722,000*l.* The Indian Government proposed a reduction of about 260,000*l.*; but I think the actual payments in those years were between 500,000*l.* and 600,000*l.*, were they not?

(*Sir Ralph Knox.*) Yes; the present payment is about 550,000*l.*

(*Chairman.*) 550,000*l.*; that really is a deduction very nearly equal to the amount taken off your claim by the Indian Government? Take the year 1887-8, 722,000*l.*, deduct from it 260,000*l.*

(*Sir Andrew Scoble.*) That leaves 462,000*l.*; the payment is 90,000*l.* more, you see.

(*Chairman.*) Yes, but a very large sum was taken off the amount of that claim.

(*Sir Ralph Knox.*) Yes. That claim, I think, I should explain, went before Lord Northbrook's Committee, and there were several changes introduced into it which were departures from the lines upon which the previous claims had been prepared; and Lord Northbrook decided that we should adhere to the old lines.

(*Chairman.*) Were those proposed departures supposed to be in favour of a larger contribution from India?

(*Sir Ralph Knox.*) Yes. They mainly arose in this way: we found that the actual expense which had been incurred in raising and training men for the cavalry, and for the mounted portion of the Royal Artillery, had been far in excess of the calculated sum; and it was proposed to charge India with the actual cost that had been incurred both at the Cavalry depôt and at the Horse and Field Artillery depôts: but Lord Northbrook decided that we should proceed upon the previous arrangement, which was a calculated sum considerably less than the actual charge.

6049. (*Chairman.*) We may now pass to deferred pay. Would you tell us the history of deferred pay? It is a comparatively modern charge, is it not?—Yes. It was introduced, I think, in 1876, and was first fixed at 2*d.* per day, and is now at the rate of 3*l.* a year. It is given for service, with the colours or in the reserve, up to 12 years.

6050. (*Sir Ralph Knox.*) But it goes beyond that for non-commissioned officers now?—Yes, up to 21 years, is it not? That is, for non-commissioned officers above the rank of sergeant.

6051. No; including the rank of sergeant?—Including the rank of sergeant? I thought it was above. The charge for deferred pay has risen from 29,000*l.* in 1879-80, to 208,140*l.* in 1892-93 as estimated.

6052-4. (*Chairman.*) The amount actually issued in 1879-80 was 29,000*l.* As you say, it is running forward. In 1891-92 it was 241,000*l.*; in 1892-93, 208,000*l.*; in 1893-94, 188,000*l.*; in 1894-95, 230,000*l.*?—It was said by the War Office in 1876, I think, that the maximum probably would be reached in 1890, and that the total amount would be 325,000*l.*, of which 51 per cent. would be paid by India. Then I think there was another calculation that it would be reached in 1895, and that 220,000*l.* would be payable by India.

6055. Well, it actually is 230,000*l.*?—It has increased beyond the maximum.

6056. That, I suppose, is due to the increase of the the forces in India, is it not?—I do not know whether the last estimate was made since the increase or before it.

6057. But at all events may we look upon it, as far as you know, that we have now about reached the maximum?—I am hardly able to say, but I should hope so.

6058. Do you happen to know, Sir Ralph?

(*Sir Ralph Knox.*) Yes. It is supposed to be now at its maximum; it varies from year to year, sometimes we have a high year and sometimes a low year.

(*Chairman.*) For instance, in 1892 the Indian charge was 242,000*l.*, falling to 138,000 in 1888.

(*Sir Ralph Knox.*) We look to the average normal Indian charge as about 211,000*l.* a year.

(*Sir James Peile.*) Three times seventy thousand?

(*Sir Ralph Knox.*) Yes, three times seventy thousand.

6059-60. (*Chairman.*) Well, against that increase of effective charge, could you tell us at all what is the effect of the short service system on the non-effective charge?—I think it would be very difficult to say what would be the financial effect of the short service system. I think, if I recollect right, that when the War Office claimed that there had been 200,000*l.* saved on pensions, Lord Hartington in 1881, when he was Secretary of State for India, contended that part of the saving on those pensions would have accrued in any case. Then there must be an extra charge on account of transport:

* *See* Appendices 55 and 56.

and I think that a Committee of the Council of India said that it would cause an extra charge of about 125,000*l.* to 150,000*l.*

6061. But the facts are not in that direction, are they?—I think that can be explained when we come to that subject.

6062. I may remark in passing that the cost of the Indian troop service in 1870–71 was 303,000*l.* and in 1877–78, before the increase of forces, about 193,000*l.*, and I think it has risen now to 255,000*l.* Therefore it can hardly be said that the cost of transport has increased?—No.

6063. And I may add that I was looking yesterday at the cost of transport, and I found that, if you take the average up to some little time ago, perhaps five or six years ago, it was 300,000*l.* a year, and since then it has fallen. Therefore I do not think, if we may judge from those figures, we can quite say there is any extra charge on that account?—But I think, if I might be allowed to say so, that the decrease must be due to other causes, because if you have an army which has to be relieved once in every six years instead of once in every 12 years, the expenses of transport must be larger; I mean, another set of considerations must come in.

6064. Quite so?—I think, with regard to the age of the troopships and so on, and the way the calculations are made they show a decreasing charge on that account.

6065–6. Quite so. I am only calling attention to the fact that, on the face of the expenditure, the transport charges have, as I have said, very largely decreased?—Yes.

6067. The decrease may be due, as you say, to other causes; but so far there is no extra charge to the taxpayer under that service?—No. What we should say would be that if we had the men for 12 years instead of, say, for six years in India, we should have got a much larger reduction of transport charges.

6068. Then on the other hand, while the deferred pay amounted to 230,000*l.*, calculations have been made as to what would have been the non-effective charge under long service, and what it will be under short service in a normal condition. I have before me a calculation by Sir Ralph Knox showing that, when the normal condition is reached under short service, the charge for deferred pay will be, as Sir Ralph Knox has stated, about 211,000*l.*, and the pensions about 302,000*l.*; whereas, the non-effective charge would have been, if the long service had continued, 971,000*l.*?—Yes, on the supposition, I think, that the long service spoken of is the long service of the Enlistment Act of 1867, under which men were enlisted for 12 years, and subsequently encouraged to re-engage for another nine years so as to complete 21 years' service with a pension; but we do not want that in India; we do not want a large pension list; all we want is to get rather longer service than the average time that the man now spends in India. I do not think we can go back to the long service; I do not think that any one would propose that; that is to say, not to a long service with re-engagement to 21 years.

6069. Then, what would your proposal exactly be? at present, under short service, service under the colours is seven years, is it not?—It is seven years, with five years in the reserve; and an additional year of foreign service, making eight years.

6070. And what would you propose?—I have not any distinct proposition to lay before the Commission, but, generally speaking, we should wish to get a longer time than the very short period of five years we now get.

6071. But, I suppose, the Indian Government have formulated in some shape what length of service they would like?—They have on various occasions, I think, expressed their opinions.

6072. Twelve years?—Well, 10 years, I think they have mentioned. In fact, the service was extended to 10 years, was it not, in 1883?

6073. (*Sir Ralph Knox.*) Some few men have been allowed to go on for 10 years, or asked to go on for 10 years?—I thought the terms of enlistment were altered.

6074. No.

6075–6. (*Chairman.*) Then on this question of the deferred pay, are there any other remarks that you would wish to make for the information of the Commission?—No, I do not think I have anything more to say except that it was introduced without the consent of the Government of India.

6077. (*Mr. Buchanan.*) Does that mean that they had no notice of it and were not consulted about it?—I think they were not consulted about it at all.

6078. And yet it entailed upon them this large annual charge?—Yes.

6079. (*Sir Ralph Knox.*) What is meant by saying that the Government of India was not consulted, is that the Government out in India was not consulted; not that the Home Government—the Secretary of State—was not consulted?—I referred to the Government in India.

6080. (*Chairman.*) I am under the impression that I have seen the objection raised that India got no benefit by the deferred pay?—Oh, it is not, I think, in this paper. Of course, the advantage of deferred pay has been questioned by officers, and I think it has been alleged as a reason that it operates against men re-engaging in India to extend their service, because they say, "We have got this amount of money coming; "let us go and spend it."

6081. (*Sir Ralph Knox.*) But do you really think that men would be allowed to extend their service or encouraged to extend their service much longer in India without at the same time giving them the option of going on to pension?—I think they would extend their service say for two or three years; I do not think it would be necessary to grant pension.

6082. Say 10 or 12 years service; 12 years as a soldier out of a man's life: do you think that it would be fair to him to require that he should return to civil life without giving him the option of going on to pension?—I think it is a point for the man to decide; you would no doubt get some reserve service out of him.

6083. But if it is for the man to decide, he must have the pension?—I do not think that you need give a pension for 10 years' service or 12 years service.

6084. No, but if he gives 12 years' service, do you not think that he must have the option to go on to 21 in order to have the pension?—I see what you mean; not necessarily.

6085. If he is a good soldier and a well conducted man?—In some cases it is advantageous to keep a man—not as a rule—after he is 30 or 32.

6086. But I am looking at it not from the government's point of view, but from the point of view of the man. Is it fair to enlist him and require him to serve 12 years as a soldier, and then send him away without any provision at all?—I should say that, if a man enlisted on those terms, there would be nothing unfair about it.

6087. Well, I ask the question because, I think, it is certainly held by all the authorities here in England that it would not be fair, especially when a very large portion of those years has been given in India?—Would you say he ought to have a pension if his service was for nine or ten years?

6088. Nine years of course is only one year more than the period he serves now?—If you reckon the additional year.

6089. Well then, when men were enlisted for 10 years, they had the option of going on for pension. Of course that is the great difficulty. If a man enlists for a short service and he serves for seven or eight years, though that is a long period to call short service, he is in a position of age and vigour to enter upon civil life; but if you keep him for 10 or 12 years and he gives those years in India, it is thought that he is really completely unfitted to start again in civil life, and therefore you must make some provision for him. The provision in former times was always that he should have the option of going on to a pension after 21 years' service?—I do not know whether that was the case with a large number of men enlisted in 1883. They were re-engaged because the War Office could not supply the number of recruits. India paid the bounty for them, and, I think, there were considerable numbers re-engaged to complete 12 years' service; but there was no question then raised of pension.

6090. No, but then the bargain was struck on the spot, as it were, with the men. The men had the provision given to them; they got their 10*l.* or 12*l.* to do that?—Yes; but that was different from a pension for life.

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6091. (*Chairman.*) The paragraph I was speaking of, and in which I thought that the advantage of the reserve to India was not admitted, is paragraph 18 in this paper of Sir Henry Waterfield:—"The principal "advantage of the short-service system is that a "reserve is provided by means of which the battalions "at home can be raised from a low peace establish- "ment to their full strength for service in the field; "but this advantage is not shared by India, where the "battalions are always kept at their full strength. "The system will, therefore, only benefit India when "she requires reinforcements of British troops, pro- "vided that she is then charged only with the cost of "the transport to India of the men sent to the re- "serve"?—Yes, that is a statement of the case.

6092. And would that represent the views of the Indian Government?—Yes, I think so.

6093-4. You have given us some valuable evidence on the subject of short service. Might I ask you, if you know what is the average service in India of men of Her Majesty's forces? Is it actually five, six, or seven years, or what?—Well, they actually serve on the average five years and four months in India.

6095. That is the average, as ascertained after you have taken into consideration the men who have re-enlisted and so forth?—It is the average of the men who have to go home.

6096. That is to say, if you take the average of all the troops belonging to Her Majesty's forces that go out to India, their actual service in India would be five years and four months?—Five years and four months.

6097. (*Sir Donald Stewart.*) That only applies to those who have actually come home every year?—Yes.

6098. A certain number of them remain?—Yes, the average service in India is five years, I think.

6099. (*Chairman.*) I do not quite follow that; if the service of the men who come home is five years and four months and if a certain number of men remain on, that would tend rather to lengthen the average service in India, would it not?—This, I think, means the average number of years in the army not with regard to Indian service only: but out of the whole number of men in India on the 1st January 1895 there were 45,399 between 18 and 25 years of age, and 19,184 between 25 and 30 years of age, and between 30 and 50 years of age 3,209, the total making up 67,792: so that 45,399 were under 25 years of age.*

6100. But then surely the average service would be very considerably increased if you took in the average service of those 19,184 older men, would it not?—A great many of those between 18 and 25 years of age were much younger than 25.

6101. Quite so, but I mean, if five years is the ordinary average service, it would be raised by the men who stay beyond that time, would it not? All those men would stop out to be 25, would they not, except those who were invalided home?—Yes.

6102. Therefore you have to take into consideration, first of all, the men under 25 years of age who have served their five years or five years and four months or whatever it might be, only reduced by the number of men who were invalided. Nobody would come home at 23 years of age or 22, except he were invalided, because his engagement was for seven years, was it not?—Yes.

6103. Therefore, if he comes home at 22 or 23 years of age, it must be because he is invalided; therefore, every man serves seven years unless he is invalided home?—That is including the years he has passed in England before he came to India.

6104. Then we understand that your complaint is that that is rather a short service for them, is it not?—We get a short period of that service.

6105. That the men are sent out to you not perfectly trained?—That has happened in some cases.

6106. But at all events as a rule, there is not more than about a year's training in England, is there?—There may be over a year now.

6107. Therefore, that would leave six years' service in India, would it not?—Yes.

6108. If they are engaged for seven years, and they are one year here, before they go out to India, that means six years' service in India?—Yes.

6109. And then a number of these men re-enlist for longer service, which is evident by there being pretty nearly one third of the whole force over 25 years of age?—Yes. I can only give the figures from the return that was published; and it is corroborated entirely by the calculation made by the War Office actuaries. They said that it would be five years and four months, and it is so in this return that I have.

6110. It is not quite easy to follow, Sir Ralph Knox, is it?

6111. (*Sir Ralph Knox.*) Yes, I think so; it is not likely that the service would be very much longer, inasmuch as so large a proportion of the men are enlisted at an age from 18 to 19, and the stipulation of the Government of India is that they shall not go to that country until they are 20?—Yes.

6112. And as their total service is eight years, including the year for which they are extended, because they go abroad, that would give for those men a maximum service in India of six years.

(*Chairman.*) That is what I say, six years is the maximum; but then, when you take the average service of the men, you have to add to that the number of men who re-enlist, and are therefore over 25 years of age; and as, from Sir Edwin Collen's figures, these appear in a proportion of 19,000 to 45,000, less than one-third, but approaching one-third, must have re-enlisted.

6113. (*Sir Ralph Knox.*) The number who extend their service is not great?—No, it is very small.

6114. I think I have a return showing it.

6115. (*Chairman.*) But there are 19,000 over 25 years of age?—Between 25 and 30 years of age.

(*Sir Ralph Knox.*) In the return, dated 1st January 1895, there were 74,800 men serving in India; the number of these serving on their original engagements was 61,649, those who had extended their service, some of whom might still have been on their original engagement, was 6,804; the number of re-engaged men was only 3,222.

(*Chairman.*) That does not carry you up to 74,000; that carries you up to 70,000.

(*Sir Ralph Knox.*) Then there was another batch who had enlisted for long service and who were in their first period—3,000; that makes the total.

(*Chairman.*) Really that makes 74,000, of whom 13,000 take longer service under one condition or another.

(*Sir Ralph Knox.*) Yes.

(*Chairman.*) But, so far as those 13,000 men are concerned, they would tend to lengthen the average service, would it not?

(*Sir Ralph Knox.*) Yes, each one of those would tend to lengthen the average service. I have here a return showing the services of the men who were sent out in drafts in 1894–95 which is interesting. There were 10,685 altogether. Of those only 1,392 had enlisted in the year 1894, 4,444 enlisted in the year 1893, that is the year before, 3,033 had enlisted in the year 1892, that is to say, had completed from two or three years' service.

(*Chairman.*) Before they went out?

(*Sir Ralph Knox.*) Before they went out—3,033 in 1892, and there are some—a small number—670 who had enlisted in the previous year, in 1890, and 64 in 1889.

6117. (*Chairman.*) Then would you give us your view as to what should be the principle upon which India is repaid, when she lends troops for expeditions outside India. Of course I am speaking of such expeditions as the expedition to Abyssinia, the expedition to Egypt, and the expedition to Malta?—I think the principle should be that India should be relieved entirely of the charges on account of the military forces lent to England, just as India paid for all the pay and expenses of the forces sent to India in the Mutiny; only that in the case of the Mutiny, I think, we paid for all the training of the troops, and naturally India would not bring forward such a charge in case she lent troops to England.

6118. In the case of Malta, I think, the whole was repaid, was it not?—It was.

6119. Can you tell us in the same way what was the proportion in the Egyptian campaign?—In the case of the Egyptian campaign India paid all charges except 500,000*l.*; she got a grant in aid of 500,000*l.*

6120. And do you know at all what the total charge was?—About a million and a half or two millions of Rx.

6121. Then, again in the case of Abyssinia, England paid all the charge, did she not, except the ordinary pay of the Indian troops?—Those were paid by India.

* *See* Appendix 57.

6122. The principle of that being that, where India does not replace the men—where her troops are lent for a few months and are not replaced—she might be asked not to make a charge for that which was already provided for in her budget?—Yes; but I would point out that that is not the way in which charges are dealt with, when the contrary case occurs, that is, when troops are sent from England to India, as in the case of the Mutiny.

6123. Quite so; that is the point I want to give you the opportunity of bringing out, namely, that from your point of view the two countries are not treated similarly?—No. I think, in the opinion of the Government of India, they should be treated exactly in the same way, and India should pay no part of any of the charges for forces which are lent to England for employment. Even in the particular case of Suakim, after the termination of the expedition of 1885 the Indian troops were left in garrison at that place, because, I believe, it was not considered desirable to employ British troops; but it was decided, contrary to the opinion of the Government of India, that the ordinary cost of the troops and vessels should be borne by India up to the date of their relief, which was to take place early in May; that is to say, India maintained a garrison at Suakim for Imperial purposes, the ordinary cost of the troops being borne by India, although, as we contended, the purposes of the garrison were distinctly of an Imperial nature.

6124. Might we not say that the rule as laid down in the case of the Malta expedition establishes the principle that where Indian troops are sent on a purely English expedition, then England bears all the charge; and, in the same case when India borrows troops for a purely Indian purpose, such as the quelling of the Mutiny was, then India pays all. But, of course, there is an argument that, in the case of Egypt and Abyssinia and expeditions of that kind, there is a certain partnership of interest in the war. There cannot be very much question, I suppose, that India would be injured by the closing of the Suez Canal; therefore, if it were thought that what was going on in Egypt might end in the closing of the Suez Canal, India was to a large extent interested in that and might, therefore, fairly contribute. Should you contest that?—I think it was generally contested by the Government of India.

6125. I am only trying to distinguish the different cases. There are some cases in which there is no question of either country being alone interested in the expedition. Then there are other cases, in which it would be admitted that both have a joint interest; I do not say that that necessarily carries with it that both have to pay, but they have got a joint interest?—I do not think that India had such an interest in Egypt that we should have been called upon to pay part of the charge for the Egyptian expedition.

6126. In that case you showed that India paid about 1½ to 2 millions of Rx., of which she only got back 500,000*l.* Well, that might be far too large a share, but should you be prepared to maintain that India should not pay a farthing?—I do not think that she ought to have had to pay anything for such an expedition.

6127. And would you carry it so far as to say that, if she only lent troops which she did not replace, she should not provide even the ordinary pay of these troops?—I should say that she should not even provide the pay of these troops, because she takes a certain amount of risk by the absence of those troops.

6128. You carry your argument so far as to say that, even where she is interested, she ought not to pay?—Well, I should say where she is directly interested, she should pay; but not where she is only indirectly interested.

6129. (*Sir William Wedderburn.*) Would it not be a more satisfactory method, where primarily the object is an Imperial one, that in the first instance the whole expenditure should be borne by Imperial funds, and then for the Imperial Government to prove what India might fairly contribute, instead of making India pay all, and giving a certain contribution?—No doubt that would be, from the point of view of India, satisfactory.

6130. (*Sir Andrew Scoble.*) Is not this the principle on which the Government proceed, that there is a certain solidarity of interest between England and India in all these matters?—Yes.

6131. And that the same treatment ought to be adopted in all cases; that there should be absolute reciprocity, and that where India is called upon to pay England should be called upon to pay, and *vice versâ*?—Yes. Are you speaking of expeditions, or of the whole subject?

6132. Of expeditions outside India?—There should be reciprocity, undoubtedly.

6133. And that is what the Indian Government has always contended for?—Yes.

6134. (*Chairman.*) But I did not know that Sir Edwin Collen admitted so much. I thought he was rather arguing that, wherever any charge arose outside India, the English Government ought to bear the whole charge?—I said in cases in which India was not directly concerned.

6135. Then how would you distinguish between "directly" and "indirectly?" Would shutting up Egypt not concern India directly? I am putting in my own words what I gather to be your thought, that in a case of that kind India need not contribute. In that case, I take it, you consider she is not directly concerned?—No, not directly concerned.

6136. And therefore you would not have her contribute in that case?—I do not think she should have had to contribute to the war.

6137. Then surely it follows that you can hardly imagine a case outside India in which India could be called on to contribute?—I should say, for instance, if the action of a certain nation threatened the frontiers of India, that is, outside India.

6138. That is part of the defence of India?—If a European nation threatened India, then of course India should pay her share.

6139. I believe the Persian expedition is a moot case very much discussed. I suppose the Persian expedition was undertaken because statesmen of the day, at all events, thought that India was interested in it?—The supremacy of the British Empire was interested.

6140. I am not arguing that India should pay the whole charge?—In Persia we approach, of course, very near towards India and its interests.

6141. In a case of that kind, you think, we might hold that India was directly interested and might contribute?—Yes.

6142. (*Sir Ralph Knox.*) Is not the converse of the case of troops being required in India from England, the case of England requiring troops from India in England?—No, not altogether.

6143. The idea is that there may be a disturbance or war outside both India and England in which both are jointly interested; there surely will be cases of that kind?—Yes, if India is directly interested in the case, then I think India might very well contribute.

6144. You would appear, I think, to limit direct Indian interests to cases occurring in the Asiatic Continent?—Yes, roughly I should say so.

6145. But not across the seas anywhere?—Take the case of Abyssinia, why should India have paid for Abyssinia?

6146. That is a case of across the seas?—Yes.

6147. And you would appear to limit Indian interests to the Continent of Asia?—Yes; but I do not say that, even in that case, I think India should pay the whole charge. Supposing it were a great Imperial war brought on by Imperial policy, surely India should not be called upon to pay the whole of the charges in that case.

6148. (*Chairman.*) But has not that principle been conceded in the case of the Afghan war, where England did contribute?—5,000,000*l.* was conceded.

6149. Did the Afghan War, cost 15,000,000*l.*?—Yes, I think it cost more than 20,000,000*l.*—22,000,000*l.*

6150. (*Sir Donald Stewart.*) 19,000,000*l.* I think?—I thought it was over 20,000,000*l.*

(*Chairman.*) But so far as the principle goes, that principle for which you are contending was conceded, I think, was it not?—Well, it was conceded on that special occasion by Mr. Gladstone, but I do not know that it has ever been laid down.

6151. No, but I mean that it was done in one case; I am trying to get the cases in which opinion in England and India is not very far apart. Now, for instance, in the Afghan war the principle of the contribution to India when Imperial policy is concerned, has been recognised, and a precedent has been created. So, too, in the case of the troops being taken to Malta, there has been no difference between England and India,

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because it has been ruled that England should bear the whole charge. I do not know whether India assents to that. The Mutiny was a purely domestic matter. In that case India had to pay for the whole of the troops which she drew from our reserves. Now we come to the extreme cases outside, such as the Persian war, in which I gather that you think a contribution might be made by India. But in the Egyptian war and the Abyssinian war you think that no contribution ought to be made in any shape, not even in the lending of troops which are already provided in the budget, and therefore by the loan of which, if the whole charge is repaid, India would actually make a profit?—Yes; I say she has to take a risk. She may in the middle of the campaign have to raise fresh troops.

6152. But the arrangement was, in a case of that kind, that she was to be repaid; it was only when she did not replace her troops that she was not paid?—Yes.

6153. Now is there not a certain difference between making a profit by the war and not making an extra contribution?—But I think that was what was done in the case of the Mutiny, England not only charged India——

6154. That was for a purely domestic difficulty in India; and India bore all the charges: just in the same way when India sent a force to Malta, which was supposed to be on purely English business, England bore all the charge?—I think there was this distinction that we did not charge the Home Government for raising the troops that were sent to Malta.

6155. That is a very fair point to raise, that is to say, that we charged you more in the case of the Mutiny than you have charged us in the case of Malta?—England charged India the cost of raising the troops.

6156. (*Sir Ralph Knox.*) Was not the cost of the depôts that were established to enlist them, what India paid?—I think it was the cost of British troops to be sent to India.

6157. There was no capitation rate in existence in those days?—No.

6158. And the system was to charge for the depôts?—But also, I think, other charges entered into the calculation.

6159-61. (*Sir Andrew Scoble.*) I should like to ask with reference to two occasions in which England paid for the services of Indian troops: one was the China expedition in 1859, and the other was the Malta expedition in 1878. Now, in those two cases, did England pay more for the services of those troops than their actual pay, during the period they were employed on that foreign service?—England paid all the charges apparently.

6162. Yes, but what do you include in all the charges? Were they pay and transport and so on? or was there anything paid in respect of the training in the military establishments in India?—No.

6163. But simply the pay of the troops while they were employed on that service?—Yes.

6164. And it was the same in regard to the troops sent to Malta, was it not? their actual pay and allowances were defrayed by the British Government during the period they were employed in the Mediterranean?—Yes.

6165. (*Chairman.*) But are you quite sure that, in the case of the Mutiny, India was charged with the cost of raising the men? Are you quite sure that that principle of repayment was adopted during the period of the Mutiny?—I have always understood it to be the case.

6166. (*Mr. Naoroji.*) Lord Northbrook said so?—Yes, he did.

6167. (*Mr. Buchanan.*) Has not the principle of this charge been laid down by the Government of India Act of 1858 in which it says that:—"Except for preventing or repelling actual invasion of Her Majesty's "Indian possessions, or under other sudden and urgent "necessity, the Revenues of India shall not, without "the consent of both Houses of Parliament, be applicable to defray the expenses of any military operation, carried on beyond the external frontiers of "such possessions by H.M. forces charged upon such "Revenues."?—That principle has been laid down; but then I suppose the House of Commons ratified the charge.

6168. Does not that Act clearly lay down the principle that, whenever Indian forces are used outside the frontiers of India, they can only be charged upon the Indian Exchequer under certain special circumstances that is to say, when Parliament has given its assent thereto?—Yes. The Government of India said:—"We "consider nothing but the most extraordinary case of "necessity would justify the application of the revenues of India to defray the cost of a military operation carried on beyond the frontiers of India, without "the consent of both Houses of Parliament."

6169. That would show that at any rate the intention of Parliament when they framed the Government of India Act, 1858, was that cases like Abyssinia, certainly, should not have been charged against the Indian Government?—Yes. The Government of India went on to say, if I may venture to point it out: "We submit, "however, that before Parliament is called upon to "deliberate upon a question of this importance it would "be advisable that it should be placed in possession of "the opinion of the Government of India, and should "have an opportunity of learning any objections "which that Government may entertain to Indian "revenues being made to bear all the charges on "account of an expedition carried on beyond the "frontiers of Her Majesty's Indian possessions."

6170. Would you say this parliamentary control, however, has not been as effectual as the Government of India would like?—Yes.

6171-2. I mean, looking at the list of expeditions, we find that the Abyssinian expedition, the Perak expedition, and the two Egyptian expeditions have all been charged upon the Government of India. Still, looking at it from the point of view of the Government of India Act, would you agree with me in saying that, in accordance with what appears to be the intention of that Act, India should not have been charged with the ordinary expenses, much less with the extraordinary expenses, of any of these expeditions?—That is my personal opinion; but I can hardly express the view of the Government of India on those points.

6173. We know they urged it very strongly with regard to Abyssinia, and with regard to Egypt?—Yes.

6174. And was it not the fact that, with regard to Egypt, at first the Home Government wished to impose the whole of the expense on the Government of India?—That was so.

6175. It was only after the matter was brought before Parliament that the Government were induced to make a modification and contribute half a million, or whatever it was?—Yes.

6176. With regard to Perak, I do not know what the amount was, but I see that it was all charged upon the Indian revenues; was there any substantial Indian interest involved there?—I do not think so certainly.

6177. That was also the opinion of the Government of India?—It was.

6178. There was no resolution even submitted to Parliament on that occasion?—No; I am not aware of it.

6179. That was so: and that was a case in which the Government of India Act was not complied with in regard to these charges?—Yes.

6180. I gather that you would say that with regard to the Afghanistan wars there was an Imperial interest involved and an Indian interest involved?—There was.

6181. And, therefore, that the Home Government might fairly ask India to contribute a certain amount to the expenses of these expeditions?—Yes, or, *vice versâ*, India might ask the Home Government to contribute.

6182. I rather put it in the way I did, because I was going to ask you whether you did not agree with what Sir William Wedderburn said a short time ago, namely, that, in accordance with the terms and intention of the Government of India Act, the expense of all these expeditions, external to the frontiers of India should, in the first instance, be borne by the Imperial Exchequer, and, if need be, the Home Government could apply to India for a grant in aid?—I should not like to answer that question without fuller consideration.

6183. No. But you would agree that a fair claim might be made for part of the charge for expeditions like the Afghan expeditions being borne by India?—Yes.

6184. A part of it, as opposed to the case of those other expeditions?—Yes.

6185. Then with regard to the China expeditions, I see that the cost of the second and third China expeditions was borne by England, and that the expense of the first China expedition was borne by India?—That is to say, the ordinary expenses; the extraordinary expenses were borne by England apparently.

6186. Was there any reason for that which you know of?—I do not know of any.

6187. But you would certainly adhere to the later precedents as being more fair in their treatment of India?—Yes.

6188. I see, with regard to the third China expedition in 1859, that the ordinary charges were borne by England, except the expenses of the Indian Navy vessels. That, I suppose, means that the transport had to be paid for by India?—That is to say, such of the Indian Navy as were employed. There were many other transports, I suppose.

6189. To take a converse case, was the transport to Malta borne by England or by India?—I should think by England.

6190. (*Chairman.*) Speaking of the China war, in all fairness it should be said, should it not, that India has a certain interest in the matter, because she derives a very large part of her revenue from China—the opium; she is not altogether uninterested?—But, if I might say so, England derives a large part of her revenue from Indian tea which she taxes. We should not ask England to contribute towards the expense of putting down a disturbance in Assam, for instance, on that account.

6191. I was not saying that India was the only party interested; I was asking whether India had not a share in the interest?—Oh, no doubt.

6192. Happily India is getting so rich that she is making us independent of China for tea, and we give a large tribute to India for tea, do we not, as the fashion of speaking is?

(*Sir Andrew Scoble.*) Only in the sense of paying for what we drink.

(*Mr. Caine.*) And tax her well before we drink it.

6193. (*Chairman.*) But, practically, India had an interest in the trade?—Oh, she has an interest in China, of course, and in all other nations in the East.

6194. And it is also the case with regard to Perak, that India made an excellent bargain, for Singapore up to that time belonged to India?—I think it was transferred years before that.

(*Sir Andrew Scoble.*) I do not know that it was a very good bargain for India.

6195. (*Chairman.*) You have stated that the Indian Government objects to the 7*l.* 10*s.* capitation charge; and I think you have mentioned that Lord Northbrook spoke of 5*l.* in the House of Lords?—Yes.

6196. But he did not speak as an official of the Indian Government. Can you tell us whether the Indian Government have any rate to propose?—I think that is the rate they would propose, 5*l.*

6197. Then I think at the close of your memorandum you say: "The general principles should be determined "which should regulate the division between the "British and Indian Treasuries of the charges on "account of the European troops in India, with special "reference to the fact that the military forces of the "United Kingdom are organised to meet the require-"ments of the whole Empire, that India has no voice "in deciding on the nature of such organisation, and "that she, as a poor country, is made to enter into a "general partnership with England, one of the "wealthiest countries in the world. The contribution "to be paid by India should be decided with special "reference to the relative positions and wealth of India "and England, to the fact that India supplies a great "training ground for the British portion of the Indian "army. Further, it is considered that a contribution "should be made by the Imperial Exchequer towards "the cost of the fortifications which have been erected "on the frontier, or to defend the ports of India "against attack by great European Powers, and that "England should bear a share of the cost of Aden "which is practically an Imperial fortress." I read those paragraphs in order to ask you whether you would wish to amplify them in any sense?—No, I think that that represents in brief what I wish to say.

6198-9. We may now pass to the non-effective services. Would you explain to us generally the principle upon which the non-effective charge of Her Majesty's forces serving in India is calculated? There have been so many changes prior to the great change of 1882-84 that I think it is hardly worth while going back to the past. Perhaps you would tell us the way in which it is calculated at present?—The new system, as I understand it, is that the proper Indian share of the annual payment to each pensioner on the basis of past services, is ascertained in the same manner as has hitherto been the practice for the purpose of capitalization, but India is debited for the financial year, in the course of which the retirement occurs, with one-half of her annual share reduced by the chance of the pensioner not living one year. For subsequent years, India pays her original share, adjusted by the chance of the pensioner being alive in the year, and, in the case of temporary non-effective pay, such as half-pay, there is a counter charge in favour of India from the year in which the individual reverts to full pay. I should like to remark that, although the contention of the Indian Government at the time applied to the non-effective charges as determined in a great measure by the capitalisation system, yet what they said at that time appears to be applicable now to a great extent. They said in 1883:—

"There is no doubt an appearance of fairness—and we venture to think that it is only an appearance—about the present system. An officer or soldier serves, say, for 20 years in the Army, of which 10 years are passed in India and 10 in England. What, it may be urged, can be fairer than that India and England should contribute equally to the pension of this officer or soldier? Without doubt, if we once accept the principle that the division of charge should be made by a rateable distribution on an actuarial basis, the conclusion that each country should pay part of the pension in the exact proportion of the services which have been rendered to each is perfectly fair. But we maintain that in practice the rateable distribution is exceedingly unfair to India. It pre-supposes that there is a partnership between the two countries. And so, to a certain extent, there is, but there is no freedom of contract. It is a partnership in which the rich and powerful partner is able to prescribe the conditions under which the business shall be carried on, with very little reference to the wishes or to the means of the poorer and weaker partner. We would invite attention to paragraphs 44 to 47 of our Military Despatch, No. 401, of October 29th, 1881. We would also invite attention to the following passage in Mr. Cross's letter to the Treasury, of March 2nd, 1883. Speaking of the increase in the non-effective charges, Mr. Cross says:—

'Part of the increase is due to measures carried into effect by the British Government for purposes unconnected with India, such as the abolition of the purchase system, and consequent grant of pensions to officers, the compulsory retirement of officers on attaining certain ages, the re-organisation of the Army Medical Department, and other steps which, by compelling India at once to become liable for the capital value of such pensions, so far as they are due for service in that country, hinders the non-effective charge from falling in the manner expected when the arrangement was originally made.'"

And they then go on:—

"The argument as regards the abolition of the purchase system appears to us to be particularly strong. That system existed in England from the days of William III. It was a system with which India was but little concerned until the Crown took over the direct government of the country. It certainly appears to us exceedingly unjust that the Indian revenues should be called upon to bear any charge in order to get rid of this peculiarly English abuse."

And that of course has been already touched upon.

6200. That we have already touched upon; and I do not know whether I recall the evidence with sufficient correctness to say whether you did not think that certain modifications should be made in such a statement as that?—I think they meant, what I understood Sir Ralph Knox to mean, the consequences of the new system; it was not the absolute money that was paid to the officers, but it was the pension system consequent on the abolition of purchase.

6201. Yes; only in any ordinary system, where there is no purchase, there are always pensions to officers; therefore it was only bringing into force that which ought to be the normal condition of an army?—Yes.

6202. I think you agreed, after hearing Sir Ralph Knox's explanation, did you not, that no actual charge

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had been placed upon India in connexion with the abolition? England took all the compensation to existing officers on her own shoulders; but no doubt when the purchase system was abolished, the mass of the officers came upon the same footing as the officers in the Navy, or in the Marines, or in the Artillery or Engineers, where there had not been a purchase system, and naturally became entitled to pension?—Yes.

6203. And therefore the abolition of purchase was the removal, so far as England is concerned, of an abnormal and anomalous system. That system had spared both England and India a pension charge, which, under ordinary circumstances, ought to have been paid?—Well, the view of the Government of India was, as I have pointed out, that the abolition of the system led to charges, which should not have been placed upon them. I suppose their view was that, as far as India was concerned, the officers of those days were as good as those who came after them.

6204. Of course, if I understand it, that would mean that the Indian Government would have liked to have gone back to a system of purchase, because it spared the Indian Treasury, along with the Imperial Treasury, the pensions which under any wholesome system are payable?—I do not think they would have said they would have liked to go back; but they thought that the payment of the pensions should not fall on the revenues of India, or not altogether.

6205. (*Mr. Buchanan.*) They were not responsible for the growth of the purchase system?—No.

6206. (*Chairman.*) From Sir Henry Waterfield's paper of August 10, 1895, I gather that the amount provided for military pensions shows a reduction of 71,394*l.* on the British forces, and an increase of 304,993*l.* on the Indian forces. It includes, I presume, the pensions of officers as well as of men?—Yes, it includes the pension of officers,

6207–8. Could you divide the charge between the pensions payable to the officers and the pensions payable to men?—I think it is given in the War Office paper sent to the India Office, dated 26th August, 1895. It gives the Indian non-effective account, 1894–95, under the different army votes—rewards to officers for distinguished services, half-pay, that is, half-pay of general and regimental officers, half-pay of departmental officers, retired pay of general officers, retired pay of regimental officers, retired pay of departmental officers, gratuities in lieu of pensions, pensions to widows of officers, gratuities to widows and children, pension to relatives, compassionate allowances and wound pensions.

6209–11. Could you give us pensions to officers apart from pensions to men in round figures?—The total charge against India in that year was 213,116*l.* pensions to soldiers.

6212. And the remainder would be pensions to officers?—There are also warrant officers and non-commissioned officers.

6213–4. Is that a parliamentary paper?—It is the agreement between the War Office and the India Office for the settlement for the year.

6215. We have already dealt with one important point of the subject in speaking of deferred pay, namely, how far the grant of deferred pay, upon the one side increasing the charge on the revenues, is compensated for on the other side by reductions of pensions under the short-service system?—Yes.

6216. I do not know that it will be necessary for us at the present moment to go further into that point. I understand that the Indian Government do not complain of the method in which the non-effective services are divided between the two Governments?—Except in the general form in which I have put the matter when I made that quotation from the despatch. I do not think they complain specially of any particular details.

6217. Well, how would you characterise that objection which you have read? It is not an objection to any given method of division between the two Governments, but it is an objection founded upon the principle of division?—On the fact that the partnership was not a free one; I think that was it in the first place.

6218. But that does not say whether any injustice is done under it?—With the exceptions that I mentioned, such as purchase and re-organisation of departments of the army, and so on, which threw an increased charge on the pension list about which they were not consulted, I do not think they have particular items to contest.

6219. Does it do more than confine itself to this complaint, that changes in organisation are made without their being consulted?—That is really what it comes to.

6220. Have you any remark to make on pensions payable to officers who have served in India?—No; I might venture to ask that Mr. Jacob should be referred to on that point; I am not sure whether he has anything to say or not.

6221. You have got no particular comment upon the payments to officers?—No.

6222. Except so far as you have made a comment, of course, in connexion with the abolition of purchase?—Yes.

6223. (*Sir Ralph Knox.*) Does not your contention really go so far as this, that no change must be made by the Home Government either in the organisation or the emoluments of the army on which the Indian Government have any wish to place a veto?—No, it does not go so far as that.

6224. Then how far does it go?—All that we would wish would be that India should be consulted when any important changes are likely to occur which might throw additional charges on the Indian revenue, and that the War Office would meet us in a spirit of reasonable compromise. I can only say that a very large number of charges are occasionally imposed upon the revenues of India which we do not object to, because we feel they are inevitable.

6225. But as regards, for instance, the abolition of purchase, supposing the Indian Government had formed their own views as to the advisability of a purchase system being maintained, and come to the conclusion that it should be maintained, you would take the position that, if the Home Government did not agree in that view, they must either not abolish purchase or undertake to pay all the pensions of the officers who might thereafter serve in India?—It would be impossible for me to answer the question quite as you have put it. I should say that the Indian Government could not have said they did not think purchase should be abolished. That would hardly come within their province; but they might have said:—"If you are going to abolish pur-"chase, and throw a large charge on the revenues of "India, we hope you will make it as little as possible."

6226. Is not that what the Home Government did?—We did not think so.

6227. (*Mr. Buchanan.*) These charges which have been thrown upon the Government of India, without the the consent of the Government of India, and in some cases without the consent of the Secretary of State for India, having been previously obtained, are of a very substantial character?—They are.

6228. And they have entailed very large extra expenditure upon the Government of India?—They have.

The witness withdrew.

Adjourned till Wednesday next at 11 a.m.

At the India Office.

THIRTEENTH DAY.

Wednesday, March 25th, 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.
Mr. COLIN G. CAMPBELL, *Secretary*.

Major-General Sir EDWIN H. H. COLLEN, K.C.I.E., Military Secretary to the Government of India called and further examined.

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6229. (*Chairman.*) Sir Edwin, I think you wish to give us some further evidence on the subject of short service, do you not?—I should be glad to be allowed to make a brief statement with regard to the subject of short service in its relation to India. I would first invite the attention of the Commission to paragraphs 8 to 12 of the despatch from the Government of India, Number 70, of the 25th March, 1890—that is in the collection of papers on the apportionment of Home charges. The case of the Government of India is I think stated there with some completeness. I would also ask permission to lay before the Commission the following paragraphs of an Indian Office letter, 252 W, of the 3rd May 1877. The quotations that I should like to have recorded are as follows:—"In Lord Salisbury's opinion it is "not only of paramount importance to the welfare of India, "but to the interests of the Empire at large, that the "British force maintained in India should always be in "the most effective possible condition. That portion of "Her Majesty's Army must be at all times ready to take "the field upon the shortest possible notice, and it should, "therefore be composed of well drilled and seasoned "soldiers. Our military strength in India rests, to a very "great extent, upon the prestige of our past victories, and "upon the esteem in which our British troops are held by "the native races, and Lord Salisbury is of opinion that "should their military character and appearance be im-"paired by an undue proportion of recruits or very young "men in their ranks, such a condition of things would "not only seriously injure their actual fighting ability in "a trying climate, but would dangerously affect the manner "in which they have hitherto compared with the native "armies."

6230. (*Sir Ralph Knox.*) That is nearly 20 years old, I think?—It is. The letter concludes in the following way:—"The almost unanimous opinion of officers of "high position and great Indian experience, who have "framed those recommendations, carry with them great "weight, and looking at the subject solely from an "Indian point of view, that plan"—(which has been proposed)—"would certainly provide India with a British "force more in consonance with its military requirements "than the modifications of it proposed in this letter."

6231. (*Chairman.*) Was there a plan put forward by the Indian Government? and were the arrangements which you have just mentioned the short service arrangements which had found favour in England?—It was a plan for obtaining a longer service for the army in India. There is also a considerable amount of opinion against the present short service.

6232. Might I ask, before you come to that, were you going to make any quotation from the Despatch of the 25th March 1890?—No, I merely alluded to that, because it is before the Commission.

6233. (*Sir Ralph Knox.*) I think, perhaps, it would be convenient with regard to that, to ask whether there was not a subsequent extension of the period of service in India?—Yes. It was more the general principles to which I wanted to call attention. There is also a considerable amount of opinion against the present short service as applied to India, in the evidence given before Lord Airey's Committee of 1881 and Lord Wantage's Committee of 1892, and, if it is not trespassing, too much on the patience of the Commission, I would like to allude to one or two points in the evidence before these two Committees.

6234. (*Chairman.*) Certainly?—Colonel McKay said that "the present system of short service would burden "the country with considerable expense and weaken "the efficiency of regiments in India." General Sir Henry Norman gave a summary of the opinions of 45 officers of experience as regards the type of soldiers required for Indian service:—"(1.) Soldier of good con-"stitution is of greatest value, from 25 to 30 years of "age. (2.) Age and length of service which produce "most valuable soldiers from 25 to 30, with from three to "eight years' Indian service. (3.) Deterioration com-"mences after 30 to 35, or after 10 to 12 years' service in "India. On this point military and medical opinion "differ a little. Medical men say 30 to 35, with less "Indian service. Military men, 35 to 40." General Sir Henry Norman says "it is a most serious military and "political evil to have British regiments in India, com-"posed of immature lads, who compared unfavourably in "physique and endurance with the native regiments "brigaded with them." Lord Strathnairn—that was before Lord Airey's Committee—said that "short service "failed from the first as regards India." Lord Sandhurst (Sir William Mansfield), expressed a strong opinion on this head: on account of (1.) "the youth "of the men which increased invaliding in India and "rendered home battalions inefficient. (2.) Ruinous "expense of continuous drafts, short service, and "equality of age inherent in short service militated "against a supply of good non-commissioned officers." General Sir Samuel Browne said:—"The men did not "get sufficiently matured or acclimatised for Indian service. "He thought a soldier was certainly fit for service in Indian "after 16 years. The present term of service for India was "too short." Colonel, now General, East, thought that "six years for Indian service was too short; neither men "nor officers got accustomed to the climate or country." Lord Napier of Magdala said, "Unfortunately the necessity for a reserve had obliged us to abandon the 21 years' service "for a short service one, which, making every allowance "for exceptional circumstances, had certainly given us "too youthful an army." Colonel Goldsmid, who was then Deputy Assistant-Adjutant-General at the Horse Guards, said, "Although India claimed to have not less than four "years of a man's colour service, and ought to get nearly seven, there were a good many men with less than four "years to serve in a battalion going out." Colonel, now General, Gosset, of the 2nd battalion, Dorset Regiment, suggested that "there might be a separate system of enlist-"ment for India with recruiting depôts in England, "where men might be obtained for service in India." Colonel Barton, 2nd battalion Royal Fusiliers, said that it "was a very great pity that service with the colours was "not longer." Colonel Wood, of the 57th Regimental District, said, "I would prefer to see men enlist for ten "years with the colours, and five with the reserve."

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Colonel Green, of the 75th Regimental District, said "I have had no experience of very young soldiers in India, but "they failed most signally up the Nile." The Duke of Connaught particularly called attention to the cases of soldiers going out being under 20 years of age. He "did "not think it was possible to make certain of the men's "ages; they did not give their true ages on enlist-"ment." And with regard to service in the army in India he wished "to again point out the great necessity for "having the drafts really up to the age the regulation "said they were to be," and he gave an instance of an inspection of 250 men of the 1st battalion, Rifle Brigade, who he thought were distinctly under age. Mr., now Sir Ralph Knox—that was before Lord Wantage's Committee—said he thought "it would be an advantage, and econo-"mical to India, as far as the drafts were concerned, to "ensure that India should get a minimum of six years." Then there was a War Office letter of the 24th December 1889, in which it was said that a tour of seven years' Indian service should be obtained from every man. As I have pointed out, India only gets five years and four months of a man's service. With regard to invaliding, in 1887-88, 49 per cent. of the number invalided were under 25, while 25 per cent. had been less than two years in India, and 53 per cent. had from two to five years' service. 78 of the total number invalided had been less than five years in India. I have made inquiries, and am endeavouring to have a table prepared of the mortality and invaliding which the Commission require, but I may mention that I have a table which I brought home, of mortality and invaliding from 1871 to 1894, and this I will hand in to the Commission. The invaliding has been reduced, but it is submitted that this is not due to the youth of the soldier, but to the improved sanitary conditions under which he lives, and the larger number of troops quartered in the hills. There has been an increase of mortality from enteric fever. The recently arrived soldier is more apt to die from enteric fever than he who has been longer in the country, and with increased length of service in India the liability to death from enteric fever rapidly diminishes. I ask permission to put in the statistics of the Sanitary Commissioner of the Government of India, and his report for 1894, and similarly the statistics showing the increase of venereal disease.* The Sanitary Commissioner alludes to the increase of this disease following the arrival of the men entered under the short service system. I also ask leave to hand in a statement showing the ages of non-commissioned officers and men in India on January 1st, 1895.† I submit, therefore, that there is special force in the contention of the Government of India expressed in the Despatch of 1890, that "it can hardly be said that "immature soldiers are as effective for service in India as "men of a higher average of years and service, and while "the cost of the recruit has been increased the term of ser-"vice has been diminished." With regard to what was said about localising batteries and regiments, that is, fixing their permanent head-quarters in India, that is not put forward as a definite proposal, I mentioned it as a possible solution of the question. It is a matter which would naturally require great consideration, but as my personal opinion I would venture to say that a shorter service for home defence and a longer service for India is what is required. The question of localising batteries and regiments is mentioned in a memorandum of Sir Patrick MacDougall's in 1879, and I believe many regimental officers have been in favour of the plan. On the other hand I admit that there are strong arguments against it. There was also, I think, before Lord Airey's Committee, a memorandum of the evidence given by Sir Arthur Herbert in the same direction. We have to maintain in India battalions at what is practically war strength, 1,032. There is a reserve in England, undoubtedly, but we should not get reserve soldiers if England were threatened at home. India does not pay for this reserve, but she pays for the training of a large portion of it, and England has in the Native Indian army, for which she does not pay, a large reserve of military strength. The Government of India, are not I think, prepared with any specific solution of the difficulty at the present time. All they urge is the reasonableness of their contention that the way in which short service is at present worked is not advantageous to India, and that the disadvantages should be considered in fixing the charges to be made against India for the services of British troops.

6235. In order to summarise the results of what you have said, Sir Edwin, do I understand that your view is that at present the average service in India is five years and four months?—Five years and four months.

6236. And, following the quotations you have made from the opinions of distinguished officers, I should gather that their desire is a minimum of service of seven years, or something like seven years; would that correctly represent, do you think, what you have stated to us?—I think so—a minimum service of seven years.

6237. The minimum service should be seven years?—I can hardly offer that as an opinion of the Government of India. The opinions have differed on this subject, and I can only say that I imagine the Government of India would be very well satisfied if they could get that minimum of seven years' service, which was mentioned by the War Office.

6238. The evidence speaks of lads going out, but I do not know whether I gather rightly that that objection would be satisfied if all the men went out at 20 years of age? Is that so, or do you consider 20 years too young?—If it could be ensured that they were 20 years of age, but that is the great difficulty.

6239. At present I am endeavouring to obtain from you what is the general result of that evidence, corrected as it would be by your experience in the intervening time, because these Commissions sat, I think, some time ago?—Yes, one Commission sat in 1881 and the other in 1892.

6240. Then with regard to invaliding. Can you tell us what were the numbers invalided in the first year of your table and in the last?—The table is from 1871 to 1894. In 1871 the death rate was 17·53 and the invaliding 43·62. In the last year—1894—the death rate was 16·07 and the invaliding 25·45.

6241. Are those two figures fairly representative figures of the two periods, do you think?—There is no doubt that there has been considerable reduction in invaliding. In the intermediate years there have been considerable variations,—for instance, 1875, it was 40; in 1878 it was 44; in 1879 it was 41: then it sank to 26 in 1880; it rose to 38 in 1881, and it was 31 in 1884, but then in 1885, 1886, 1887, 1888 it was from 22, 24, 22, 22: then it rose in 1889 to 25, and in 1891 to 26. Invaliding has undoubtedly been reduced.

6242. (*Sir Ralph Knox.*) Were there not some epidemics in some of those heavier, years?—Yes, and I think that accounts for a great deal of the invaliding in the earlier years, because the cholera epidemics were much more frequent and more severe. Of late years very large sums have been spent in India on water supply, and we look to that as diminishing the rate of mortality—certainly from cholera.

6243. (*Chairman.*) Have you any knowledge of what the rate of invaliding at home is?—It is given in the Blue Book; I have no doubt Sir Ralph Knox has it.

(*Sir Ralph Knox.*) No, I have not got it; it is in the Medical Report, which I have not got here.

6244. (*Chairman.*) At all events, giving full force to what you have stated about the greater care taken in preserving the health of the troops, the result I presume you would say is a very satisfactory one?—The result of the greater attention now paid to all sanitary requirements in India; that is the way we put it.

6245. Quite so; I am only saying that the result as it stands now is satisfactory?—Decidedly so.

6246. Without attempting to argue that that is due in any way to the soldiers being younger?—Yes.

6247. By one means or another you have got a very satisfactory state of things in India, compared with what it was 20 years ago?—Yes.

6248. (*Sir James Peile.*) Might I ask—Sir Donald Stewart wishes this question put—whether the opinions you have read out just now with regard to the short service would apply to the present conditions, or to the period before it was ordered that the men should not go out under 20?—Some of the opinions undoubtedly refer to the present conditions.

6249. (*Mr. Jackson.*) Is it known what the average age of the invalided soldiers is?—In 1887-88 49 per cent. of the number invalided were under 25, while 25 per cent. had been less than two years in India.

6250. (*Chairman.*) You would always expect a very large per-centage of men under 25, because I suppose you would hold that 20 to 25 is essentially the soldier's age, is it not?—In India, he comes out at 20 and goes back after five years and four months' service, of course.

6251. But supposing the Indian Government were to make its own arrangements as to the ages at which it would take the men, I suppose it would take them at 20 or 21, and therefore, soldiers under 25 would constitute probably the larger part of the forces under any circumstances, would they not?—That of course would depend upon the length of time for which they could get the men.

* *See* Appendix 58. † *See* Appendix 57.

6252. If we take what apparently would satisfy the Indian Government, a service of seven years, the larger part of the force that was serving for seven years in India would be under 25, would it not?—I should think so, but might I say one thing—that I should not like to say positively that the Government of India would be satisfied necessarily with seven years, because I do not think anyone can say until they have thoroughly considered the subject again.

6253. That rather represents your own view, but you do not think it is contrary to the view of the Government of India; might I put it that way?—Personally, I should like rather longer service; it would be a step in the right direction.

6254. (*Mr. Courtney.*) But taking those figures you have given us, what proportion of the army in India now under existing service is under 25?—It is 45,000 out of say, 67,000.

6255. Two-thirds?—Yes, I suppose that is it.

6256. Two-thirds under 25, one-third over 25?—Yes.

6257. Well now, that one-third which is over 25 gives more than one-half the invaliding; 49 per cent. under 25, 51 per cent. over?—49 per cent. is the number invalided under 25.

6258. Therefore, 51 per cent. over?—Yes.

6259. One-third of the force furnishes more than one-half of the invalids?—Yes, on the face of it.

6260. That does not look as if they got better fitted for the climate?—Well, I can only give the opinion of all the officers, medical and military, who have considered the subject, that the best service of the men is from 25 to 30 rather than from 20 to 25.

6261. These are awkward figures to emphasise that?—I should like to have a further opportunity of going into that question. The figures regarding invaliding are for 1887–88; those regarding the ages for 1895.

6262. (*Sir Ralph Knox.*) I think I should like to pursue the subject we have got upon, before I take up the financial questions. I have got a note here as to the invaliding for periods anterior to those which you have quoted, which I think, are perhaps better for comparison than those you have mentioned. I have a period from 1863 to 1872, with the year 1873, and I find that from 1863 to 1872, the invaliding (that is in an undisturbed period) was 33½ per cent., and that the invaliding from 1884 to 1893, (a period during which short service was completely in force, the earlier period being that in which the old system was in force) the invaliding was 26 per cent., that is to say a reduction of 7, or practically one-fifth? You state that it is to some extent due, or rather you state that it is entirely due, to the fact that there have been great sanitary improvements in the barracks, and in the life generally of the soldier in India; but is it not also true that the shorter service at all events has not increased the invaliding?—I certainly understood that it had increased the invaliding.

6263. But it is clear from the figures that there has been a decrease from 33½ per cent. to 26 per cent.?—Yes, but surely a great deal of that is due, as I have said, to the improved sanitary conditions under which the men live.

6264. But surely your argument is really this, that all the soldiers in India are practically short service as compared with the previous army, that all the invaliding is from that body of men, and that therefore there has been an increase of invaliding, due to the fact that they are a younger body, the fact really being that all the invaliding is necessarily from this mass of young soldiers; is not that your observation?—Yes.

6265. But, as the fact stands, there is a decrease of about one fifth; it cannot surely be stated that the shortness of the service has given rise to an increase of invaliding in India, can it?—No, I do not think it can precisely.

6266. I find the constitution of the army in India under the short service system is stated at p. 80 of the General Annual Return of the British Army. In the army there is always a certain number of boys, is there not, specially enlisted, required for the service of the army?—Yes.

6267. That would account for a certain number of those who happen to be very young, who are under 20 years of age, would it not?—Not very many.

6268. But there is a certain per-centage of them allowed in each regiment, those under training for trades, for bandsmen, and so on?—Yes.

6269. There are not very many, but still out of a total of 75,000—as there were on 1st January 1859—there would be a fair number, would there not?—Under 18, 629; is not that it?

6270. There are under 18, 629?—18 to 19, 335.

6271. And 19 to 20?—576.

6272. (*Chairman.*) In India?—In India, yes.

6273. (*Sir Ralph Knox.*) A total of 1,544 out of 74,799. But then we come to the men of the regiments, and I find that from 20 to 21 years of age there were 6,000, I am stating the round numbers; from 21 to 22, 9,400; from 22 to 23, 10,200; from 23 to 24, 10,000; from 24 to 25, 9,000; from 25 to 26, 8,000; from 26 to 27, 5,700; then 27 to 29, 7,900, taking the two years together; and then above that age, 29 to 30 and upwards, something like 5,000 men?—Yes.

6274. Do you think that is an indifferently constituted army for active service?—I do not think it is an indifferently constituted army; but I do think that for Indian purposes it would be far better that the men should be of longer service.

6275. But you see you have a very large number extending throughout the whole of what may be called the military ages, as they are regarded by all the civilised people of the world—that is to say from 20 up to 28 years of age?—But, on the other hand, we have a large body of evidence in India to show that the best age for service in India is 25 to 30.

6276. Is there anything to support your evidence except the opinions of a few men that you have read out just now?—There is more than that; the opinions of a very large number of medical and other officers when the subject was investigated in 1877.

6277. In the German army the period of service is seven years, including reserve, is it not?—It has been altered of late, I think; it may be so.

6278. And they are enlisted at 20; is it not so?—I imagine so.

6279. That is to say, their total service, including reserve service, brings them to the age of 27 years. Does not this army, which I have just described, closely resemble in ages and service what the German army would be when mobilised?—It might be so; but, on the other hand, you must recollect that the army in India serve under totally different conditions of climate and country.

6280. But is it not acknowledged by all medical authorities that after a certain number of years a man shows great signs of deterioration, and that if he is kept, say, beyond seven or eight years in India, he fails completely?—Not according to the evidence that I have seen.

6281. Then what period would you state?—I think in the evidence that I have read to you it was given as after 30 years of age.

6282. This question of age was first taken up by the Sanitary Commission of 1859, was it not? the one over which Lord Stanley presided, and they went very carefully into these questions, both as to service in India and age, as bearing upon the conditions of the soldier in India; and evidence was laid before them which, I think, went to prove after eight years' service in India a man began to fail, that the climate began to tell upon him, and that the system of long service was a bad system for the soldier, as a man?—I certainly have not read that evidence of late, but I give you, on the authority of Sir Henry Norman, the conclusions that were arrived at, I think, in 1877 and later. Those conclusions were:—Soldiers of good constitution are of the "greatest value (that is for India,) from 25 to 30 years of "age. Deterioration commences after 30 to 35, or after "10 to 12 years' service in India. On this point mititary "and medical opinion differ a little. Medical men say "30 to 35, with less Indian service. Military men 35 to "40."

6283. However, you cannot draw our attention to any case in which the army out in India, constituted as it is now, has failed in any way to do the duty that has been imposed upon it, can you?—I think there are many officers in distinguished positions, who would say that the younger regiments nowadays could not do quite the same work as was done by regiments containing more seasoned soldiers in the ranks.

6284. That is the universal military opinion in India?—I would not say that it is the universal opinion, but I would say there is a large body of opinion in support of the statement.

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6285. You think there may be officers who hold a different opinion?—There may be, but I have not met them, I confess.

6286. (*Chairman.*) You speak of mortality as 16; 16 per thousand, I suppose?—Yes, 16 per mille.

6287. And the invaliding is the same?—Yes, that is per mille.

6288. (*Sir Ralph Knox.*) I have here some notes of the mortality in India in the earlier periods, that is to say, during the existence of the old system, and I find that from 1863 to 1872 the mortality was 25; from 1884 to 1893 the mortality was 16 per thousand, and that seems to be the mortality for the year 1894 as well?—1884 to 1893?

6289. Yes, it was 16?—It ran like this, I think, 12, 14, 15, 15, 14, 16, 15, 14, 17, 12, with the decimal added.

6290. Yes, but for the whole period from 1884 to 1893 it was 16? Yes.

6291. And for the whole period from 1863 to 1872 also it was 25?—Yes.

6292. That is also a considerable decrease, is it not?—It is.

6293. Before the Indian Mutiny the European army in India consisted of two forces, the local Indian force and the British force?—Yes.

6294. The total number being about 36,000 men, was it not—12,000 of the local force and 24,000 of the Imperial force?—Yes.

6295. The East India Company raised the recruits for the smaller force, the 12,000?—Yes.

6296. And the recruiting for the remainder of the force—the 24,000—was carried on under the Home Government in accordance with their system of organisation?—Yes.

6297. The East India recruits were collected at Warley, were they not?—Yes.

6298. And the others—the British troops—were collected at the depôts that were formed at Chatham?—Yes.

6299. We have heard a great deal of the Warley system and it has been quoted in many of the papers, and it has been stated that the cost of raising recruits under the Warley system was very economical. Can you describe what the Warley depôt was and what it did?—I know that the staff was a comparatvely small one; I have not got the detail of it here—and that the men were not trained for long periods.

6300. Was there any real period of training at all? Was it not merely a recruiting or receiving depôt, where, inasmuch as a thousand men cannot be raised in a day, it was necessary to begin to collect them some time before the draft was sent out, and as soon as a batch had been collected they were despatched; was not that practically the system, it being immaterial whether they had any training or not?—That I am unable to say, but my idea would be that they received a certain amount of training.

6301. Well, those men, who had been recruited two or three months before they were shipped, would necessarily have undergone some amount of drill?—Yes.

6302. But, on the other hand, some men were despatched after a very short period of drill?—That is quite possible.

6303. Whereas at the Chatham depôts the men were recruited throughout the year and were despatched as more or less trained men—it may be young men, but more or less trained men—to the regiments in India. Was not that the case?—I am unable to say that from my own knowledge, but I am quite willing to accept the statement.

6304. However, the two systems were as different as they possibly could be, were they not?—No, I should say not as different as they possibly could be: it depends upon the number of months the man was under training.

6305. The system, is described somewhere in this Sanitary Commission Report of 1859, and there four months is stated as the utmost time that any man was at the depôt at Warley?—At all events we got very fine material, according to the experience of the officers who were cognisant of what the recruits were in those days.

6306. The number of men sent out was comparatively small, of course, from the depôt at Warley, was it not?—Yes.

6307. And they were trained to a large extent in India, after they arrived in India?—Yes.

6308. And they were enlisted for life?—Yes.

6309. Naturally, as they were kept there only a comparatively short time, the expense at Warley was comparatively low, as has been stated?—Very low, yes.

6310. I find that, in calculating the average cost of recruits, some years were thrown in which were rather exceptional, those at the time of the Indian Mutiny; and I find also the years which were also exceptional during the Crimean war, when recruiting was freely opened, as many men as possible being raised in consequence of the withdrawal of European regiments from India; and I find that that disturbs the average very much. But in the earlier years, 1850, 1851, 1852, normal times, I find that 1,200 men were shipped at the cost of 36,000*l.* in 1850; 838 were shipped at the cost of 32,000*l.* in 1851, 1,000 men were shipped at the cost of 37,000*l.* in 1852, bringing the cost in those years up to 30*l.* apiece?—I think an average was stated of 26*l.*

6311. 26*l.*, yes, but in those earlier normal years the cost was 30*l.* to 40*l.* apiece?—But in the Appendix to the 4th Report of the Select Committee on East Indian Finance, page 226, where they omit the exceptional conditions, as they omit the exceptional years of and after the Mutiny, it was calculated at 26*l.* 7*s.* 5*d.*

6312. Yes, but that included the Crimean war time when an abnormally large number of men were sent out from the depôts, 2,000 as against 1,000 in the earlier years?—To India?

6313. To India; I merely mention that that disturbs the average and makes it come out somewhat cheaper than it would otherwise be. However, whatever the system at Warley may have been, it was not a system of training the men completely before they were sent to India; is not that the case?—It was not a system of training the men, and I should doubt whether the other system was a complete training.

6314. It was a training as far as a year's service or so would give him a training?—It was longer training, no doubt.

6315. One of the principal recommendations of the Sanitary Commission, in fact, their first recommendation in 1861, was, that no recruit be sent to India under 21 years of age, nor until he had completed his drill at home, was it not?—Yes.

6316. Is not that a recommendation which the Indian Government have constantly insisted upon since that time; at all events, that they require that the men should be 20 years of age and that they should be completely drilled?—Yes; that they should not have less than certain minimum periods of training, I think that would be the answer.

6317. The army of India was considerably increased after the Indian Mutiny, was it not?—It was increased during the Indian Mutiny.

6318. And maintained afterwards at a much higher figure than before?—For some time.

6319. Comparing the army now with what it was in the ante-mutiny period, what would be the increase?—Taking the number before the mutiny, do you mean?

6320. Yes?—All European troops together?

6321. All European troops together?—24,000.

6322. With the local Indian forces it would be 36,000—Yes, with the 12,000 it would be 36,000.

6323. It has now been doubled in fact?—Yes, that is against 72,000.

6324. As regards the infantry, how was that done; how was that increase made?—You mean during the mutiny?

6325. To supply India with this increased force?—I do not quite understand the question.

6326. During the mutiny were not 40 additional battalions sent out to India?—Yes.

6327. After the mutiny was quelled, was it not the case that India determined largely to increase the European force there?—That was so determined.

6328-9. And in order to obtain that force what steps was it necessary for the Home Government to take, do you know? Did they not raise 26 additional battalions for the British army?—That was for the service of India.

6330. Yes?—Yes.

6331. They added, that is to say, a force of 26 battalions to the force then in existence specially for the service of India?—Was that absolutely the case? it was not in connexion, for instance, with the foreign service in the Colonies and having one battalion abroad?

6332. No, this was before anything of that kind occurred. A second battalion was added to every one of the regiments from the 2nd to the old 25th foot, and a battalion was added to the Rifle Brigade and the 60th Rifles?—Yes.

6333–4. And that enabled the Home Government to supply India, so far as the cadres were concerned, with the additional force which it required; was not that the case?—Yes.

6335. That is to say, a special addition was made to the British army, in order to supply this additional force in India; it was not merely locating in India a portion of the British army already in existence?—Quite so.

6336. It can be easily understood, I should imagine, that to maintain this additional force was not such an easy matter; that it was necessary to take special steps in order to produce this additional force?—Yes.

6337. And difficulties were soon found, the result of which was that two Royal Commissions upon recruiting sat to consider the question; was not that the case?—Yes.

6338. One in 1861, and another in 1867?—Yes.

6339. The result of the recommendations of the Royal Commission of 1867 was, that an increase of pay was given to the whole army, was it not?—Yes.

6340. And that was done in order to obtain the additional number of men that were required in consequence of the dearth of recruits, was not that so?—Were there no other reasons?

6341. The Commissions were appointed because of the difficulty of obtaining recruits to maintain the army, and they made various recommendations, and amongst them was a recommendation to make considerable improvements in the position of the soldier?—But you would not attribute that entirely to the fact that India wanted a larger force.

6342. But the force, the strength of the army, which had been increased by 30,000 men upon a force of something like 120,000 men, made the problem considerably more difficult; would it not do so naturally under a voluntary service system?—Naturally, yes. But I think it might be said that the extra pay was necessary because, perhaps, wages had risen and so on; there was greater difficulty altogether in getting recruits.

6343–4. There was a greater demand, however, for them?—A greater demand, quite so.

6345. And one of the recommendations of the Commission was that the service of the soldiers should be extended from the old 10-year period to one of 12 years?—Yes.

6346. And also that the men should be given an additional penny if they re-engaged for longer service; was it not so?—Yes.

6347. Those were the recommendations of a Royal Commission which added considerably to the expense of the army; do you think that those recommendations were made with complete indifference to the condition of India, and the burden imposed upon India?—I have not the report of the Royal Commissions to refer to, and, of course, I am unable to answer that question.

6348. But you would not suppose that a Royal Commission, in making a recommendation of that kind as absolutely necessary in order to maintain the army, would disregard the financial interests of India, in making that recommendation?—That is a question you cannot expect me to answer.

6349. However, they made a recommendation, and the pay of the army was increased by 2*d.* a day, and the soldier who extended his service was offered an additional 1*d.* a day, was not that the case? and that imposed a considerable burden upon India?—Yes.

6350. The Indian Government has nothing whatever to do with the details of the recruitment of the army at home?—No.

6351. It is not in touch with the civil population here at home, and knows little about the conditions under which men can be obtained, does it?—I suppose they know a good deal through the medium of various reports of Royal Commissions and others.

6352. But still they are not in active connection with the population from which the recruits have to be obtained?—No.

6353. It is admitted that, under a system of short service, the soldier can only be recruited when entering upon manhood, practically at the age of 18 or approximating 18, is it not? it has never been otherwise under a system of voluntary service, has it?—I thought we enlisted a large number of men in 1892 about 20 years of age.

6354. Of course, there are some enlistments at higher es. I have here the ages at which the recruits were raised last year. I find that 18,000 were raised at the age of from 18 to 19, or 4,229 per 10,000; 7,659 between 19 and 20; 3,897 between 20 and 21; 3,000 odd from 21 to 22; and 2,000 from 22 to 23; that is to say, 60 per cent. were raised between the ages of 18 and 20 out of the total recruits raised. I find as far back as 1870 that the enlistment was much the same, much fewer recruits being required. From 18 to 19 the numbers were 3,000 per 10,000; from 19 to 20, 2,000; 20 to 21, 1,200; 21 to 22, 800; 22 to 23, 600. In fact, under a system of voluntary service the recruits in any large numbers can only be obtained from 18 to 20 years of age, that is to say, 5,000 out of 10,000 were raised between 18 and 20 years of age, so that it appears to be proved that under a voluntary system you can only get the soldier in large numbers at those early ages?—But you did get, as I stated, in 1892, a large number of men at 20 years of age.

6355. Yes, and we get now what may be called a large number—3,900 were obtained at 20 to 21, and 3,000 from 21 to 22?—Yes, but I thought there was a much higher proportion in the year 1892.

6356. Well, in one year it may be that there was a larger number obtained at a particular age: but are you aware that an experiment was made of raising the age from 18 to 19 somewhere about the year 1880 or 1881, and that it completely failed?—Yes.

6357. The result was that we did not in that year obtain more than one-half the recruits that were necessary to keep the army on its proper footing?—Yes.

6358. Will you not admit that those who are engaged in the business of endeavouring to induce young men to join the army, must know more, as to what it is necessary to offer them, than those who are serving in India and not in touch with the civil population at home?—Presumably.

6359. The difficulties of recruiting were not overcome by the measures which I have just alluded to; and the result was that the system of long service was done away with, and the system of short service was introduced in 1870; that was the case, was it not?—Yes.

6360–1. Well now, quite apart from the question of the efficiency of the army in India for the purposes for which it is required, and looking at the system in its financial aspect alone, if it can be shown that the present system is less costly than the system previously in existence, it can hardly be argued that the financial interests of India have been disregarded, can it?—That the short system is less costly than the long service system taking everything into consideration?

6362. If, taking everything into consideration, it can be shown that the one system is less costly than the other, it cannot be said that in the introduction of the system the financial interests of India were disregarded, can it?—No.

6363. Do you think that can be shown, taking everything into consideration?—I have never seen any accurate statement of the result.

6364. Well, the change from a long service system to a short service system necessarily resulted in two things, did it not, namely, that a larger number of recruits were required, entailing necessarily larger expenditure in raising, training, drilling, and transporting those men, but a reduced charge for pensions. Would not those two things result from the change from the long service to the short service system?—Yes.

6365. If it can be shown that, taking those two together, the saving that would arise from the reduction of the charge for pensions would counterbalance any increased charge arising from the raising, training, and transporting of recruits, the case is proved, is it not?—The case is proved if it can be absolutely shown that there has been a saving on the short service on its introduction.

6366. Yes, I mean if that can be shown?—Yes, from the financial point of view.

6367. Are you at all familiar with the variations in the pension charges arising from the adoption of the short service system?—I have seen the various statements that have been made.

6368. I suppose the Indian Government will admit that the sums of money which have been claimed from them year by year for a series of years would fairly represent the charge to the Indian Government on account of pensions, would it not?—Yes, but that whole question is rather complicated, is it not, by the capitalisation of pensions?

6369. No, not at all; the capitalisation system was simply calculating a lump sum, which was equivalent to the annuity imposed upon India year by year?—Yes.

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6370. Of course since then we deal simply with the annuity that is created?—Yes.

6371. I have here the charges which were made against India from 1876 to 1894–95. The first years, I think it must be admitted, were more or less abnormal. However, the sum claimed from India in that year—these are the actual amounts that were claimed, upon which the capitalisations were calculated in those earlier years—is 60,900*l.*; the next, 47,800*l.*; the next, 68,000*l.*; the next, 56,000*l.*; the next, 50,000*l.*; the next, 48,000*l.*; the next, 43,000*l.*; and I need not read the others, but the last claim which was made against India was 23,372*l.* as compared with those earlier years of 60,000*l.*, 68,000*l.*, 56,000*l.*, 50,000*l.*, 48,000*l.*, 43,000*l.*, and so on, gradually decreasing down to 23,000*l.*?—But I venture to think it was contended, was it not? in Lord Hartington's time, when a plea of that kind was put forward, that part of the saving would have accrued without the short service system.

6372. It would not accrue from the fact that the rate of the pensions of the men had been increased, would it?—No.

6373. Well, is not that the case? Have not the rates of pensions to men been increased?—The pensions of whom?

6374. The pensions of the men have been increased in the interim, have they not? the men are now being pensioned at higher rates than they were in the earlier time?—Yes.

(*Chairman.*) These are the pensions that come into the course of payment for the first time in each of these years.

(*Sir Ralph Knox.*) Yes.

(*Mr. Jackson.*) Does that mean the rate of pension, or the pension per year?

6375. (*Sir Ralph Knox.*) It is the annuity; that is to say, all the pensions that are created during that year. Inasmuch as the pensions themselves have been increased, in what other way could a decrease have arisen except from the fact that there are not so many pensioners?—Might I ask when the pensions were increased?

6376. In 1881–82, in Mr. Childers' time. However, accepting those figures, that represents a very considerable decreased charge in the non-effective?—Accepting those figures; of course I have had no opportunity of examining them.

6377. But still, these, you may take it from me, are the actual sums which are being claimed, and have been claimed, from the Indian Government during these years?—That is, as I understand, on the men enlisted under short service?

6378. Enlisted under any system anterior to these particular dates; but of course the earlier dates represent the men enlisted under the longer system of service?—But would not a large portion of the pension charge be reduced by the gradual elimination of men who had enlisted in large numbers—for instance, in the Mutiny period?

6379. In a particular year; there might have been a fall in any particular year in consequence of a large number having enlisted in any one year, and, as a matter of fact, a variation does appear; here is one year with 60,000*l.*, the next 47,000*l.*, the next 68,000*l.*, and then a drop to 56,000*l.*

(*Chairman.* What year do you begin with?

(*Sir Ralph Knox.*) 1876–77.

(*Chairman.*) Would not all the Mutiny men be off by that time; that is 20 years after the Mutiny?

6380. (*Sir Ralph Knox.*) Well, just going off. However, that represents a very considerable decrease, and if the constant charge arising from these annuities may be taken at about 22 times those annuities— 22 years' purchase so to speak—that would represent a very large decrease in the charge for pensions, would it not?—Yes, apparently.

6381. That can be verified, at all events, by the India Office authorities. You admit that, if it can be shown that that decreased charge is sufficient to counterbalance the increased charge arising from the recruiting, it would be proved that, so far as the financial interests of India were concerned, they were fairly considered in the introduction of short service in lieu of the system which existed before?—But would you not have to add the amount of the deferred pay which was granted at the same time?

6382. Admitting that deferred pay also should be regarded on the other side, though that is a moot point. Deferred pay, which we shall come to, was an increase of the pay of the army, added just as the previous twopence a day had been added in order to induce the men to enlist. It must be admitted, I think, on all hands, that of necessity the charge for the recruiting expenses went up with the introduction of short service?—Yes.

6383. But in the introduction of the system every pains was taken, was it not, to reduce the charge against India as far as possible? For instance, the double battalions having been introduced, the short service system, as it was worked, admitted of men being transferred from the relieving battalion to the relieved battalion, did it not?—Yes.

6384. Formerly the regiment used to come home *en bloc*, and a full regiment used to go out?—Yes.

6385–6. But now a regiment coming home leaves its short service soldiers behind it, who are taken up by the linked battalion going out; and at the same time the tour of service of all the battalions in India was increased, so that a reduction was made in the number of regiments relieved every year?—Yes, it was increased.

6387. Formerly five battalions were relieved every year; and, when the change was made, three battalions were relieved every year, is that not so?—Yes.

6388. Well, those two arrangements would go to reduce the number of men interchanging between Home and India, would it not?—Yes.

6389. At the same time that these arrangements were made India insisted more than ever upon having soldiers of 20 years of age sent to her in every case as drafts, did she not?—Yes.

6390. Inasmuch as the great majority of recruits are raised between 18 and 19, a very large number of soldiers must necessarily be kept here some two years at least before they can be sent out to India, must they not?—Is it proved that they cannot be obtained at a higher age than 18 to 19?

6391. I have read out just now a statement of last year's enlistments, and the number of men who were of the ages above 20, and that is certainly an insufficient number to supply the demands from India?—Yes.

6392. The drafts approximate something like 11,000 every year, do they not?—Yes.

6393. Some of these men, also the older men, are recruited for corps that do not give any service in India at all—that is to say, the Engineers and Army Service Corps and departmental corps generally would get those older men, who are many of them tradesmen, who would not go to India at all?—Yes.

6394. It being the case that these men have necessarily to be kept this period at home before they can be sent to India, that throws a considerable charge upon the Home Government, does it not, assuming that these men would not be required supposing they were not wanted for Indian service?—Yes.

6395. The charge made against India in these figures which are spoken of as represented by the 7*l.* 10*s.*—capitation payment for recruiting infantry—is for six months' pay, &c., is it not?—For six months. yes.

6396. Whereas it is the case, owing to the fact that India requires that all men shall be 20 years of age, that a very large number of those have at least two years' service, many of them more, before they get sent to India?—Yes, but you have the use of the men the whole time.

6397. But, assuming they are not wanted according to the requirements of the British army, those are all in excess, and their whole expenses are due to the fact that India has to be supplied with men of that age and with that amount of drill?—There is a certain portion of the British army stationed in India, and undoubtedly that army has to be supplied.

6998. But I asked some questions which, I thought brought out the fact that the greater part of the British army that is in India, was raised specially for service in India; that it is not that the British army consists of a certain force, and that it is of advantage to the British Government that that number should be located in India, but that an additional 36,000 men were raised specially to create this European army for India.

6399. (*Sir Andrew Scoble.*) Was not that in consequence of the assumption of the Government of India by the Crown?—I should think so.

6400. (*Sir Ralph Knox.*) Was it not really the result of the Indian Mutiny?—Yes.

6401. At all events, whatever the period of service that the man must necessarily give before he goes to India, the six months which are charged against India by no means represent the cost which is incurred on that recruit?—Not at present, but I think if you refer to the records of past years, complaints have been made that we got men with

less service than that; if you recollect, there was a distinct proviso in some of the recommendations of these committees, that we should get a rebate on less training than six months.

6402. We will come to that rebate presently; but at all events the last drafts that were sent out in 1894–95, were 10,685; and of that 10,685, 1,392 went out in their first year of service, 4,444 in their second year of service, 3,603 in their third year of service, and 670 and odd with service in excess of that?—Yes.

6403. So far, therefore, it is obvious that a considerable sum of money was expended upon those men in excess of a six months' charge?—No doubt.

6404. And, if it can be admitted that those men would not be in existence except for the purpose of supplying India with drafts, the whole loss as above the six months' charge, or nine months' charge as the case may be, falls upon the Home Government, does it not?—Well, if it be admitted that there is no need for possessing India at all.

6405. But if it is admitted that these are not required for the home service, but are required for the Indian service alone?—Yes.

6406. Well, now as regards the charge for the depôts claimed from India, as compared with the old system. The old system was practically to send the account of the depôt of the British regiment to the India Office, so that it should pay the total expense of the depôt maintained for raising and training recruits for a particular battalion, was it not?—I am not aware of the actual course of procedure, but I have no doubt that it was.

6407. Well, that is alluded to here in the report at page 29 of the* paper on the Apportionment of Military Charges between the Home and Indian Governments, and there it is stated as well as they could make it out. The Committee ascertained that the cost of a depôt for each regiment was 1,922*l.*, excluding certain charges in the way of equipment, clothing, and so forth. That was the cost of the depôt under the old system, as is given in paragraph 30?—That was the estimated annual charge, was it not?

6408. Yes; representing what had been the charge under the old system. Under the system of brigade depôts or regimental districts now in existence in connexion with the raising and training of recruits of the infantry, the charge (as calculated in the report of Mr. Bouverie's Committee, which is practically the basis of the present scale) was one-fifth of the calculated cost of a regimental district; and it is stated in that report that the total cost of one of these depôts, as estimated, was 9,647*l.*; one-fifth of that is 1,929*l.*, and that includes the clothing, and the equipment which are excluded from the previous calculation, and it also allows for the increased rates of pay which had been granted in the interim; these figures closely approximate, the one is 1,922*l.* and the other is 1,929*l.* Does not that demonstrate, at all events, that under the changed system there was no increased charge made against the Indian Government?—I would venture to remark that these calculations of rates by Sir Alexander Tulloch's Committee and Mr. Bouverie's Committee were never accepted by the India Office Committee, and, I think, not by the Secretary of State.

6409. No, but what Sir Alexander Tulloch did was to ascertain what had been the cost of the depôt under the former system under which the actual charge was made against India?—It was an estimate apparently.

6410. Yes, but it was calculated from what had been in existence before. In fact the actual cost was in excess of this calculation, because, as he states here, he allows for 30 privates being constantly at home, although in his report he states that the constant average for some time past had been 57. However, taking 30 privates as the necessary number to be constantly maintained at the depôt, the cost came out at 1,922*l.* Of course these are calculations, but the India Office would not question the fact that one captain, at 11*s.* 7*d.* a day, which is his rate of pay, costs 211*l.* 7*s.* 11*d.*, I suppose?—No, but I only wish to draw attention to the fact that, in all these discussions, these various Committees and the Secretary of State did object to the calculations which were made, but I have no means at this moment, nor probably at any other time, of proving absolutely that they were not based upon correct calculations; I can only rely upon the reports and recommendations of the Committees.

6411. There were representatives of the Indian Government upon this committee of Sir Alexander Tulloch, were there not?—Yes, I suppose so.

6412. And they were quite competent to examine the details of these figures, were they not?—Yes.

6413. And they accepted them, did they not?—They were not accepted by Sir Charles Wood, I think.

6414. No, but, as a statement by that Committee of ascertained facts, of what had happened in the past, this was a fair estimate, a moderate estimate of what that expenditure had been?—I do not see how it is possible for me to answer that question.

6415. Well, I will put it this way; if it be admitted that this represented the cost of a depôt under the old system—1,922*l.*; and if it can be shown the claim now made represents 1,929*l.*, and covers more expenses than the other calculation covered, it cannot be said that any largely increased cost has been thrown, by reason of the new system, upon the Indian Government?—No, not on those figures given by Sir Alexander Tulloch.

6416. Well, now with regard to the system which has been complained of arising from the dual battalions and so forth, the fact that the battalion at home supports the battalion abroad, and thus absorbs all the superfluous men from the depôt that may not be required by the Indian Government, relieves the Indian Government of all waste likely to arise from the fluctuations of the number of men who may be at the depôt?—I am afraid I do not quite follow that.

6417. Supposing a depôt merely exists—as they did exist formerly—for raising and training the recruits for a British battalion, and that these men are enlisted specially for that battalion, the result is that very frequently there will be a large number of men collected there who for various reasons, it may be want of training, or debility or inability, when the drafts were sent off, have to be retained at that depôt, not being fit to be sent to India?—Yes.

6418. In the same way men formerly came home from India invalids; they could only go to that depôt. The result of that was that there was a considerable accumulation of surplus men, practically waste, who belonged to the Indian battalion, and could only be used with the Indian battalion, was it not so?—I suppose so.

6419. So much so that frequently the depôt, which might be taken at an establishment of something like 90 or 100, swelled to over 200?—Yes.

6420. That was the system under which there was one depôt merely attached to the regiment serving abroad. The result of the new system is that all the surplus becomes at once absorbable in the battalion at home, and, instead of being a necessary excess charge in the depôt, it becomes absorbed in the home battalion, and this considerably decreases the charge that would arise on a depôt maintained for the special purpose of recruiting the regiment. Do you not see that that would operate in that way?—You mean men who have to be left behind on account of health?

6421. And men who come home invalided and recover. Those men are now absorbed in the home battalion. Formerly, they, as members of a distinct regiment, were retained at the depôt until they could be sent out again to India?—No doubt the linked battalion system is a great advantage.

6422. And it absorbs a considerable amount of waste that would have remained in existence at the depôt?—Yes.

6423. In that way it becomes possible to limit the charge made against India to the number of men who are actually supplied to India?—Yes.

6424. That is to say, to the number of recruits that are embarked, without charging her for the waste, except such as arises from desertions and so forth?—Yes.

6425. Is it not clear that the change of system, therefore, was one which was in the direction entirely of reducing the actual charges incurred for the services of India?—No, I should be unable to make a general reply in that way.

6426. Well, if it be the case, first of all, that for the depôt; we make a charge which is less than was made before, that for the training of the soldier we charge only for six months as against the actual cost of the men maintained in the depôt, and that further we have, in the existence of the linked battalion at home, a machinery by which we absorb all the waste arising from the depôt; does not that show that, so far as the cost of raising and training the men for India is concerned, a very economical system has been established?—Assuming that the calculations are absolutely correct, and are accepted; yet I cannot reconcile that with the fact that the increase was so very great—I mean the increase, say, to 205*l.* per man, which the Committees call attention to here.

* *See* Appendix 45, page 289.

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6427. I am speaking, mainly, now with regard to the infantry?—Yes; well the gist of all the reports of Committees and the evidence, I think, given by Lord Cardwell himself, was, that India had been overcharged; so that I cannot quite state a conclusion of that kind in a general way.

6428. But still I repeat that—I mean as regards the depôt charge—the charge is really less, notwithstanding the increase of pay to the army, than it was before, if these figures to which I have referred be admitted?—I confess I could not answer that off-hand.

6429. The other system of depôt which seems to find favour with the Indian Government, is that, practically, which exists at the cavalry depôt. There is no connexion between the depôt and any of the regiments at home, therefore there is no machinery in existence for absorbing what I have described as the waste necessarily arising from having a depôt merely to recruit and train for the regiment serving abroad. Are you familiar with the numbers of men that have been under training at Canterbury in the depôt in order to supply the draft?—I know them for some years. I know that we had 410 men for 1887–88, and I think the depôt cost charged against India was 90,000*l.*

6430. It is not unnatural that you should select an abnormal year in order to show a figure in your favour?—It was a year that I knew.

6431–2. But it is the case that ordinarily an annual draft of something from 800 to 900 cavalry men is sent out to India, is it not?—Yes, 800 or 900.

6433–4. And in order to supply that 800 or 900 men, there are, practically constantly at Canterbury, something like 1,300 or 1,400 men all the year round?—No, I was not aware of that.

6435. That is an illustration of a system of depôts which are consolidated and concentrated, and all working really with the object of training and sending out men to India, a system which is advocated, it appears, by some for the infantry?—I beg your pardon, I think it was said that probably the system of general depôts might be more economical to India than the system of numerous depôts; but there is another question arises with regard to Canterbury and that is, whether the Canterbury depôt is organised on a more expensive scale than is necessary to supply the men.

6436. Well, the men at Canterbury have to be trained as cavalry soldiers?—Yes.

6437. And India requires that they should should go out trained; that is what she asks for at all events?—Yes.

6438. And the draft to India is from 800 to 900 men every year; the number of men maintained here to produce that draft is from 1,300 to 1,400 constantly. Do you think that 23 officers for a force of 1,300 or 1,400 men being trained as cavalry soldiers—horses to be looked after and so forth—is an excessive establishment?—No, but did I understand correctly that that total was at the Canterbury depôt all the year round?

6439–41. I have the numbers here I think; June 30th 1892, 1,674; I should say that there is one depôt extra here for the regiment in Natal; 30th September, 1,720; 31st December, 1,627; 31st March 1893, 1,640; 30th June, 1,578; 30th September, 1,462. Then there was another depôt added for the regiment serving in Egypt, 31st December, 1,534; 31st March, 1,549; 30th June, 1540; 30th September, 1,596; 31st December, 1,078; 31st March, 1,400, and so on. So that practically throughout the year that number of men is maintained; and the number of officers varies, I see, from 19 up to 29, which is the highest at any one time. The establishment is 23, I think?—But I think the establishment of officers is exceeded sometimes, is it not?

6442. There appear to have been 29 at one time; more officers were attached, I suppose, during that time; but the establishment is 23, and it is an establishment of 23 that is charged against India?—Yes.

6443. There are 800 to 900 men to be sent out in draft every year. Do you think that 180 horses is a large establishment to charge against India for training 900 men to be drafted and sent out?—No.

6444. Would it surprise you to hear that the establishment has been doubled, notwithstanding that the 180 horses is all that is charged against India?—I fancy that was because many of the men were not trained.

6445. But India pays for 180 horses; and, in order to comply with the requirements of India, it has been necessary to double the establishment, and not only to double the establishment, but to lend 150 horses from another regiment, in order to give them sufficient staff to train the men. If that fact is established it could hardly be argued that England has been surcharging the Indian Government with the cost of the Canterbury depôt?—I am very glad indeed to hear the generosity of the War Office.

6446. But I want an answer to my question; it can hardly be argued that England has been surcharging the Indian Government in the matter of the cost?—Not on those figures, certainly.

6447. But do you think it is at all out of the way to employ 23 officers and 500 or 600 horses to train and draft off 900 cavalry men?—Not 500 or 600 horses?

6448. Well, to train 800 or 900 cavalry men, do you think it is too much to have two horses for three men?—I understood that the proportion was smaller than that.

6449. But do you think that two horses for three men is too large a proportion, in order to train the men properly as cavalry soldiers?—That is a matter which I must leave to the responsible authorities.

6450. As regards the cavalry depôt establishment, which has been criticised, are you aware of the fact that, after Mr. Bouverie's Committee, a small committee of officers, Indian officers and home officers, was sent down to Canterbury to report upon the Canterbury establishment, whether it could not be reduced; are you aware of that fact?—No, I have no recollection of it.

6451. Well it was so. In fact it may surprise you to hear that their recommendation was an increase. The Horse Artillery recruits in the same way are required by the Indian Government to be fully trained before they are sent out to India, are they not?—Yes.

6452. And of those that are sent out a very large proportion, at all events, have a very full training, have they not?—They had not at one time, I believe they have now.

6453. At one time the system obtained, which appears, as I have said, to find favour with the Indian Government, of having a special depôt in which should be collected all the men specially for India, and it was found that the small establishment agreed upon in consequence of the large waste that arises from raising and training those men, was insufficient to train completely the draft that was necessary; and, in order to comply with what was regarded as India's first requirement that the young soldier should be at least 20 years of age, men were sent out who had not quite completed their nine months minimum training. The draft that went last year, I find, consisted of 151, and of that 151 there were still a certain number of men who had not nine months' training, but the number was only three. There were 12 who had from nine months to a year, 67 from one to two years, 35 from two to three years, and so forth; and that training took place at a depôt which was specially in existence for training the recruits for the Indian drafts. Do you think that a man can be trained thoroughly and efficiently by any cadre which is short of a battery? There are 151 men to be sent out; do you think that you can have an organisation, which would thoroughly train a man, in any way short of a battery? that is, the non-commissioned officers and men and guns and so forth, in order to efficiently train a man as a recruit?—I should say certainly that a cheaper organisation would be possible.

6454. To train the man as a Horse Artilleryman?—Yes.

6455. But you admit this is a matter of opinion?—Quite.

6456. As regards the Field Artillery, I find that out of 724 there were still the odd 24 who had not completed nine months' training, but of the others 50 had been nine months to a year; 262 from one to two years; 190 from two to three years; 90 from three to four years and so on. Well, for that amount of training for men specially set aside for India, it is not extravagant to charge against India for nine months' training, is it?—No. Before we pass from this, may I ask whether you will allow me to go back to the previous question? I see in 1886–87 that the Horse Artillery depôt batteries cost 20,000*l.*, the whole of which was charged to India; and, as far as I can make out, we only had 138 recruits supplied.

6457. It may so happen in a particular year; the demand for the recruits varies, and India complains of having an excessive number of recruits sent out to her, just as she does of a deficiency of recruits; but that establishment, being a training establishment, has to be kept on foot continuously in order to supply the varying draft to India. It could not be decreased, I may say from a battery to half a battery in one year, because a decreased number of

recruits had to be sent out, and then raised to a full battery or a battery and a half the next year, because a larger number had to be sent out?—No.

6458. It is necessary to maintain, is it not, a constant cadre, with the view to train the number of recruits that may be necessary?—The point of difference is whether two Horse Artillery batteries constitute a larger depôt than is actually necessary.

6459. You would like that the depôt should be upon an organisation which did not isolate these Indian recruits and thus give rise to the difficulties I have referred to, as to waste, but would admit of their being blended with the home batteries, which would absorb the waste and supply the men for India direct from those batteries?—You mean with the batteries at home there should be no depôt?

6460. Or a small depôt—practically no depôt?—Where are the men to come from then; from that depôt or from the batteries?

6461. Well, they would be raised and drafted to batteries at home and trained there; and in that case the same process would go on as goes on with regard to infantry men—the waste men, the men unfit to go at the time for embarkation, and so forth, would be absorbed in the home battery, and not kept surplus undergoing further special training while waiting embarkation for India?—That would, of course, all depend upon whether it was more economical for India.

6462. But up to the present the expense of the actual depôt—the separate depôts—has been shown as the expense which is incurred on account of India?—Yes.

6463. But any arrangement which would absorb surplus men from that depôt, would reduce the cost, as standing to the account of India, would it not?—I suppose so.

6464. In fact, my approximation to the system which exists in the infantry, would admit of the men being raised and trained more economically than under the old separate depôt system?—Well, it depends very much. I suppose it would, but of course, the point is what the strength of the depôt ought to be.

6465–6. But, in order to turn out a draft of 151 Royal Horse Artillery men, you must have a considerable depôt, if they are to be trained for a minimum of nine months, when some of them have been enlisted at 18 years of age; they have to serve one, or two, or three years, or even more, before they can be despatched; it is necessary to have a considerable establishment in order to turn out the 151 men?—Yes.

6467. Especially if it is a separate establishment; but, if there is a power of taking off the waste or surplus men that may from time to time accumulate at that depôt, it would reduce that charge, would it not?—Well, I do not quite understand what the waste or surplus is.

6468. You cannot always recruit a man exactly on the day that you want to recruit him, and in order to be able to supply India with a draft of 900 men for the cavalry, 151 for the Horse Artillery, 700 men for the Field Artillery, you must take these men as you can get them?—Yes.

6469. And you must recruit many of these men, knowing that you cannot send them to India during that next year; you must take them because you can get them then?—Yes.

6470. And they have to be kept for a longer period than their nine months or twelve months, or even two years, according to their ages. Well, if you have an organisation to which you can draft all those men, who are inconvenient as it were for Indian purposes, into the general service, you avoid the waste that may arise in that way, do you not?—Yes, I suppose so.

6471. That system, in fact, is an economical system as compared with the system of special and separate depôts?—Well, that, I am afraid, I can hardly answer.

6472. At all events, it gets rid of the waste arising there?—It gets rid of the waste.

6473. With regard to the letter* of the 27th February 1895, in which the Indian Government complain of the various charges thrown upon them without proper consideration or consultation, I should just like to call attention to a few of them. I see here the first stands forth prominently, namely, increased rates of pay to medical officers of the British service in India in 1864–5. It is not the only case in which the British medical officer's name occurs. The amount there involved is 20,000*l.*; I find in 1873–74 there was a further 48,000*l.*; in 1876–77 a further 29,000*l.*, and in 1880–81 a further 13,000*l.*, all making up a considerable sum, and all apparently due to the necessity for increasing the pay of the medical officers. Are you aware of the conditions which led to those various increases of pay?—I believe that the Army Medical staff were not obtainable.

6474. The service in fact was, as I heard it described in the House of Commons the other day, boycotted by the medical profession, was it not?—Yes.

6475. I suppose the Indian Government would not have liked to have been kept without medical officers?—I think we should have been perfectly content, if you had allowed us to recruit our own medical officers and our own Medical Service. We think we could do it a good deal cheaper.

6476 Well, I cannot say I have ever heard of that proposal. But do you pay your own medical officers less than is paid to the British Medical Service?—No; but the fact of there being two medical services in India does not conduce to economy.

6477. But, in order to procure your own special Medical Service, it appears that you have to give them more than is paid to the Home Medical Service, both as regards pay and pension?—No. Of course there is a larger field for them in civil medical appointments. We never have any difficulty in getting officers for the Indian Medical Service.

6478. But still you pay them more than is paid to the British Medical Service?—In what way? not while they are on military duty.

6479. You give your own Medical Service more than is paid to the British Medical Service in pay and pensions?—Taking the whole amount we do, perhaps.

6480. At all events great difficulties existed in the way of obtaining medical officers at home for the British Medical Service, and it was necessary to make conditions by agreement with the heads of the medical profession, in order to obtain the necessary supply; that is acknowledged, is it not?—Yes, I believe so.

6481. And do you think that the Home Government disregarded the financial interests of India in coming to an arrangement which would enable them to obtain a supply?—Well, I think that, taking everything into consideration, we should have been very glad to have had one medical service for India, instead of two.

6482. And, notwithstanding that you pay for your special Indian Medical Service a larger amount in pay and pension, you think you could do it cheaper?—Well, when you speak of a larger amount of pay, of course you have to consider the whole of the civil appointments that there are in the medical service. I have heard it stated by very eminent medical administrators of the Medical Department in India that one Medical Service in India would be more economical than the two services.

6483. (*Sir Andrew Scoble.*) You would only have one staff instead of two I suppose?—Yes.

6484. (*Sir Ralph Knox.*) You mix up the medical attendants of the civil and the military populations?—No, not in that way.

6485. The next large item I see is a payment, which I have already alluded to, that is, the increase of 2*d.* a day. That was given in 1867–68, and an additional penny on re-engagement. That involved, according to this estimate, 250,000*l* additional expenditure. We have already given some consideration to that. It is not held that that was an unnecessary expenditure in order to obtain the recruits for the army, is it?—I think the heading of this statement is:—"Showing the annual charges and certain "initial charges which have been imposed upon Indian "revenues in consequence of orders by the War Office "issued in all cases without the concurrence of the "Government of India and in some cases without that of "the Secretary of State for India having been previously "obtained." I do not think it was ever alleged that in every case mentioned in this table the increase could have been postponed altogether.

6486. Then it is really not a practical argument; it is rather sentimental than practical?—Well, we think it is rather practical, because, when a large charge has to be imposed on the revenues of India, the Government of India would like to have something to say to it before it takes place.

6487. Do you think they could possibly have used any argument one way or the other with regard to this additional pay which was granted to the army in 1867–8?—Without going back to the whole circumstances of the time, I am unable to say.

6488. However, it did involve a considerable additional expense: but I do not know whether you can recall the fact

* *See* Appendix 45, p. 283.

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that soon after that, in consequence of the representations made by the Indian Government as to the great expense of the army in India, considerable assistance was given to the Indian Government by the Home Government with a view to relieve the Indian account of some of the heavy charges then incurred for the British army serving in India, do you remember?—I recollect that a very large claim was made by the War Office, and it was, I think, disallowed by Lord Northbrook's Commission; but I do not remember the particular instance to which you refer.

6489-90. No; what I refer to was this;—India represented to the Home Government that the British army was costing too much, and that they must send home some regiments. Some were sent home; but the Home Government entered upon a re-organisation of the army which largely reduced the charges for officers and non-commissioned officers, and that was carried into effect throughout the whole army in 1869-70, and relieved India of more than this additional charge of 250,000*l.*?—No, I do not recollect it, I must say.

6491. All the infantry regiments out there consisted then of ten companies. They were all reduced to eight. The number of troops in cavalry regiments were similarly reduced, but the number of rank and file were maintained; and that affected the organisation of the army throughout and effected a reduction of something like, I think, 300,000*l.* a year upon the charges for the British army in India. That to a great extent relieved India of this additional charge which was thrown upon them by reason of the increased pay of the soldier, did it not?—I am very glad to hear it.

6492. Further, the penny on re-engagement was abolished as soon as the short service was introduced, was it not? That is an item of 50,000*l.*, I think, out of the 250,000*l.* Then there is a charge put down here of 35,000*l.*, on account of the grant of good conduct pay at earlier periods to British soldiers. Is it not really the fact that that change gave rise to little or no increased charge for good conduct pay, and that practically at the present time the charge for good conduct pay is less than it was then?—I do not know that I can quite accept the statement.

6493. Well, it is obvious with regard to a pay which was given in accordance with length of service at various periods such as 5, 10, 12, 18 years, and so on, increasing by a penny a day, that, if men could not complete the periods of service which were conditions of that grant of pay, the charge would fall?—Yes.

6494. And would certainly admit of smaller grants being paid after shorter service without any serious additional charge?—Yes.

6495. In fact, I may say that at home, notwithstanding these grants at earlier periods, the charge for good conduct pay has been reduced by something like 30,000*l.* a year; and I believe it will be found to be the case, disregarding, of course, the increase arising from the depreciation of the rupee, that the charge for good conduct pay in India is less than the charge was in former times. There is another item here which I do not quite understand in regard to band allowance to British regiments in India. There is an estimate put down here of over 14,000*l.* a year. I cannot make out how in the world it is made up. It consists of only 80*l.* a year in sterling in each of the regiments. I have looked into it. It appears to me that it ought to be 3,000*l.* You have no note upon that?—No, I have no information to show how it was arrived at.

6496. Then there is another item, which is put down as giving rise to 46,000*l.* a year, that is:—"Addition of "a second lieutenant-colonel and two majors to each regi- "ment of British cavalry and infantry." Were the Indian Government not aware that that change was really intended to largely reduce the non-effective charge for pensions?—No, I do not think so.

6497. It was at the time calculated that by increasing the number of lieutenant-colonels and majors in the regiments the men in the lower ranks were saved from compulsory retirement according to the terms that were then in existence, and, inasmuch as the number of officers was not increased, by retaining officers of the higher rank there was an ultimate considerable saving as against the additional effective charge; in fact, the increased effective charge was proposed in order to largely decrease the non-effective charge?—I was not aware of that.

6498. These sums altogether, I find, approximate to something like 1,000,000*l.*; and about 500,000*l.* of this amount arises from the necessary increases of pay that have been from time to time granted to the soldier, in order to meet the difficulty of recruiting. Are those charges to which the Indian Government could possibly have raised any objection?—I think it is very possible they might have raised objection, but I could not answer in any very precise manner.

6499. But do you think that they could have raised an objection, which would have prevented the Home Government making these changes in the army outside India?—No, probably not.

6500. Is it not really the case that where the Home Government, which has to deal with the question of raising and training both officers and men, whether professional officers or combatant officers or the ordinary recruits, determines something must be done in order to raise these men, India can hardly exercise any voice in considering the details of such proposals; and that all that they would really say is that the excess charge will throw additional burdens upon India?—That is so.

6501. But that is about the only argument that they can adduce?—Yes.

6502-3. The first very large sum of rupees is put down as due to the increase of the annual allowance of practice ammunition to the British troops. Is it not optional with the Indian Government to decide the amount of ammunition that the British troops shall use in India?—Yes, I suppose that they would decide it on the recommendation of the military authorities in India; but, at the same time, I fancy that they would have to follow any changes which had been made at home.

6504-5. I see a great number of these rupee charges are due to increased stores issued to the troops, I presume in order to improve their efficiency. Well, generally the contention of the Indian Government is that whatever sum of money the Home Government can show that it spends necessarily upon raising and training the recruits for the maintenance of India, the Home Government should sit down and write one half, whatever that can be shown to be?—No. I think they would be satisfied with much less than that.

6506. But that is really the argument, that whatever can be shown to be necessarily expended upon the service, India is not to pay it?—No. I do not think that is the argument at all.

6507. Then what is the Indian argument?—I repeated a good deal of it before I think the Indian argument rests, not merely on the calculations which have been disputed by various committees, but upon the general grounds that England possesses in the army of India a great reserve of military strength, that India is a great training ground for the British army, that it has been very largely employed on various occasions—occasions on which India has never made any charges for raising the troops.

6508. Those all appear to me to be arguments in support of your case; but, notwithstanding, it all points to the same thing—that, whatever can be shown to have been spent necessarily upon raising and training these recruits for Indian service, the Home Government is to make a very large reduction on that charge because of the arguments which you are advancing?—Because of the general arguments.

6509. That is to say, a reduction is to be made on the cost of doing the thing on those general grounds?—And of course, on the ground of the presence of the strength of the depôts in England as part of the army maintained in England. That, as you know, has been made the subject of comment by many of these committees that have sat.

6510. If those depôts are only in existence really to serve the purpose of the Indian army, inasmuch as the men are merely under training as recruits, and are not efficient soldiers, it cannot be said that they add anything to the required forces of the Home Government?—But I understood the argument was that you sent them out as efficient soldiers.

6511. When their training is complete?—But then there must be a certain number of them at all events who are so efficient as to be able to take their place in the ranks, if emergency occurred.

6512. However, that is the argument—that, whatever can be shown to be the extra cost incurred by the Home Government, the full amount of it shall not be charged against India because of those general arguments which you have advanced?—Yes.

6513. (*Sir Andrew Scoble.*) I asked you last Thursday about the number of Royal Engineers employed in India, and you told me that the establishment was 350, of whom 106 belonged to the Public Works Department and 39 to the Survey Department?—Yes.

6514. Am I right in assuming that the officers attached to those two departments are employed wholly upon civil duties?—Yes.

6515. Is any part of their pay, while so employed, drawn from the Military Department?—No.

6516. Practically, as far as their services are concerned, they have no military value whatever?—Perhaps I might say that in the Public Works Department they are looked upon as a reserve, upon which we could draw in case of war; and, in regard to the officers employed in the Survey Department, we take them occasionally for field service.

6517. But is not their availability for military service rather a matter of theory than a matter of practice?—No, I think we have taken them on various occasions. For instance, in the late Chitral Expedition we took certain Royal Engineer officers from the Survey and from the Public Works for service in the field—not to any large extent, but still to some extent.

6518. If these officers cease to be employed either in the Survey or in the Public Works, then they revert to military employ and get military pay?—Yes.

6519. So that that is a contingent charge at all events upon the Military Department?—Yes, and I may mention that we practically pay for their training and we pay for their pensions.

6520. In the Military Department?—They fall upon the military estimates.

6521. (*Chairman.*) Their ordinary pay is paid out of the military estimates?—If they are employed in the civil department—in the Public Works Department or the Survey Department—then their ordinary military pay is charged against the civil estimates.

6522. And their pension?—That comes against the military estimates.

6523. (*Sir Andrew Scoble.*) I wanted to ask you a few questions in regard to a matter which I do not think has been gone into yet, and that is the Aden establishment. I believe Aden was first occupied about the year 1838, was it not?—Yes; 1839 I think it was.

6524. Is the whole expenditure of Aden now charged on the revenues of India?—Yes.

6525–6. With the exception, I think, of a contribution made by the British Government towards special defences?—They have paid a moiety of the cost of the actual works on special defences.

6527. Can you tell me what garrison is kept at Aden now?—Three companies of artillery, a company of sappers and miners, a battalion of British infantry, and a battalion of native infantry, but certain portions of the native infantry are stationed on the Somali coast, Zaila, Berbera, and other places.

6528. That is, the stations which are considered dependencies of Aden?—Yes, for military and political purposes.

6529. And the whole of the charge of this military force is defrayed by the Indian Government, is it not?—Yes.

6530. I see in Sir Henry Waterfield's paper—I do not know whether you have got a copy of it—"Payments on "account of Her Majesty's forces serving in India"?—Yes.

6531. Would you look at page 31; I think you will find that in 1894–95 the military charges at Aden amounted to Rx. 206,584?—Yes.

6532. Military works to Rx. 9,376?—Yes, that is really the maintenance mostly.

6533. And the special defence works to Rx. 32,010, of which, I presume, Rx. 16,005 would represent the Indian share of that expenditure?—Well, the Home Government covenanted to pay up to a certain limit; I think it was the half of 213,000*l.*

6534. Has the expenditure come to a larger amount than that?—They have had to pay separately for ammunition and stores; I think they pay half the cost of armament also. The total amount for works was a moiety of 213,147*l.* on the condition that, if the expenditure exceeded that amount, the excess should be borne by India. I am not certain whether it has exceeded the total amount.

6535. At all events, what the British Government would pay for this expenditure in 1894–95 would not be more than Rx. 16,005; that is, half the Rx. 32,010?—No.

6536–7. In your opinion, has the opening of the Suez Canal had any effect in increasing the importance of Aden as an Imperial station?—I should say that it has. Aden is the key of a great commercial route, not only to India, but to Australia and China. It is a position which is essential to Great Britain, and not only to India. I have some statistics from the Board of Trade, and I find that the total value of the trade between the United Kingdom and British India in 1894 was 67,553,348*l.*; that the trade between the United Kingdom and other countries in Asia was 42,868,618*l.*; and that the trade between the United Kingdom and Australasia was 54,824,476*l.*; so that the total under the second and third heads was considerably more than under the first head. Then the trade between the United Kingdom and the East Coast of Africa was comparatively small, and the steam tonnage in 1894—which is practically the only tonnage which passes through the Suez Canal—between the United Kingdom and India was 2,442,252 tons, and the tonnage of vessels between the United Kingdom and other countries in Asia was 1,407,565; while the tonnage of vessels carrying trade between the United Kingdom and Australia and New Zealand was 993,991 tons, and there was a small amount of tonnage of vessels carrying trade from the United Kingdom to East Africa—that is to say, steam tonnage which passes through the Suez Canal—but it was practically very small.

6538. Those figures show that the trade to India was about 63,000,000 and the trade to the other parts of the East and Australia about 96,000,000, do they not?—That is according to the statistics I have taken out.

6539. And the tonnage about equal?—Yes.

6540. Then do you now regard Aden as a vital point in the commercial highway to the East and Australia generally?—Yes; I should say that it is a very vital point, and that the Eastern trade, as apart from the purely Indian trade, has increased very considerably.

6541. Do you consider that the Suez Canal has very much increased the importance of Aden to British possessions in other parts of the world than India, while it has somewhat diminished its importance to India itself?—I should think that, of late years certainly, the relative importance of Aden to Great Britain has increased beyond its importance to India specially, and I might say particularly with regard to the politics of the Red Sea littoral and to the fact that European nations have obtained a footing there.

6542. Then do you consider that it is fair that the whole cost of maintaining this fortress should continue to be borne by India?—No, I think not.

6543. Apart from the military charges, the whole civil charges are borne by India according to this paper of Sir Henry Waterfield?—Yes.

6544. And the civil receipts are less than one-half the civil charges?—Yes.

6545. Rx. 22,890 being the receipts in 1894–5, while the charges were Rx. 49,128?—Yes.

6546. (*Mr. Courtney.*) Is Gibraltar in any way a set-off to that?—No, I should say not.

6547. Is it not a similar position at the other end?—But then Gibraltar would be of great strategic importance as regards the Mediterranean.

6548. Is it in any way a set-off?—Not in my opinion.

6549. (*Sir Andrew Scoble.*) In time of war the route to India would not be by Gibraltar but round the Cape, would it not in all probability?—Of course, if the Suez Canal was blocked, it would be so.

6550. I have only one or two questions I want to ask you about military expenditure generally. Apart from the question of apportionment of charge, and minor economies which may be found possible as time goes on, do you look for any reduction in the military expenditure in India?—Not any large reduction. I think we may always continue to pursue the path of economy with regard to the cost of departments and so forth; but I cannot say that I see any prospect of any very material reduction in military expenditure.

6551. I suppose there really would be only three ways in which you could make any very material reduction; one would be by the reduction in the number of troops; do you think that is feasible?—No. On the contrary, I think we have been very hard put to it to garrison India in a proper and efficient way with the numbers we have at present. I am speaking especially of the native army.

6552. Another way, of course, would be by the reduction of the reserve of military stores that you keep in India; do you consider that there is any material reduction to be looked for under that head?—No. We have done a good

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deal in that direction, where we have considered that the scale of the reserves kept up was perhaps larger than is now necessary, having regard to the greater facilities of communication and so forth; but, I do not think, speaking generally, that it would be possible to reduce the reserves of stores.

6553. The third head I had in my mind was the reduction of pay of the troops; do you see any way of reduction in that direction?—No, I certainly do not. I can speak from some knowledge of the officers of the army; I know that it is a very much more difficult thing now to live in India than it was; it would be quite impossible to reduce the pay. Of course the pay of the British troops is fixed on a sterling basis, and we have been obliged to raise the pay of the native army.

6554. Is there any way, then, in which you think there might be a material reduction effected in the military charges in India?—Without touching on questions which have already been dealt with and speaking only of the native army, it is possible—although I only express a personal opinion—that, as the reserve increases, we may reduce the strength of the cadres; but, on the other hand, I am bound to say that that has been objected to strongly by the military authorities. In any case we want more officers than we have *got now*, so that it would not be a reduction of expenditure to any very considerable extent. At present the reserve is in a transition state, and I think out of the limit of 23,000 we have only got about 13,000 or 14,000.

6555. (*Mr. Courtney.*) Only one question about the possibility of the reduction of military force. You said you had been rather put to it of late with respect to the native army; would there be any possibility of reducing the charge of the military force by reducing the English proportion of your force?—Of course, if you reduce the English proportion there would be a considerable saving, but I have never heard it proposed in India that the British force should be reduced. It must be remembered that the extension of British territory in Upper Burma has absorbed a considerable portion of the increase, so that it cannot be said that the whole 16,000 men is available for the garrison of India proper. I should say, giving my own opinion, that it would not be right to reduce the strength of the British army in India.

6556. (*Sir James Peile.*) I suppose the reorganisation of the Native State troops would be a difficulty in the way of decreasing the English army in India?—That would be so; it would throw out the proportion.

6557. (*Mr. Courtney.*) Do you hold out much hope of changing the character of the British contingent, having it less efficient?—No; I should be sorry to see it less efficient than it is at the present time.

6558. Or less equipped up to the latest conception of European equipment?—That question is somewhat difficult to answer. Take as an example—supposing that a new gun for the Artillery was introduced in England, we should be quite content to remain with the present gun, so as not to incur very large expenditure for re-armament; but no doubt in the course of years it would be pressed upon us, and we should probably recognise the advantages of the better gun, if it were shown to be very much better, and we should have to re-equip the artillery with that. But, taking the case as it stands at present, we should be satisfied with the equipment we have.

6559. Would you not be pressed with the argument that it was necessary that the artillery should work with the same gun in India as in England?—No doubt we should.

6560. Is that an argument, do you think, that India ought to pay for?—I think that we might postpone the change as long as possible, but that ultimately we should have to accept the argument that the Artillery should be armed with the same gun.

6561. It is a necessary consequence of an identical army?—Yes, I admit that it is.

6562. And you would not contemplate with satisfaction the suggestion of an independent army?—No.

6563. (*Mr. Buchanan.*) I have only to ask you one question about that list of army charges which have been thrown on the Indian revenues in consequence of orders passed by the War Office without the concurrence of the Indian Government, and, in some cases, without that of the Secretary of State. You would not contend that any of these increased charges are not in themselves improvements in military service in India?—No.

6564. Your contention on the part of the Indian Government is that they should not have been imposed upon the revenues of India without previous consultation with the Government of India, if possible, and certainly with the Secretary of State?—Yes.

6565. In view both of the military interests and the financial interests of India?—Yes.

6566. Because while this country, having an elastic revenue, can easily bear an increase of 100,000*l.* or 1,000,000*l.* in a year, the finances of the Government of India are carried on on a very small balance indeed?—Quite so.

6567. And that in all probability the military authorities in India would have objected with reason to many of these proposed changes?—I think so.

6568. And what the Government of India would urge would be that, as far as practicable, and very much more than has been done in the past, their military opinion should be taken and their financial interests should be consulted?—That is the position I understand the Indian Government have taken up.

6569. Then one other question about the partnership theory, the theory that the Indian and the British Government are in partnership as regards army matters; that view is disclaimed by the Indian Government, is it not?—It is, for reasons which have been frequently given.

6570. Namely, that you get the burdens of the partnership and none of the advantages, or few of the advantages?—I would not say that we get none of the advantages; but, of course we feel that we have not an equal voice in the decisions which are arrived at.

6571. There are two partners and they are not equal in authority?—That is our position.

6572. And also the one is a very rich partner, and the other is a very poor one?—Yes, that is so.

6573. Or comparatively poor?—That is so.

6574. And therefore they are not equal in that respect either?—No.

6575. So that the theory of an identical army if, worked out logically and arithmetically, between this country and India, tends to the serious financial disadvantage of India?—It does, if worked out on a purely arithmetical basis.

6576. And the appeal which you, on the part of the Government of India, rather make to this Commission is that, although on that theory of an identical army, the arithmetical basis is the basis to take; still there are equitable grounds upon which you would claim for a reduction of the charges, or for generous and equitable treatment with regard to military charges which have to be borne between this country and India?—That is the general position we have taken up.

6577. (*Mr. Naoroji.*) I want first to read a few statements which are the fundamental premises on which the whole argument for all demands upon India is based. In the papers before us there is one extract from the report of the Committee of 1874, and the extract is admitted by Sir Henry Fowler. The extract is this:—"At the same time "India, as a component part of the Empire, must be "prepared to share in the cost of a system the expense of "which may be enhanced for Imperial purposes." The Government of India sums up, in their letter of the 25th March 1890, the principles upon which the War Office claims are made, as follows:—"The actual cost to the British Ex- "chequer is the cost of raising, paying, and maintaining "the force in the United Kingdom which would not "be maintained if the army had not to be kept up; "all the difficulties in the organisation of the British "army during recent years, and the grants of additional "inducements to men to join the army, have been mainly "due to the necessity of keeping a largely increased "European force in India." Then, Mr. Knox, I suppose that is Sir Ralph Knox, said in his memorandum of the 26th April 1889:—"That the actual cost to the British "Exchequer of raising and training the force necessary "to maintain the army in India, is clearly the cost "of raising, paying, and maintaining the force in "this country which would not be maintained if the "Indian army had not to be kept up;" and he says further, "when it it is borne in mind that all the difficulties in the organisation of the army during recent "years, and the grants of additional inducements to men "to join the army have been mainly due to the "necessity of keeping a largely increased European "force in India, it is difficult, in justice to the "home taxpayer, to see on what grounds any modification can be made of this claim as the payment "to be made by the Indian Government." Then Mr. Ryder put to you three or four questions, which I will repeat here. Question 5363: "May I ask a question with

" reference to the first question of Mr. Naoroji—whether " you are satisfied that it is quite fair to distinguish be- " tween the cost of the maintenance of the British rule " in India and the cost of the *de facto* Government of " India. Is it not fair to say that the *de facto* Government " of India is British, but that that does not affect the duty " of India, as a very large and powerful community, to pay " for the cost of its own Government?" In the next ques- tion he says " No doubt everybody will be agreed that where " India cannot afford to bear the whole of the charge, " England should come to its assistance. Really, my point " was that *primâ facie* it is the duty of India to pay for " its own Government: the fact that that Government is " British does not affect the duty of India to pay." Then he goes on: " but then would you go so far as, I think, " Mr. Naoroji did, as to draw such a distinction between " Imperial interests and Indian interests, as to hold that " the one was exclusive of the other, and that, if once you " granted that an interest was Imperial, then it ceased to " be Indian and became chargeable on the British tax- " payer instead of on the Indian." Then, " Surely it is of " Imperial interest that every part of the Empire should be " prosperous and should be defended against its enemies." " You really cannot separate the two; Indian interests are " Imperial, and must continue to be so as long as India " is part of the British empire, and, therefore, it is not " enough to say that a particular interest is Imperial " in order to prove that the charge should not fall upon " the Indian taxpayer." Then he says " That grant-in- " aid might be justified by the fact that India was over- " burdened by the charge of the Afghan war?" Another question. " It undoubtedly was an Imperial war, but so " also an Indian war may be Imperial in its magnitude, " and yet be still Indian?" Now, I have read these. What I have read, I think gives a full and fair statement of the British arguments, for the claim that Britain makes upon the Indian people, the premises upon which the argument and conclusion is based. I have to show that the whole of these premises upon which every claim on India is based is utterly fallacious and untenable. This necessitates my putting a few questions which I have here. The first question is, have the Indians the slightest voice in the expenditure of their revenue?—You mean the Indian nation as a whole?

6578. The Indian people?—The Indian people?

6579. Yes, of British India?—Not of course any repre- sentation, except through the action of the Legislative Councils.

6580. The Government of India itself speaks in one place of the people of India " who have no voice in the " matter "?—That refers to the special fact that the peoples of India had no voice in respect to the claims made by England, or the War Office, on India.

6581. Now with regard to the Legislative Council, is it not the fact that the Legislative Council cannot in any way affect or touch the budget? Some members may express opinions, but they can propose no resolution of reduction or no resolution of change of any kind, and so Sir David Barbour told us here?—That is so.

6582. So that even the Legislative Council of India has no voice whatever in the expenditure of the Indian revenues?—Well, I should perhaps qualify that by saying that they could raise interpellations on questions such as these; for instance, the home charges have been mentioned.

6583. But they cannot put a single motion for reduc- tion, as the budget is discussed in this country in the House; nothing of that kind?—No.

6584. Then the next thing is, are not the Indians distrusted, and is not that one of the reasons why Britain increased the European force, for its own interests?—No, I should say not, certainly.

6585. That is to say, that they are not distrusted?—No; on the contrary I should say that the Government of India rests on the loyal contentment of the people of India.

6586. That is right, that is exactly the case; the Govern- ment of India has to depend entirely upon the loyalty of the people, but yet are not the people distrusted? They are disarmed; there cannot be a single officer in the army; they cannot even occupy higher places in their own services, even in India. These are simple facts I am asking; I am not asking any opinion?—I should not say that they were distrusted; but those questions of yours seem to me, if I may venture to say so, to enter upon large questions of policy which I am unable to go into.

6587. As to questions of policy, I do not think that this Commission is precluded from asking such questions, because the reference is quite clear; it has made no exclusion whatever of any questions as to policy; but still I am not putting these questions as to policy, I am simply putting these questions of fact, in order to show how far the ground upon which the whole claim is made is untenable. Are not Indians refused as volunteers?—They are not excluded, I think, if they adopt the uniform, and can speak English. Parsees, I think, are not excluded.

6588. Not altogether, in some places; in Quetta, I suppose, there may be volunteers; but I do not know that there are any volunteers on our side; no, they are not admitted. I only point out all these disqualifications.

6589. (*Sir Donald Stewart.*) But I think you are wrong. Is it not a fact that any native can be appointed a volunteer if he is accepted by the commanding officer of a volunteer regiment?—Yes, I think so.

6590. (*Mr. Caine.*) But he cannot claim it as a right?—No.

6591. As matter of fact he never is accepted by the colonel of the regiment?

(*Mr. Naoroji.*) Is not a military education entirely refused to Indians in the military colleges of this country?

(*Sir James Peile.*) Has that question anything to do with expenditure?

(*Chairman.*) You were asking about education, were you not, Mr. Naoroji, whether they were excluded?

(*Mr. Naoroji.*) Military education. It is entirely refused to Indians in this country; they will not admit a single Indian.

(*Chairman.*) May I ask what is the line of that argu- ment?

(*Mr. Naoroji.*) I want to show that Indians cannot be considered an integral or component part of the British Empire. They do not enjoy the rights or the gains of the British Empire, while it is proposed that they should submit to every duty of the Imperial citizen. Well, I want to show that that is what they do not possess. Until they possess those rights, the argument that they are bound as citizens of the British Empire is not a correct argument; it is altogether a one-sided argument; there- fore, I am obliged to point out all the disabilities of the Indians; that they have no rights and no gains of the Imperial citizenship or of the country, while these claims are made upon them on the ground that they are Imperial citizens.

(*Chairman.*) I should have thought that on that line you are entering, Mr. Naoroji, on questions which lie outside our reference.

(*Mr. Naoroji.*) No, I contend that it is not.

(*Chairman.*) Have you got the reference?

(*Mr. Naoroji.*) The reference does not in the slightest degree exclude any such questions.

(*Chairman.*) Let us look at the reference and see. I do not want to suggest to the Commission the exclusion of any questions which come fairly within the reference:— " Whereas, we have deemed it expedient that a Commis- " sion should forthwith issue to inquire into the admi- " nistration and management of the military and civil " expenditure incurred under the authority of the Secre- " tary of State for India in Council, or of the Government " of India, and the apportionment of charge between the " Governments of the United Kingdom and of India for " purposes in which both are interested."

(*Mr. Naoroji.*) That includes everything; there is no exclusion whatever, saying that policy, or this, or that, shall not be discussed. The whole expenditure depends upon the manner in which the expenditure is incurred. The expenditure depends, and the manner depends, upon the kind of policy or system. I may use the word " system " to avoid the word " policy," if you like; it is the kind of system that is introduced in the expenditure, which neces- sitates all this apportionment and all these claims that are made upon us.

(*Chairman.*) What is the connexion between that question of policy and the administration and management of the military and civil expenditure?

(*Mr. Naoroji.*) Just this: the way in which the Europeans are brought into India, and the employment of the large European services are for the interests of both India and England, and consequently I say that there must be a fair apportionment of charges in both countries between them. I will lead to that conclusion gradually.

(*Chairman.*) Perhaps you will go on, Mr. Naoroji, bearing in mind the expression of opinion which has been made.

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(*Mr. Naoroji.*) That is the end, that I want to make Britain liable for a portion of the charges in both countries which are for British interests. That is the next question that I am to put here. Have the Indians any share whatever in the gain and glory of the British nation or country just as the Irish or the colonials have? I will explain what I mean?—I cannot speak for the Irish, but I think that the natives of India have a great share in the glory of the campaigns which have been won to a great extent through the valour of native troops.

6592. In that way they have only to give their blood and their money for the enhancement of the British Empire. If that be glory I do not know. However, I will explain this: An Irishman, or a Scotchman, or a Welshman, or a Colonial, as well as an Englishman, can have a post in any of the military, naval, or civil services, or in any of the services of the Empire in any part of the British Empire, having thus a share in the gain and glory of the British Empire. Are Indians in that position? With the exception of the lower services, and the few exceptions of the higher civil service, in their own country, are they not entirely shut out from any share in the Imperial gains?—In the Imperial gains?

6593. Yes, Imperial benefits; they have no service in the higher ranks of the army?—No.

6594. No service in the Navy?—That is perfectly true.

6595. No service in the Civil Service here. Are we not a part of the Empire; should we not have a fair and full share in all the services in this country also, as well as in India?—I am not competent to answer a question of that sort, because that seems to belong rather to civil and political questions.

6596. As a matter of justice merely?—But I should say that natives of India have a distinct share in the Imperial gains, because they are able to live in peace and comfort; whereas otherwise they would not be able to live at all in India.

6597. But with that peace and comfort of the Indian, does not also the very existence of the British rule depend upon those services? If there were no peace and order, and if the country were in a disorderly state, the British rule would not be able to remain there very long; is it not for the British interests also?—That is a matter of opinion.

6598. Then as a continuation of that disqualification, Lord Salisbury has said (Hansard, Vol. 185, p. 839), "it "would be a great evil if the result of our dominion "was that the natives of India who were capable of govern- "ment should be absolutely and hopelessly excluded from "such a career;" and also with regard to the present system of British administration, he said that "it creates "a terrible amount of misery." How far you may agree with that I do not know?—No; I do not know that I ought to be called upon to answer a question of this kind; but I do not agree with the latter opinion.

6599. For the little admission Indians have in their own country into the higher civil service, none into the military and naval services, are they not most unjustly treated in being compelled to come to this country for their examinations, instead of being simultaneously examined in India itself?—That, I venture to submit, is not a question which is concerned with the military expenditure of India.

6500. The whole expenditure is the question. I want to refute the grounds on which the War Office Memorandum and Mr. Ryder's reasons are based—namely, that India is a part of the British Empire and is bound by all the duties of the British Empire; and, therefore, of course, you may answer just as you think proper?—Well, if you ask for my own personal opinion, I think it is a very good thing they should have to come.

6601. If an Englishman wants service in the Colonies, he must go there; but if an Indian wants service in his own country, he must come here; is that justice?—I think it turns upon the consideration of many other points.

6602. Do you not compel Indians to pay every farthing for whatever you choose to do for your own interests, or what you call Imperial interests, for the benefit of the British taxpayer? Are not the British services in India for the benefit of the British taxpayer to keep his rule in India, to have the British Empire, and must he not share, therefore, in the cost of keeping up that British Empire?—I think that the cost of the service that is maintained in India is, to a very great extent, for the benefit of the native himself.

6603. I grant even that much, though it is not quite logically so; but is it not also for the benefit of the British themselves?—It is certainly for the maintenance of the British Empire as a whole.

6604. And, therefore, should they not bear a share or take a share in the cost. Of course, though you employ the native army, I do not say a word. You would require that under any circumstances, whether the British were there or not; but the British army or services would not be required in India except on account of the British rule?—If the British rule is to obtain in India, I presume a portion of the British army would be required there, but I think I have given reasons before the Commission to show that in my opinion India should receive generous treatment at the hands of the Imperial Government on account of certain services connected with the British army.

6605. I will not go into the many disqualifications, notwithstanding that we have had repeated pledges; we have the Act of 1833; we have the Proclamation of 1858; we have the Act of 1870 to make us something like Imperial citizens. There is the declaration on the occasion of the assumption of the Imperial title; then the declaration in the Jubilee year, that we would be treated equally with all British subjects; but these pledges have never been fulfilled. Lord Lytton says that all these pledges have been avoided by every possible kind of subterfuge; therefore is it right and is it just to say that India is a component or an integral part of the British Empire? Is it not more just to say, as Macaulay once said, that it is more the slave of the British Empire than a partner or component part of the British Empire?—No, I should say that India was a component part of the British Empire.

6606. Therefore, the theory that India is an integral or component part of the Empire, and must take its share of the expense of the Empire and not at all of the profits or interests or rights of the Empire, is not that something like adding insult to injury?—Not in my opinion.

6607. Well, the Government of India say,* in their letter of the 10th August 1883, "We maintain that the system "itself is unjust. It presupposes that there is a partner- "ship between the two countries, and so to a certain "extent there is, but there is no freedom of contract. It "is a partnership in which the rich and powerful partner "is able to prescribe the conditions under which the busi- "ness shall be carried on with very little reference to the "wishes or the means of the poorer and weaker partner." That is what the Government of India says; I do not know how far you agree with that?—I agree with that entirely with reference to particular charges which we are discussing.

6608. I apply that to the whole charge, everything that is for the common interest, because our purpose to-day is to discuss what are those charges which are for common interest for the purposes of both, and what apportionment should be made.

(*Chairman.*) Where are you quoting that from, what the Indian Government says?

(*Mr. Naoroji.*) From one of the papers here.

(*Chairman.* What did it refer to? Should you not state what the Indian Government referred to?

(*Mr. Naoroji.*) The Government of India's whole argument is with regard to the army charges only.

(*Chairman.*) When you are making a quotation, I think it would make it clearer to say what the quotation refers to.

(*Mr. Naoroji.*) Yes.

6609. (*Chairman.*) You gave a quotation, and it might refer to the whole question you are raising, or it might refer merely to these army charges. I think Sir Edwin Collen understood it referred to the army charges?—The army charges, yes.

6510. (*Mr. Naoroji.*) The Government only applied it to the army charges; I apply the language to the whole general principle involved. I must confess I feel exceedingly grateful to the Government of India for the manner in which they have been fighting the War Office here. But is it not the fact, as I have already said—and I will just give a little authority—that even the opinion of the Government of India is no expression of the views or wishes of the Indian people? If the Government of India says anything or asks for anything, that this or that should be done for India, it does not mean that it is the voice of the Indian people?—Well, I should hope that the voice of the Government of India would represent the voice of the Indian people.

6611. You think that the voice of the Government of India would represent the voice of the Indian people?—I should hope that it would do so.

* *See* Appendix No. 45 Apportionment of Military Charges. p. 306.

6612. However, I have got an authority here. Mr. Gladstone says, in a speech in the House of Commons on the 12th March 1880, "it appears to me that to make such "a statement as that the judgment of the Viceroy is a "sufficient expression of that of the people of India, is an "expression of paradox really surprising and such as is "rarely heard among us." That is his opinion. And he also points out what the relations of Britain are with India, and the principles upon which India is governed, and he says here—he emphasises this position by the words—"The law and argument of force, which is the "only law and the only argument which we possess or "apply to place the whole of this burden on the shoulders "of the people of India." He refers here to the Afghan War, but I ask whether that is not altogether a true description of the whole relations between England and India?—But I should not in any case say that it was the opinion of the Viceroy. I suppose one may speak of it as the opinion of the Governor-General in Council or of the Government of India.

6613. The Government of India; but that is not necessarily the opinion of the people of India. If the people of India were consulted whether this large British army should be kept up there or not, perhaps we would come to a very different result; is not that possible?—Quite possible.

6614. (*Sir James Peile.*) Is there such a thing as the opinion of the people of India?—I have never heard of the people of India except as an expression; I mean I have always understood that India is composed of many peoples.

6615. Very antagonistic to each other?—Very much so

(*Mr. Naoroji.*) You may call them peoples if you like or people; those who are called British subjects in British India, no matter whether they are called peoples or people; you may use any expression.

(*Sir James Peile.*) I asked whether there is such a thing as the opinion of the people of India?

(*Mr. Naoroji.*) There is no such thing as the opinion of the people of India, because they are not asked; they have no voice at all; they are not allowed any opinion; that is the very thing I contend.

(*Mr. Caine.*) They express it without being asked occasionally.

6616. (*Mr. Naoroji.*) They do express it, and that is all they can do. Therefore it resolves itself into this: that as long as the Indians are not allowed to have a full and fair share in Imperial rights and interests, it is not right to demand from them a share of the Imperial duties?—I am unable to answer a question of that kind, except in a general way.

6617. Then again, the Government of India is not like the Government of France or the United States, say, treating on behalf of the Indians on an equal and independent footing with Britain; the Government of India is simply a department as it were of the British rule, and their chief and primary business there is to protect British interests, is it not?—No; I should say it was to govern the people well.

6618. Then I will read you a few more extracts; I have already read to you some extracts before, and I will read a few more extracts of what the Government of India say—I may say here again that they refer to the fight with the War Office, but I apply them as very important and applicable to the whole general relation between India and England. I am adopting their words. One is this: the previous questions I have put were to show that the army of India, or all the European services in India, were for maintaining the British supremacy, and there is a strong paragraph upon that point which I have already quoted, and with which I will not trouble you now. There are further advantages, the Government of India points out in their letter* of the 25th March, 1890, to the British people. "The army of India affords (as indeed it "has been clearly stated in bygone years by the Govern-"ment of India) a great reservoir of military strength to "England." That is the fact?—Yes.

6619. †Again in the same letter, they say, "We may "especially lay stress on the fact that the Indian army "supplies a great addition of military power to England, "that a large part of the British army is trained at the "expense of India, that the whole of the men passed "into the reserve from the 70,000 troops in this country "have been maintained entirely out of Indian revenues "from the date of their first recruitment." In the ‡India Office letter to the War Office of the 9th August 1872, it is said, "It is well known that India offers the best, "if not indeed the only training ground for the British "army in time of European peace. . . . A very "large and certainly not the least valuable portion of "the reserve will consist of men whose entire military "training and experience will have been acquired at the "expense of the people of India." Further in the * Memorandum inclosed in the Government of India letter of the 25th March 1890, the following passages occur; "India is incurring great expenditure in the increase of "the army, and in armaments and defences for the main-"tenance of British supremacy in the East. It is surely "not unreasonable to consider that England should bear "a share of this burden, the principle should be that of "true reciprocation, and India should not be charged on "account of expenditure which must necessarily be in-"curred by England for the maintenance of her army and "the Empire at large." . . . . "That India should "be considered as affording a training ground for the "officers and men of the British army, that the relative "financial capacities of the two countries should be "considered, and the whole matter adjusted on broad "and statesmanlike views of public policy." Well, I apply all these, in the words of the Government of India, to the general question of all the relations between Britain and India in regard to charges in both countries for their common interests. It was suggested by Mr. Ryder that the Government here, or the British Exchequer, was requested and prayed to show mercy and pity to a poor partner, and that it is only in that way that we are asking from Great Britain not to charge this and not to charge that. Well now, I maintain, as Mr. Fawcett did very distinctly state—he said (Hansard, Vol. 250, p. 454) distinctly he wished to explain (this was on account of the Afghan war that he said this), that so far as India was concerned, this was not to be regarded as a matter of generosity, but of justice and legality; and he again repeated the words, "the matter must be decided on grounds of "strict justice and legality." And then Mr. Gladstone (p. 932) completely adopted all that Mr. Fawcett had urged, both with regard to the principle upon which the expenses of the Afghan army should have been apportioned between the two countries, viz. that of a very substantial contribution from Britain; but not on the ground of generosity or pity, but on the ground of simple justice and legality: and that is what I ask should be done. Do you not think so?—I think certainly that the principles of justice and legality should be followed.

6620. The War Office or any department here says, "Such and such expenses, that we undergo, are for the "benefit of India also, and therefore India must take "a share in them." Now on the same principle, should I not also say that whatever is spent here from the Indian revenues, which is also entirely for the purposes of the two countries—not for England alone—should also be shared by the British Exchequer on the same principle? I will just give an instance, such as the India Office building and establishment, the Engineering College, the examination expenses, and a number of expenses that are defrayed here in this country, every farthing of which is spent in this country, is enjoyed by the people of this country. Taking also the cost of the exchange compensation, ever farthing of which would be spent in this country. Very well, whatever is paid out of the revenues of India for common purposes, not only for common purposes, but even entirely what is spent here, should not the British Exchequer take a share in it, just on the same principle as they demand from India that we should take a share in the War Office expenditure?—Looking at the matter from an Indian point of view, I should be very glad if that conclusion were arrived at.

6621. Then also, even in the apportionment—supposing that for particular purposes very large expenditure is incurred which is in the interests of both countries, it should also be taken into consideration what is the capacity of each country, more especially as it is under the British administration that India has become extremely poor and the poverty is acknowledged by three successive latest Finance Ministers. I have already given you the figures with regard to the capacity the other day, and therefore I will not repeat them here again?—I think the question of the capacity or the wealth of the countries might certainly be taken into consideration in discussing the question.

6622. With regard to these frontier wars, in which you urged the other day that the British exchequer here should take a proper share, in which the interests of both are concerned, I do not remember that you exactly agreed

* *See* Appendix No. 45 Apportionment of Military Charges, p. 269.
† " " " " " p. 253.
‡ " " " " " p. 293.

* *See* Appendix No. 45 Apportionment of Military Charges, pp. 270, and 277.

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with me in excepting those small frontier wars where the tribes come and disturb the Indian frontier?—Yes.

6623. And now with regard to wars outside India, in which the chief interest is that of the British Empire, not only within the British Empire but everywhere all over the world, taking Egypt and the British interest connected with that, or the Abyssinian expedition, or any of those expeditions, is it not just that the British exchequer should take a fair share in the whole expenditure, or rather that they should pay the whole expenditure—not take a fair share—in that India has no concern, except that they use Indian troops, and therefore India helps with the blood of her troops to maintain the Empire outside of India?—Yes; I think that in cases such as those you have quoted, the British exchequer should bear the expenditure.

6624. Then with regard to the exchange compensation—and I have already quoted Lord Kimberley's words that the British services in India are for the essential purpose of maintaining British rule there, and the European officers are specially for that purpose, the argument that was urged was that if this compensation were not given, it would dissatisfy the officials and the officers and would impair the service. Very well, that service is chiefly, mainly,—I do not go to the logical conclusion of it, entirely—for British purposes, and in addition to that we have this consideration, that the whole of the exchange compensation would be entirely spent in this country; therefore, to say the least, instead of putting the whole of that burden of exchange compensation on India, is it not right and just that some portion of it fairly should be contributed by the British people themselves?—No, I certainly do not think so.

6625. For this double reason, that it is entirely because they are Europeans that this exchange compensation has at all arisen, and Europeans are for the interests of both—I grant that—and that, therefore, if this European service is not to be impaired, as much for the sake of the British rule and supremacy as for the sake of the Indians, and also because the whole of the money to be spent here besides, not a farthing to be spent in India, is it not right and just that the British exchequer should contribute a fair proportion of it?—No; I should say that it is a purely Indian service, which Indian revenues should pay for.

6626. Not only this exchange compensation but the whole exchange question arises simply because there are European services in India: otherwise any other country, such as China, or any other Eastern country, will have nothing to do with any difficulties or troubles of exchange, it is a mere matter of business.

6627. (*Mr. Caine.*) Just one or two questions. I understood you to say in reply to Mr. Courtney that you could not see your way to reduce the army in India at all?—I gave it as my opinion, with that one exception which I named, it would not be advisable to reduce the strength of the British or native armies.

6628. Neither?—Neither.

6629. Would you object to varying the strength of the two; would you reduce the British army if the numbers were replaced with native regiments, or even with more native regiments than the British which were displaced?—No; I think the proportion should be maintained as at present.

6630. Then what are the main motives of maintaining that proportion; what is the chief motive? Is there any distrust of the Indian troops—of their loyalty?—No, no distrust; but at the same time the proportions have been fixed on various considerations, and I imagine it would be right to maintain those.

6631. You do not think that there can be any economy effected by the variation in the proportion of British troops then?—Economy would be effected, for instance, if you reduced the more expensive branches of the army, say the British cavalry or the Horse Artillery.

6632. That is what I am leading up to. I will take the British cavalry; there are about 6,000 of them in India?—Nine regiments; yes, 6,000.

6633. Then there will be about, I suppose, a thousand men drafted annually from this country or thereabouts—a little over?—800 or 900, I think.

6634. Well, they cost 227*l.* per man before they are embarked from this country, is not that so?—That was the figure given; I am not sure whether it is that at the present moment.

6635. It costs a great deal at any rate?—It does.

6636. There is 227,000*l.* you may say for recruit charges alone before you get them?—Yes.

6637. That surely makes it a very very costly force?—It is undoubtedly a costly force.

6638. Supposing the Indian army were diminished by the total number of British cavalry and increased by an equal number of Indian cavalry, do you see any objection?—Yes, I do.

6639. Because there would be a very large saving, would there not? I do not ask you to go into the figures off-hand?—There would be; but at the same time I do not think military opinion would hold that we could afford such a large reduction.

6640. But supposing that you make that change and add to the number of the British infantry, if you want to stiffen up the proportion; would there be any objection to that? Just let us go off that for a moment. Surely it is now allowed that the Indian cavalry are as good in all respects as the British cavalry, and better for the purposes for which they are wanted in India?—The Indian cavalry is undoubtedly very excellent; but with reference to their being as good as British cavalry for the purpose for which they are required in India, I should hardly like to answer in the affirmative.

6641. For what are British cavalry required in India?—British cavalry are necessary in India. After all, there are only nine cavalry regiments scattered over an enormous area of country, the stations being in the Punjab, Rawal Pindi, Sialkot, and Umballa, and in the North-West Provinces—Meerut, Muttra, and Lucknow. At Mhow, in Bombay, and at Bangalore, and Secunderabad, in the Madras area. Then those points are very far distant, and for the maintenance of order in the country, the power of being able to send troops out into the district, you must have a proportion of British cavalry. I mean, however loyal and contented a population may be, yet there are always unruly spirits who may require repression, and native cavalry could hardly act entirely in the place of British cavalry in that case.

6642. There have not been any cases of that kind for a great number of years? There was a disturbance the other day, for instance, at Jhalawar; the Prince of Jhalawar was supposed to be in revolt, or something of that kind, and they sent native troops without any hesitation there?—Yes. That, of course, was in a native State; but I am only saying generally, that you require a proportion of British cavalry in India also; of course, in case of the army having to act beyond the frontier of India.

6643–4. But, surely, if they had to act beyond the frontier, the Indian cavalry are far better than anything that could be brought against them in the way of cavalry?—Well, it depends. Supposing you were opposed to an European nation?

6645. Yes, take Russia, for instance; surely it is admitted by all military authorities that the Indian cavalry are superior to Cossacks?—I hope they are.

6646. You would not doubt it for a moment, I should think?

6647. (*Sir Donald Stewart.*) Still, you will find others than Cossacks?—Yes.

6648. (*Mr. Caine.*) Then they are better than Afghan cavalry? But, on the whole, you could not see your way to encourage the idea that we could do with less, or without any, European cavalry?—No. I should prefer not to give an answer to a question of that kind off hand, because it requires a great deal of examination.

6649. Oh, I quite admit that?—And it is a matter that might be well considered; but I should not hold out hope of any large reduction of British cavalry.

6650. Would you be prepared yourself to treat it as a more or less open question? or is your own mind closed on the subject?—No, my own mind is not closed upon the question of the strength of the British cavalry and Horse Artillery; there is no reason why it should not be considered.

6651. Now the question of Upper Burma. Do you think that the acquisition of Upper Burma necessitates any increase, or has necessitated any increase, of the British army in India?—Yes; a portion of the increase which actually took place, has been absorbed by Upper Burma.

6652. Yes, but could you not deal with Upper Burma with native troops just as well as you can with British?—Not, I think, in the opinion of the responsible military advisers of the Government of India.

6653. (*Sir James Peile.*) No increase was actually made in the number of British troops on account of Upper Burma?—No.

6654. (*Mr. Caine.*) The Burmans are a different race altogether?—Yes.

6655. Have you had any experience of the Volunteer force of India?—Yes, I know a good deal about it.

6656. There are a great number of Eurasians in it?—Yes.

6657. Do you find that they become effective and capable?—Yes, large numbers of them are so.

6658. On the whole, do you think them much inferior to the British Volunteers in India, the young clerks who come out of offices, and so on?—I suppose that, generally speaking, the physique of the Eurasian is not equal to the physique of the European; but, on the other hand, I have known a great many fine able-bodied Eurasians.

6659. Do you think it would be possible to enrol a couple of Eurasian regiments for Madras and Bengal, and let them take the place of British regiments?—That is a question, which has been very often debated. Personally, I should be very much in favour of having Eurasian regiments, because I should like to see the community encouraged; but the military authorities generally have felt that it could only be done by reducing the strength of British troops; and, therefore, they have been rather opposed to it.

6660. Do you think that Eurasians could be drafted into British regiments in India?—No, I do not think so.

6661. You think they would have to be kept apart?—Yes.

6662. But, on the whole, you think they would make fair fighting material; the mixture of race would not lead to cowardice?—I think they would make fair fighting material.

6663. Upon that point, may I ask you,—although it is hardly fair to ask you,—do you not think that a training ship might be put down at Calcutta for Eurasian boys? It would not be a very costly experiment, and it would create an Indian Marine?—Well, they have an Indian Marine, of course, which is composed chiefly of European officers and natives.

6664. Yes, I know; but I was thinking more of a fighting Marine?—We have not got a fighting Marine.

6665. You have a defensive marine—the guardships of the ports, and so on?—That is all under the Royal Navy.

6666. You live a good deal in Calcutta, I suppose?—Yes.

6667. And you know, of course, that the Eurasians feel very strongly on this point, and think it would afford a very considerable relief to the poverty that exists among that class?—Yes. I think that it has been considered, but I am under the impression that the result was that there was no outlet. You might train them, but there was no outlet for them except, perhaps, in steamship companies, and so on. I can only say that, generally speaking, I should be exceedingly glad to see any proposition carried which might tend to assist the Eurasian community.

6668. What is the strength of the Volunteer force in India?—It is about 29,000.

6669. Do you see any reason why, at any rate, in Presidency towns, there should not be some extension of the right of volunteering to natives of India?—I think that for the purposes of the Volunteer force it is better that it should be composed only of Europeans and Eurasians.

6670. I suppose, in case of invasion—serious invasion—you would rather look to a volunteer force to maintain peace and order—at all events, in the large towns?—They would act for garrison purposes in large towns.

6671. You know that amongst a certain class of that community in India, especially in the large towns, there is somewhat of a grievance about this Volunteer question, and there are constant public declarations made that natives of India would volunteer to a very considerable extent, if they had the opportunity of doing so. Now if there is any class objection to their volunteering and enrolling in the same corps as Englishmen or Eurasians, would it be possible, at all events, to make some tentative experiment in a limited way, some attempt at enrolling volunteers among the Indian people themselves?—I should not advise the experiment myself.

6672. Not even if it were confined to Presidency towns or large towns where there would be an overwhelming force of Europeans at any time?—No; I think it better to confine the volunteers of India to Europeans and Eurasians.

6673. You said in answer to someone—I think it was to Sir Ralph Knox, when he was talking to you about the reduction of mortality—I think you agreed with him—that over a certain period—I do not quite remember the period—the invaliding had been reduced from 33 to 26 per 1,000?—Yes.

6674. Do you think that the great encouragement which Lord Roberts and yourself, and many others in India, I know, have given to the temperance movement, has had any direct effect in reducing the invaliding?—I think it has had a very great effect upon the army in India.

6675. For good in every way?—For good, yes.

6676. And the general improvement of the barracks and providing recreation rooms and all that sort of thing, has had the effect of keeping them in barracks?—Quite so.

6677. (*Sir Donald Stewart.*) Is not the strength of the British army in India regulated entirely by the Government of India?—I think is is regulated by the Government of India, in so far that if they showed good grounds for an increase, for example, Her Majesty's Government would probably endeavour to meet their wishes. On the other hand, if the Government of India were now to propose a large reduction, it is quite possible that Her Majesty's Government at home would say, "We cannot accept this;" they might overrule the Government of India in such a matter.

6678. Has the Government of India ever been, in your experience, overruled in a case of that sort where they desired to reduce the European forces?—I think I could point to some instance, but I cannot recollect it at this moment.

6679. I ask this question, because some of your arguments seem to imply that India keeps up a force which may be said to be a reserve for British Imperial purposes, irrespective of the requirements of India?—I was speaking, I think, of the whole army of India, British and native. It is not an argument that has been used by me personally, nor is it a new one. It has been used for many years, and it appears in many despatches of the Government of India. Supposing there was a time of great Imperial need, the army of India, as constituted in India, might under certain circumstances supply a very considerable addition to the military forces of the Empire.

6680. Yes, but does India maintain any troops for that express purpose?—No.

6681. Then it is entirely in the power of the Government of India to reduce the military force of the country, if they think circumstances permit, is it not?—I do not think that it can be said to rest with the Government of India. I should say that it is Her Majesty's Government which determines the strength.

6682. Have you any authority for that statement?—I cannot quote chapter and verse, but certainly that is the impression I have always had.

6683. Of course, if the Government of India desires to reduce or increase the British establishments in that country, they have to get the final sanction of Her Majesty's Government; but have you ever known a case in which the wishes of the Government of India have been set aside absolutely by the Home Government?—I am not able to give the reference, but I am under the impression that on one occasion Her Majesty's Government did not accept some proposal of the Government of India.

6684. But was that not in regard to certain reductions in the native army?—I thought that it referred to some particular alteration of strength of the British army.

6685. Perhaps you could get that?—I will endeavour to do so.

6686. Then do you not think that some reduction might be made, even now, in the combined strength of the British and native armies in India?—No, not to a material extent.

6687. Have you any idea of the cost of maintaining what is called the Imperial service troops?—No, I cannot give the figure.

6688. (*Sir Ralph Knox.*) I should just like to ask one question with reference to what Mr. Caine let drop just now—that each cavalry soldier going to India cost 208*l.* Did you recognise the figure?—I thought he said 227*l.*, but I think in my reply I said that although that may have been the figure for one year, yet I could not say that it was correct at the present time.

6689. It may have happened, of course, in one of the years, to which you alluded, that a comparatively small draft went out, although the cavalry establishment was maintained during the year; but I find in the three years of

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the later claims under Lord Northbrook's Commission that the total expenditure for the cavalry depôt and for the cavalry recruits sent out in each year was 70,000*l.*, 67,000*l.*, and 69,000*l.*, and for a draft of 900 recruits that gives an average of a little under 80*l.* a man. That would represent the more normal charge, would it not, as covered by the 7*l.* 10*s.* ?—Does that include capitation ?

6690. It includes capitation ?—Everything ?

6691. Everything; that is to say, for those three years. It may be taken as the charge which led to the settlement of the 7*l.* 10*s.*; the charge for every cavalry man shipped was just under 80*l.* a man ?—Yes.

6692. That represents more probably the figure than 227*l.* or 208*l.* ?—Yes. Might I be allowed to say something about those questions which were put to me with regard to Aden. I do not think the Government of India would desire to be entirely relieved of the charge of Aden. There are particular reasons why, in their opinion, India should pay part of the cost of Aden, because, if the Suez Canal were blocked, Aden would have to be reinforced from India, and the native portion of the garrison would probably always have to be sent from India. Aden is an Indian town; with the exception of some Arabs and Somalis, the population is Indian; the laws and government of Aden are Indian, so that I think the view of the Government is that India should conduct the administration of Aden, but that they would wish to lay before the Commission their views in respect of being relieved of a portion of the charge by reason of Aden being really an Imperial fortress and a coaling station for the mercantile marine, and a strategic point on the great commercial highway to the East. I do not think any question was asked as to what the Government of India would wish as to the relief to be afforded to them in respect of the cost of Aden, therefore I ask permission to make these few remarks.

6693. (*Chairman.*) Quite so. I suppose you would say that the opening of the Suez Canal is a matter of importance to India ?—As being on the general highway to the East, undoubtedly.

6694. With reference to that I would like to call your attention to a point which I think is of interest to India. I see that, before the opening of the Suez Canal, the exports of India to England were about 29,000,000, and the trade to European countries which are served by the Suez Canal was then about 5,000,000. In 1893–94 the exports of India to England had only risen from 29,000,000 to 37,000,000, while the exports to the countries served by the Suez Canal had risen to 22,000,000, an increase in the case of the United Kingdom of about 27 per cent., and in the other case of 440 per cent. I think I would put that before you as worthy of consideration, as showing that the fortress, as commanding one entrance to the Suez Canal is of some importance to India ?—Undoubtedly.

6695. I should like to ask you one question with regard to the fortification of Aden. I am speaking from recollection now, but there has been a very long controversy between the Imperial Government and the Colonial Governments, and I think the Indian Government (on that point I am not quite sure) as to the cost of fortifying different places throughout the world; and my recollection is that the Imperial Government and the local governments halved the cost of making the works ?—Yes.

6696. And that the share of providing the ordnance for the works fell very heavily upon the Home Government: I am not sure whether that is the case with Aden, do you happen to recollect what was the up-shot of the arrangements made in that respect ?—I understood the arrangement to be that the cost of works and armaments was shared; and that India provided ammunition and stores for the armaments.

6697. Your recollection includes the armaments ?—I think so.

6698. In several cases what was intended to be an equal division between the Home Government and the Indian Government, resulted, owing to the largely increased charge of the armaments, in the Imperial Government taking about two-thirds and the local government about one-third. I cannot remember precisely whether that applied to Aden, as well as to several other ports. It was with regard to that that I wanted to ask you what the arrangement was in this case ?—It was half-and-half, leaving out the ammunition and stores.

6699. (*Sir Donald Stewart.*) The guns and fortifications half-and-half ?—The last agreement was that the entire charge of 54,590*l.* for ammunition and stores should devolve on India.

6700. The Treasury refused, if you remember, to pay anything on account of the removal of the arsenal from Aden town up to the fortifications ?—Yes.

(*Chairman.*) The European forces in India are reckoned, in their total number, at 75,000, are they not, 74,000 odd ?

6701. (*Sir Donald Stewart.*) About 71,000, is it not ?—It depends whether you take officers or not. I should take it at 72,000 warrant officers, non-commissioned officers, and soldiers.

6702. (*Chairman.*) I ask that, because, when we were speaking of the troops, comparing those under 25 and over 25, you gave the numbers, which I took down, 67,000 or 69,000 ?—67,000 I think it was.

6703. Do you come at those figures by excluding the officers ?—The officers are excluded; that is taken from a War Office return.

6704. And, therefore, we may take it that, when we are dealing with the rank and file, that total number which is given at somewhere between 74,000 or 75,000, is represented by the 69,000 or 67,000 rank and file ?—Yes.

6705. You may remember that from your answers to some questions it appeared that there are something like 26,000 rank and file above 25 years of age, and that the remainder, amounting, I suppose, to something like 41,000 or 43,000, were under 25 ?—Yes.

6706. Now, taking that, I am struck by the fact that such a large portion of your European force is over 25 years of age; and I wish to ask whether, supposing you were to have a ten years' service, and for the purpose of that you sent out 8,000 men every year, you would not find that you would get very little more than 26,000 men over 25 years of age? I will not ask you to accept my figures, but I have reckoned it out roughly and I came to the conclusion that, at the outside, you would get probably on that principle, with the ten years' service, 28,000 men, allowing for the mortality of course. I want to put it to you, have you not got under the present system very nearly a ten years' service ?—I think that these numbers over 25 must be due in great measure to men being on previous engagements, and also to our having had to pay bounties to re-engage men. There were certain years we could not get men from England, but the re-engagement has been effected every now and then, not every year.

6707. But at all events it appears, that you have a very large force over 25 years of age, and so far that should modify the criticism that you have given against the present system, should it not ?—Yes, but perhaps I might say that, unless there are particular measures to counteract the effect of the limited time spent in India, eventually we must work down to a larger proportion of younger men.

6708. At all events, at present, when you speak of an average service of five years and four months, we must bear in mind that one-third of your force are above 25 years of age, and therefore men of comparatively long service ?—They have longer service.

6709. There has been a good deal of conversation concerning the burden cast by short service; but it struck me, in listening to the evidence that you gave, that you had scarcely given sufficient weight to the diminution on the other side that had taken place, and was taking place, in the pensions. I want to ask you, now that you have heard what Sir Ralph Knox has had to say upon that point, whether you are prepared to press that point so strongly that short service is, as I understood you, a financial burden upon India ? I gather from the papers I have read, and the evidence which has been given, that so far from being a financial burden, it is rather a financial benefit to both countries ?—I am afraid I should find it very difficult to pronounce on that point, because you have to take into account not only the diminution of pensions —the statements with regard to which I may say I have never seen before to-day—but also the additional cost of transporting men; that is eliminating the economy which has been effected in the transport service. I really do not know how to arrive at it.

6710. You observe what I want to call your attention to. I think it should be looked into a little bit closer, because it is very important that the complaints of India on this matter should be, as far as possible, based upon figures upon which both the War Office and the India Office can agree ?—Yes.

6711. Now, taking that question of pensions, it is a subject, I think, that will require a little consideration on the part of the India Office if it is really the case that the new pensions coming into course of payment in the

course of the year have fallen from whatever sum you like, say, 60,000*l.* to 20,000*l.*, which is entirely in accord with the estimate made at the War Office at the time that the short service was introduced. At that time they reckoned that, when the short service got into its full operation, its effect on India would be that, when it arrived at the normal amount, the decrease of charge for pensions would be 670,000*l.* a year, and the increase in consequence of deferred pay would be 211,000*l.* Now, in the paper before us we have the fact that deferred pay amounts actually to 230,000*l.* We have got no calculation—and it is very difficult to arrive at a calculation, on account of the change in the system of paying over the pensions—at the present moment to show us what the actual decrease in pensions is; but you will see, that being the prophecy made in 1889, that the figures that Sir Ralph Knox has given us to-day point, I do not say up to these figures, but very much in that direction; and it seems to me that the War Office is likely to make out a case that the short service system has been financially—I do not speak of it in any other sense—a boon to both Services, instead of being, as India represented it, a burden; and I think it very desirable, and I think you will think so too, that the Indian case should be put moderately, and what I should call correctly, do you not?—Entirely.

6712. And that, if it has been a financial benefit, we should then know whether there are objections to it in other respects which have any gravity?—Quite so.

6713. One question, in passing, that arises out of the question put to you by Mr. Naoroji. Is it not the case that native Indians are admissible to the Civil Service here like any other subjects of the Queen?—Yes. To the Indian Civil Service.

6714. Now, I think there are two points which we left over from last meeting, namely, the question of transport and the question of the Indian Marine. Take the transport first. You were speaking just now of the increased cost of transport. Of course, if the drafts sent out are much more numerous, there must be an increased charge in some shape for transport; but it is very difficult to put that down, because under those circumstances it seems most creditable to the Indian administration that the cost of transport seems to me to show nothing but a continuous decrease?—That was the Admiralty administration of the transports: it was not the Indian administration; I mean that the Admiralty worked the transport, and I think that the decrease is due to the greater economy in working the transports, notably by the decrease in the number and by shortening the voyages, and not allowing them to be so long in port. I think that is the explanation that can be given of the decrease of charges.

6715–6. Still it is a very satisfactory result for the India Office and the Admiralty between them that, under circumstances in which, as you very rightly pointed out, we might have expected an increase owing to the larger number of men that had to be sent out, we should really see a decrease amounting, as far as I make it out, in the 20 years to something close upon 70,000*l.* a year?—Yes, but I think the causes which I have mentioned operated towards that reduction to a very large extent.

(*Sir Ralph Knox.*) There is no doubt there is a reduction in the charge for freight, and in the price of freight; the cost of freight is very considerably reduced; but I think we can admit that in transport there has been an excess charge as compared to what it would have been—I am prepared to admit 50,000*l.* a year, that there is an excess charge of 50,000*l.* a year, as compared with what it would have been under the old system; but, notwithstanding that, there is a considerable saving under the short service system.

(*Chairman.*) But among the tables which I have read, I have seen that the larger part of this charge in all these years took place under the head of the Admiralty transports, and that the freight taken up from the trade was comparatively very small.

(*Sir Ralph Knox.*) Yes, it is small.

6717. (*Chairman.*) Therefore the larger part of this economy must have taken place in working the Admiralty transports?—Yes, I think so.

(*Sir Ralph Knox.*) But since freight has been accepted, the charges are not high. I have the returns for the last few years, and taking these last few years, I think they show that there is an excess charge for carriage on the number of men carried of about 40,000*l.* to 50,000*l.* a year.

(*Chairman.*) Now let us just sum up the financial result of short service. As I understand it, you, Sir Ralph Knox, are ready to admit on the part of the War Office, that, other things being equal, the larger number of men that has to be sent out now owing to the short service system (always bearing in mind that there has been a large increase of the force, which has nothing to do with the short service) has caused a portion of an extra charge for transport, which might be reckoned at 50,000*l.*; also, we know that there is a charge of 211,000*l.* for deferred pay: then, on the other hand, there comes the saving on pensions; and I ask you whether you do not think that, inasmuch as the Indian Government seem to have overlooked that point, it is not very desirable that it should be cleared up; and whether it would not be possible, assuming the charge to keep its normal effect, to get your actuals, to see, as it is operating now, with the experience you have gained since 1889, whether the saving has come to anything like what was anticipated.

(*Sir Ralph Knox.*) I will have a paper prepared and give it in.*

(*Sir James Peile.*) It is recognised in these papers that deferred pay was to be in lieu of pensions.

6718. (*Chairman.*) And, I think the evidence put before us certainly left upon my mind the impression that the India Office rested their case upon the fact that short service was a financial burden upon them?—Not the India Office; I think it was brought in incidentally in the despatch of the Government of India.

6719. Is there any other point with regard to transport to which you would like to call our attention, any suggestions that occur to you?—I would rather leave that question to Captain Hext, beyond saying that there has been a great deal of discussion in respect to the employment of transports. The Government of India have always been anxious that they should be allowed to employ some of their own transports, such as the Warren Hastings and the Clive, on this service, and there have been committees both at home and out in India; but no definite conclusions have ever been arrived at. The present system is to employ hired transports. I do not think we have received the accounts of the cost, but I think there was a larger sum entered in the estimates of this year on that account.

6720. That change took place comparatively recently, did it not?—Recently.

6721. Were the Government of India an assenting party to the change or was it one of those cases in which changes were made without their full assent?—They were consulted, but they were anxious to try the experiment I have mentioned.

6722. Of the open market?—Of having some of their own transports as well as the open market; they felt that it would be more economical.

6723. When you speak of your own transports, were these vessels belonging to the Indian Government which they were anxious that the Admiralty should take over in place of the Euphrates and those other ships?—No, they simply would have placed the ship at the disposal of the transport Department at home for the carriage of the men.

6724. Have you formed any judgment yourself as to whether the old Admiralty system of maintaining Government transports for the Indian service was dearer than that which has now been adopted, of which the principle, I understand, is to go into the open market?—No, I do not quite know what the last rates in the open market are; but I should say that of late years, certainly, the Admiralty transport arrangements have been decidedly economical.

6725. Economical?—Of late years; but then we are confronted with the difficulty that these transports, which India had purchased, were said to be unable to run any longer.

6726. Yes, exactly, therefore it was a question of replacing them?—Of replacement and of the system which should replace that arrangement.

6727. Quite so, but at all events on this point we shall hear the details and the detailed criticism, if necessary, on the present system from Captain Hext?—From Captain Hext. All that the Government of India wished was to have a trial of the Warren Hastings to see, from actual facts and expenditure, whether she could run in an economical way as compared with the hired transports or with the transports under the Admiralty.

6728. (*Sir Donald Stewart.*) Are there no legal and other difficulties which stand in the way of this system being carried out?—There is a difficulty about an Indian Marine vessel entering European waters; but I think that has been

* *See* Q.12,946.

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overcome before, and at all events a short addition to the Act would overcome it.

6729. (*Chairman.*) That return (*handing witness a return*) would rather interest you, Sir Edwin; you might, perhaps, on reading it express an opinion?—I said that I thought that the economy of the arrangements in recent years was very satisfactory.

6730. Yes, but Sir Ralph Knox points out to me (I do not know whether that applies throughout the Admiralty administration) that the Admiralty charge nothing for capital?—The ships were paid for by India.

(*Sir Ralph Knox.*) You see there the rates brought out simply upon the working—those rates are really in excess of what the rate has been during the last few years, during which they have been using freight.

6731. (*Chairman.*) Because the cost of freight includes payment for capital?—This does not include payment on account of capital.

6732. (*Sir Ralph Knox.*) It does in the last few years, because it is payment for freight, it includes remuneration to the companies?—But it is only up to 1893-94.

6733. Was it before that that they hired?—Before that.

6734. (*Chairman.*) It began before I left the Treasury, I think?—Yes.

6735. (*Sir Ralph Knox.*) There is certainly one year under the hiring system, if not two years there?—I may point out that the column "employment of hired vessels "to supplement Indian troop service," is entirely blank. This is Indian troop service; there is nothing about hired transports. It gives cost of the troopships, the Crocodile, the Euphrates, &c.; I think it is entirely the troopships. You see the column here: "Employment of Her Majesty's "ships (which are hired vessels) to supplement Indian "troop service," is entirely blank. There is no indication in the return of any of the transports being hired.

6736. (*Chairman.*) Is there any other point you would like to mention with regard to the transport?—No, I think not.

6737. Now we pass on to the last question, on which also we shall hear at length from Captain Hext; but I should like to ask you whether you would like to say anything about the payment to the Admiralty for the use of the naval squadron?—I think I should like to invite the attention of the Commission to a few points, but the details might be left to Captain Hext. The first point to which I would invite the attention of the Commission, is that the Admiralty agreed in 1862 to take over the duties of what was then the Indian navy, free of cost. They did not actually use those words, but Sir Charles Wood, in writing, said, "Her Majesty's Govern-"ment must be responsible for the defence of India against "any serious attack by sea," and he went on, "Her "Majesty's Government therefore consider that in future "vessels of the Royal Navy should be employed in those "seas, instead of vessels of the Indian Navy, but as the "purposes for which they are employed are imperial, so "their cost should be borne by the Imperial Exchequer."

6738. What year was that in?—That was in 1861.

6739. When Sir Charles Wood was Secretary of State for India?—Secretary of State for India.

6740. Therefore that is not the *dictum* of the Imperial Government, it is an expression of opinion by the Secretary of State for India?—The expression is that Her Majesty's Government must be responsible.

6741. Well, that I should venture to put to you, coming from the India Office, is the expression of the opinion of the Indian Government; it is not a pledge on behalf of the Imperial Government?—No.

6742. We would also remember that that was a moment when the Indian Government was emerging from the Mutiny, when, no doubt, there was every desire to meet them?—Yes: then the Admiralty inquired what force had hitherto been maintained for such duties as the Royal Navy would henceforth be required to take for the protection of the Indian seas, and the India Office replied in November 1862, giving a list of the duties; and the Admiralty answered in November 1862, that they would undertake that Her Majesty's ships should carry out the various duties as detailed. Those arrangements which were then made went on for some years, until in 1869 the Government of Bombay made some complaint with regard to some of the ships not being present, or their ports not being visited, but at all events a subsidy was then sanctioned amounting to 70,000*l.* This was reduced to 41,600*l.* in 1888, and in 1890 certain demands began to be made, which now amount, including the sum for the defence squadron which has been built at the cost of India, namely, two turret ships, two gun boats, and seven torpedo boats, to 160,000*l.* I venture to think there is another point which I should be glad if the Commission would consider, viz., that sufficient stress has hardly been laid on the services of India to the Navy, in the way, for instance, of the protection of the ports, the ports in which Her Majesty's vessels can refit, and the addition of ships to the Navy at the cost of India. I am speaking of the defence squadron which has been taken over by the Admiralty at a cost to India of about half a million. India undertakes, at a very moderate charge, repairs, docking, supplies, and stores to all Royal Navy vessels; and the construction of new works in the dockyard at Bombay, principally to meet Admiralty requirements, has cost no less than Rx. 220,000 it has been estimated. I may here mention that we had an hydraulic lift in Bombay which was got out from England in order to dock Her Majesty's ships principally, and that cost us from first to last about Rx. 320,000, and was really quite useless.

6743. (*Sir Ralph Knox.*) Is not some charge on account of that made in these moderate charges which you make against the Admiralty when a ship is repaired in the dock?—Not in the dock.

6744. Is no charge made on account of these capital charges?—Nothing as far as I can recollect; Captain Hext will be able to tell you. Then India provides and keeps up a Marine Survey which no other dependency does, costing about Rx. 20,000 annually, and provides a ship at a cost of Rx. 40,000, and numerous other details might be given. What I think India contends for is that they pay too large a charge for the cost of the East India squadron or the number of ships that are placed, so to speak, at the disposal of India; that India really has no control, and never can have control, over ships of the Royal Navy in the same way that she has over British regiments serving in India; also that the basis of the Australian agreement which was said, I think, by the Chancellor of the Exchequer to be that upon which the charges against India should be based has not been followed. If the same terms, namely, that the subsidised ships should be in excess of the ordinary squadron and the same subsidy, namely, 11*l.* 4*s.* per ton, be adopted, for the 100,000*l.* India is now asked to pay the Admiralty ought to add 8,722 tons of shipping to the Indian squadron, which protects not only Indian trade but that of Australia and China. India has provided the following vessels:—The "Magdala," "Abyssinia," "Plassy," "Assaye," and seven first-class torpedo boats, at a cost to India of 474,497*l.*, and has recently expended 67,000*l.* in re-arming the two first ships, all of which are at present handed over to the Admiralty, and are shown in the Navy list. A subsidy of 60,000*l.* per annum is also paid to the Admiralty for their crews. If this 60,000*l.* is added to the 100,000*l.* now sanctioned by the Secretary of State, India will pay 34,000*l.* more than Australia, on the basis of that agreement, for almost exactly the same amount of tonnage, but with this difference that India has paid for and provided 7,710 tons of shipping and seven torpedo boats, and no increase to the Royal Navy Squadron has been made. I would venture to ask the consideration of the Commission to this question of subsidy. There was a committee to determine what the Indian charge should be; they could not come to any conclusion, and it was referred to Lord Rosebery for arbitration; he gave a decision, which the Secretary of State adopted, but at the same time said that the question must remain to a certain extent an open one as it would be considered by this Commission. I only give my personal opinion on the particular point which I am now mentioning; it is this, that India is quite capable with her Indian Marine which costs something like Rx. 180,000 a year (and she has a good number of ships) of performing what would be called the maritime police of the coasts, the transport of troops which the Marine now carries out, and such things as the suppression of piracy and the local slave trade, all of which duties are assigned to the Indian Marine, in the Indian Marine Act. We are not allowed to have the armament of these ships on board, although they are kept in reserve. If we were allowed to use the armament, or rather to put it on board, we should be able to use the Indian Marine vessels for the local police of the coast and the Royal Naval squadron would be free to protect the great highways of trade. India, I think, considers that at all events some reduction of this subsidy should be made. We have provided for the local defence of the ports, which was one of the duties specified by Sir Charles Wood as liable to fall upon the Indian revenues; we have provided this defence squadron at a very large cost—at a cost of half a million; and we give a subsidy to the Admiralty of 60,000*l.* a year for manning this defence squadron.

At the same time, although that defence squadron was created for the local defence of Indian ports, the Admiralty now contend that the squadron must be used according to the decision of the naval Commander-in-Chief in time of emergency, with this exception—that the Viceroy or the Governor-General in Council may request the detention of some particular vessel at a particular port, if it is considered that that port would be left undefended.

6745. (*Chairman.*) I think the decision under the arbitration conducted by Lord Salisbury, was rather wider than that. The eventual discretion was to rest with the naval officer as to what was to be done, yet he was to act in concert with the Indian Government. Lord Salisbury's arbitration broke down, because, instead of fixing figures, it laid down lines upon which the Imperial and the Indian Governments at once disagreed?—I think the question may probably be divided into two parts: first that relating to the East India squadron or to the four ships which are subsidized by India at the present time; and then secondly there is the part relating to the defence squadron. I was referring to the defence squadron I believe in regard to the East India squadron it comes to this, that the Admiral is supposed to comply with the wishes of the Government of India, when he can do so with justice to other considerations affecting the navy. Then with regard to the defence squadron the only condition is that in cases of extreme urgency the Governor General in Council may veto the removal of vessels from ports to which they are allotted.

6746. What was the position of the Indian Government up to 1861: was it the same as that of those colonies of which you have spoken, or had she a navy of her own?—She had an Indian navy.

6747–8. Therefore she and the colonies are in rather different relations; she had a navy, which the colonies never had. She had a navy, the duties of which the Admiralty said they would undertake without the question of cost being mentioned?—I am not saying that that can be brought up as an argument for not paying something now; but at the same time it is a fact that the basis of the present arrangements was the Admiralty undertaking the duties which had been performed by the Indian Navy.

6749. (*Sir Donald Stewart.*) But the Indian Government always contributed something from the beginning?—I was not aware of it.

6750. After the abolition of the Indian Navy?—After the abolition? I do not think anything was paid till 1869.

6751. I should like to clear up one point. Do you suggest that the Indian Navy should be re-established to a certain extent?—No, not in the form of an Indian Navy, but I think that under the Marine Act we might very well employ Indian marine vessels on such duties, for instance, as the suppression of piracy, maritime police, and so forth.

6752. But would Parliament agree to that?—That I am unable to say.

6753. It has always hitherto objected?—Yes, I think the Admiralty have said that legislation would be necessary.

6754. (*Chairman.*) Do you know what the cost of the old Indian Navy was?—No, I have not got that.

6755. It was with some difficulty and research that the Imperial Government got together a few facts about that charge, and I think the calculation they made showed that at the time by the transfer the Indian Government got an advantage of about 300,000*l.* or 400,000*l.* a year; and probably, if they had kept their navy, looking to the advance of the cost of the present navy, it would have been something very like a million, the greater part of which they have saved; and I would put before you whether, on the whole, 100,000*l.* a year is not a very good contract for the Indian Government for getting the naval defence taken off her hands?—I venture to say that after the Indian Navy was disestablished the Indian Government did pay very considerably for what was called the Bombay Marine to maintain small vessels in the Persian Gulf, and do other work which was necessary. It was not as if the cost of the Indian Navy was reduced altogether and there was no other expenditure.

6756. Reckoning from the Imperial side, it was very difficult to get information, and we never could find out that the India Office had any record of the cost of the Indian Navy; but there was a book written by Captain Lowe, and with the aid of that and with assistance from the Admiralty, I think the calculation was that India got off about 300,000*l.* or 400,000*l.* a year at the time, and if she had continued to keep her navy, looking at what the increased demands of a navy now are, she would have had a very heavy charge upon her now. But I am not pressing that point; I only bring it before you that there is a *per contra* argument?—Yes.

6757. Was there anything more that you would wish to say on the navy?—Only that generally speaking the Government of India think that the subsidy might be reduced on the ground of the East India squadron not being necessary absolutely for the protection of Indian ports. We have provided at great cost for the local defence of the ports, and consider that the East India squadron should be reckoned as part of the general naval force of the empire and maintained for the defence of the high seas.

6758. A conversation took place between you and Mr. Naoroji, and a remark was made on the point of India being a very poor country, and with an inelastic revenue. I think it right, when statements of that kind are made, which are very commonly believed, to show that there is a *per contra*. I will only turn to the Statistical Abstract, and I point out a record which I think very few countries can show. I do not think that between 1883 and 1893 there has been any very heavy increase of taxation. In 1883–84 the gross revenue of India was Rx. 71,000,000, and in 1893–94 it was Rx. 90,000,000. I am quite aware, of course, that part of that comes from railroads, but when you speak of a poor country and an inelastic revenue, you would have to go a very long way through all the countries of the world before you could find so elastic a revenue as that.

The witness withdrew.

Adjourned till Thursday the 16th April at 11 a.m.

At the India Office.

FOURTEENTH DAY.

Thursday, April 16th, 1896.

PRESENT:

THE LORD WELBY, G.C.B., (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Captain J. Hext, R.N., C.I.E.

16 April 1896.

Captain JOHN HEXT, R.N., C.I.E., Director of the Royal Indian Marine, called in and examined.

6759. (*Chairman.*) Captain Hext, what post do you hold in India?—Director of the Indian Marine.

6760. Is that a post of the Indian Government, or is it a post to which you are nominated by the Admiralty?—The appointment was made by the Secretary of State after asking for my services from the Admiralty.

6761. Therefore you are nominated by the Secretary of State?—By the Secretary of State.

6762. For what length of time do you hold the post?—Five years.

6763. And you are the chief of the department of the Indian Government which deals with all questions relating to maritime service?—Yes, under the Military Member of Council, who is my chief.

6764. You report to the Military Member of Council and to no one else?—To the Military Department, yes.

6765. Have you any power of direct communication with the Home Government?—No.

6766. Your appointment has been renewed, has it not?—I have had two extensions of five years each; I have held the appointment for over 13 years.

6767. Has such continuation of service taken place on previous occasions, or have your predecessors only held the post for five years?—My predecessors, I think, have never held it for more than five years, often for less.

6768. Was your post created at the time of the abolition of the old Indian navy?—No; the first person who held the post, or what corresponded to the post, was Admiral Bythesea, about 19 years ago.

6769. Then previous to the abolition of the Indian navy, who was the chief of the Indian naval department?—I think Commodore Wellesley, Royal Navy, afterwards an Admiral, was the last actually in charge of the Indian Navy.

6770. Was he an English admiral or an Indian admiral?—English.

6771. And was he an independent head of department; that is to say, was the Indian Marine Department then a separate department of the State?—As far as I know yes.

6772. It was not under the Military Member of Council?—I think it was more under the Government of Bombay than under the Government of India.

6773. Then at that time the Indian Government borrowed an officer from the Royal Navy to be the head of its Naval Department?—Yes, at intervals, not consecutively.

6774. Could you tell us why the Naval Department should have been under Bombay? Was it because the docks and the chief naval arsenal were at Bombay?—That was, I believe, the reason. Bombay dockyard was under the Government of Bombay until the Indian Marine was constituted, and then it was taken away.

6775. Would you describe the existing arrangements under which the maritime service of India is conducted?—There is an Indian Marine Service Act of 1884.

6776. Is that the Act that now regulates the conduct of the Indian marine?—Yes. Perhaps I might say, that after the abolition of the Indian Navy two small services, namely, the Bengal and the Bombay marine, came into existence for local purposes. They were found to be very expensive and inefficient, and the Government decided to amalgamate and form what at present constitutes the Indian Marine for the purposes of the transport of troops, the guarding of convict settlements, the suppression of piracy, survey of coasts and harbours, the visiting of lighthouses, the relief of wrecked or distressed ships, and other local purposes.

6777. Then I suppose that department was constituted about the time when Admiral Bythesea was put at the head of it, was it not?—I cannot give you the exact date; but the first person who was actually appointed Director of the Indian Marine was Admiral Brent in the beginning of 1882.

6778. (*Sir Donald Stewart.*) What was Admiral Bythesea's title? Was it not Advising Naval Officer to the Government of India?—Yes, it was a different position.

6779. (*Chairman.*) And when was the title under which you now hold the post first created?—In 1882, when Admiral Brent was appointed.

6780. This Department having been created, its seat was fixed at the central seat of Government, I suppose—Calcutta?—It is directly under the Government of India now.

6781. And therefore this department had its seat at Calcutta?—And Simla on occasions. My headquarters are at Bombay, the principal dockyard.

6782. Of how many ships does the Indian Marine now consist?—Ten sea-going ships and five river steamers and some small craft.

6783. By small craft do you mean torpedo boats?—No, by small craft I meant small steamers, such as the tender to the surveying ship, a small steamer of 70 tons.

6784. Have you any torpedo destroyers?—Those are under the Admiralty at present and borne on the Navy list; they form an addition to the Navy.

6785. What are the special duties upon which those ten sea-going ships and the five river ships are employed?—Three vessels are transports; one ship is at Aden, one ship in the Persian Gulf, one ship at Port Blair and the Andamans, one ship on the coast of Burma for lighthouse work; one ship with the Government of Bengal for work on the Hooghly, and one surveying ship. I think that is all.

6786. And the five river steamers, how are they employed?—Four on the Irrawaddy and one on the Tigris.

6787. Are any of these ships employed in the transport of troops coastwise?—Three of the ships are constantly employed in carrying troops on the coast of India.

6788. And that is the force employed upon carrying troops from place to place?—From place to place. I think we have carried on an average in the ten years over 65,000 souls per annum in the Royal Indian Marine troop-ships.

6789. The duties, I think you have stated, in which the ships are employed are the suppression of piracy, the transport of troops, looking after the lighthouses, looking after the convict establishment, and surveys?—Surveys, and other local objects, according to the Act.

6790. But I see you mentioned that one of the ships is in the Persian Gulf?—Yes.

6791. The correspondence which has passed between the Home Government and the Indian Government would have left one under the impression that the Persian Gulf service is discharged by the ships of Her Majesty's Navy; how come you to have a ship of your own there?—The "Lawrence" was built in 1884 for special service in the Persian Gulf.

6792. How would you distinguish that special service from the service which the Navy is bound to perform there?—One is directly under the Government of India and the other is under the Admiralty.

6793. Is that an arrangement with which the Government of India is satisfied?—I should say not.

6794. That is to say, I presume, that the Government of India would consider that the Admiralty is bound to maintain the whole force required in the Persian Gulf?—Yes, or, at all events, contribute considerably towards it.

6795. Has any correspondence on that point passed between the Admiralty and the India Office?—I have got a correspondence about the armament of the "Lawrence." When the "Lawrence" was built by the Government of India to carry out one of the duties of the Marine under the terms of the Act, namely, the suppression of piracy, which is the principal business in the Persian Gulf, a formidable armament was placed on the "Lawrence." To this the Admiralty objected, and the armament was ordered to be taken out and kept in store in Bombay until an emergency occurred.

6796. The point I want to understand is why, if the service in the Persian Gulf is considered a service for which the Admiralty, under the arrangement between the Home and the Indian Governments, ought to provide, a vessel of the Indian Marine should be stationed there. You will recollect that, under the decision of what is called the Foreign Office Conference, the Indian Government were to be consulted as to the number and class of ships required in the Persian Gulf and off the coast of India for Indian purposes. The whole of the arrangement appears to contemplate that the service in the Persian Gulf should be conducted by the Royal Navy?—The "Lawrence" is a faster and better ship for taking the Resident about and inspecting the Gulf, and going round the pirate coast, and she was added to the Persian Gulf squadron on the representation of the Political Department of India.

6797. That is to say, the Indian Government think it necessary to keep a vessel of their own there generally for their own purposes. Incidentally this vessel may help the Admiralty squadron in such service as the suppression of piracy; would that be the position?—Yes, but I think in the case of Bahrein some time ago, when the senior naval officer in the Gulf and the Resident both considered that in case of warlike operations the "Lawrence" would be a very valuable auxiliary to the "Sphinx," the Government of India was asked whether she might co-operate. This was referred home and the answer was "On no account." In the recent operations at Bahrein, the "Lawrence" might actually have been taken by a combined attack of Arab dhows when lying at anchor, presenting the spectacle of a Government ship, provided for the suppression of piracy, in a condition of helplessness.

6798. That condition was due, I presume, in your opinion, to the fact that you have mentioned before, that there had been a difference of opinion as to the armament, and that the armament which the Indian Government thought necessary, had been removed from her?—Yes; though her officers, all serving under the Act, are liable to transportation for life for cowardice before the enemy, they have no means of fighting or protecting themselves, since the Admiralty have insisted on her armament being removed.

6799. But if the vessel belongs to the Indian Government, is not the Indian Government at liberty to put its own armament on board without being overruled by the Admiralty?—I should say that according to the Act there was no question of it; but apparently the authorities at home think otherwise.

6800. At all events the result is that the Indian Government keeps a vessel in the Persian Gulf under an arrangement, to which, as I gather, you think exception may be taken?—I think much more use could be made of her, if she was allowed to do her legitimate duty.

6801. You are not raising any question as to her employment in the Gulf being contrary to the arrangement entered into between the Admiralty and the India Office; you are rather objecting to the limitations under which the Admiralty require her to be employed?—I also wish to point out how useful she would be if properly employed; and how, through her presence there, the naval squadron might be reduced.

6802. I take it that, so far, you do not make it part of your objection to the arrangement, as it at present stands, that the Admiralty ought, in order to perform this duty, to provide another ship?—I have always maintained that the Persian Gulf, being outside the limits of Indian waters, the Admiralty ought at all events to bear a portion of the cost of the squadron.

6803. And therefore you would put it that the sum that India pays for naval services should allow for at all events a portion of the charge of the "Lawrence"?—Yes, certainly, I think her services should be taken into consideration, as she is, in my opinion, almost the most valuable ship in the Persian Gulf.

6804. And practically your view of what the arrangement should be may be summarised as follows:—that it is quite right that the Indian Government should keep a vessel in the Persian Gulf; but that, inasmuch as there is an arrangement between the Admiralty and the India Office by which the naval service in the Persian Gulf is conducted by the Navy, therefore the Admiralty should contribute towards the cost of the vessel which the Indian Government consider it necessary to have there?—I think that the Admiralty should keep one ship, and that the "Lawrence" should be considered the equivalent of a second ship on the part of India.

6805. And an abatement made accordingly in the cost?—Yes.

6806. (*Sir Donald Stewart.*) Surely the purpose for which the "Lawrence" is there has nothing in the world to do with the Admiralty?—Nothing whatever.

6807. That is my point; that is what you, Mr. Chairman, are trying to bring out, that it is there for local purposes only.

(*Chairman.*) Quite so, but I understand Captain Hext to say that incidentally and along with the service rendered to the Indian Government, the "Lawrence," is, or ought to be, useful in the suppression of piracy.

6808. (*Sir Donald Stewart.*) I do not think that is the idea of the Government of India; I never heard of it before?—The Government of India consider, and they have put it in writing, that the presence of the "Lawrence" in the Persian Gulf enables them to dispense with one of the men-of-war there.

6809. (*Chairman.*) The Government of India have put it in writing?—Yes.

6810–11. (*Sir Donald Stewart.*) Was that because a vessel of the Royal Navy was employed for taking about the officers?—No, it was mentioned in the correspondence when the subsidised Royal Navy ships were reduced from six to four. The numbers of the despatches are Nos. 61 (Political) of 1881, 19 (Marine) 1884, and 2 (Marine) of 1887.

6812. (*Chairman.*) The "Lawrence" is not a mere despatch boat; she is a vessel of some magnitude, is she not?—She is over 900-tons; she is very similar to the "Sphinx."

6813. And, at all events, your contention would be, that although she is placed in the Persian Gulf for Indian purposes, yet her presence there is also useful for the same purpose that the Admiralty squadron is there for, and that therefore that ought to be taken into account in the settlement between the two Governments?—That, certainly, is my opinion.

6814. You mentioned also that there was a steamer on the Tigris; for what purpose is she there?—She is a small steamer called the "Comet," kept at the Residency at Bagdad.

6815. For the use of the Residency?—Yes, she is armed with two machine-guns.

Captain J. Hext, R.N., C.I.E.

16 April 1896.

6816. You have told us what the number of the ships belonging to the Indian Marine is; would you now tell us what their total charge is? Can you give us the total charge for any convenient year of which you may have the figures before you?—Take 1893-94; the estimate was Rs. 17,20,000, the actual Rs. 11,71,655.

6817. That is a very great difference, is it not, between the estimate and the actual?—Yes; we have had a decrease on the estimates for, I think I may say, the last 10 years.

6818-21. How came such a decrease to be possible within the year; on what heads was the saving made?—The decrease is only apparent. It is chiefly made up by deducting from the actual expenditure recoveries on account of work done for, and stores supplied to, other departments for which an insufficient estimate had been made. We have done in the dockyards lately, both in Calcutta and Bombay, a very large amount of work for the outside departments of Government, and we include that in the estimate so far as we can foresee it; but we are repaid for it afterwards. Then we also hired out some of our ships to the railway department in Burma, and for the conveyance of Her Majesty's troops; and the recoveries on this account reduce the net charge.

6822. I notice also that in the paper which I have before me, which gives the figures of 1894-95, here again there is a very great decrease. The estimate was very nearly 18 lacs and the expenditure was 12?—Yes.

6823. Therefore in those two years the estimate seems in each year to have been founded on the estimate of the previous year rather than upon the actuals, because if I remember what you said just now, the estimate of 1893-94 was 17 lacs and the expenditure nearly 12 lacs?—Yes.

6824. The estimate of 1894-95, the subsequent year, was very nearly 18 lacs, being only about one lac more than you mentioned in 1893-94, and the expenditure again was 12 lacs, showing that in both years the estimate was one-third more than the expenditure?—The explanation is mainly the same as that which I have given in regard to 1893-4.

6825. The actuals in 1892-93 and 1891-92 were nearly 17 lacs?—Yes.

6826. Therefore a great fall has taken place in 1893-94 and 1894-95?—Yes. But that, as I have already said, is more apparent than real, because it is due to the large receipts in the later years from other departments.

6827-8. Perhaps you will tell us, Captain Hext, the reasons of that decrease. The chief heads of decrease will be quite sufficient?—For instance, the gross expenditure under No. 4, Dockyards, amounted to Rs. 8,21,000 against a provision of Rs. 7, 16,000 rupees.

6829. That is an increase?—That is an increase, and the increase is chiefly due to the wages of artificers and men, owing to work undertaken for other Departments of Government, not provided for in the Budget.

6830. Against which you have called our attention to the fact that the receipts were large?—Yes; this increase is more than counterbalanced by the recoveries effected, which amounted to Rs. 3,34,478, against a Budget provision of Rs. 1,73,070.

6831. Therefore that increase of receipts would account, you may say, for 2 lacs of the expenditure?—2½ at least.

6832. But what are the headings in which the decrease of Rs. 6,94,000 took place?—There is a decrease under salaries of about Rs. 12,000, owing to the absence of officers on leave and vacancies in the establishment.

6833. And what was the result in the stores; what was the estimate of stores?—The gross expenditure in the purchase of marine stores and coal amounted to Rs. 6,11,000.

6834. And what was the estimate?—Rs. 6,68,000.

6835. And therefore there was no decrease there to speak of?—About 57,000 rupees.

6836-8. But in the items which you have mentioned as yet, we do not find, I think, sufficient to account for the diminution by such a large sum as very nearly 6 lacs?—The net decrease is Rs. 5,65,000. Under dockyards, owing to an under-estimate of the recoveries, the net expenditure fell Rs. 1,08,000 below the Budget estimate. Under marine stores, for the same reason, the net expenditure fell Rs. 2,83,000 below the estimate. Other smaller decreases are accounted for by a reorganisation of the Marine Survey Department, and other minor variations in the course of the year, which account for about one lakh; making altogether a reduction of about 5 lakhs in the net expenditure. On the other hand there was an unforeseen increase in the receipts of Rs. 66,000 on account of hire of Royal Indian Marine vessels, chiefly due to a payment on account of the conveyance of Her Majesty's troops between India and Hongkong.

6839. But, as I understand, the figures given there show gross expenditure, against which the receipts are taken off afterwards; or are those figures after deducting all the receipts?—The 18 lakhs and the 12 lakhs are net figures after taking off the receipts. It is the actual balance after everything is completed for the year.

6840. It is rather difficult for me to follow it for this reason: the estimate was, putting it roughly, for 18 lakhs, against an actual of 12 lakhs; that makes a difference of 6 lakhs. But at the time the estimate was framed, it does not seem to have been in contemplation that such a large amount would have been done for outside departments, because the estimate for the recoupments was so small?—Just so.

6841. And therefore it looks as if the estimate was framed as a normal estimate in the expectation that the ordinary service would cost 18 lacs. As a matter of fact it cost 12 lacs. You account for that by saying, "We did "so much work for outside bodies which gave us receipts "back." But the Government had not foreseen that at the commencement of the year, otherwise they would have made a larger provision for recoupments. That large decrease remains after the receipts have been deducted?—On the receipt side of the account are entered sums received in cash on account of sales of old stores, repairs to ships not belonging to the Government, &c. Recoveries from other Departments of Government for work done for them have, since 1893, been deducted on the expenditure side from the gross figure, the result being the net expenditure properly chargeable to the Marine Department. When from the net figure are deducted the receipts, the result is the net charge of the Department, so far as it is shown in the Indian accounts.

6842. The point which was in my mind was, had you any reason to think that during those years the service was in any degree starved? We have seen that the expenditure in the years 1891-92 and 1892-93 was 16 lacs; in 1893-94 and 1894-95 it fell in round figures to 12 lacs. Of course, under financial pressure we know that departments are occasionally asked to reduce their expenditure; do you think that that expenditure so much below the estimate is due in any sense to what I would call starving the service?—No, certainly not.

6843. Not this cutting down of the stores?—No, certainly not; not in any way. I think our ships are more economical, and I think the work is more economically done. With the exception of doing a large amount of outside work, and being paid for that, which we used not to do in times gone by, I can give no reason.

6844-6. I daresay you could get a statement prepared for us, giving the chief heads of service gross, showing the increase or decrease of actuals as compared with estimate, putting down at the bottom the estimated receipts and the actual receipts. I think that would enable us to form a judgment as to the course of expenditure?—Yes.*

6847. Why are the estimates on stores so much in excess?—The decrease is due to a smaller purchase of coal. On the other hand, the recoveries on account of stores issued to other Departments were over 2 lakhs in excess of the estimate; so that the net expenditure is over 2½ lakhs less than the estimate.

6848-9. (*Mr. Courtney.*) But your estimate of expenditure on stores in 1894-95 was very much in excess of what you actually did expend on stores?—The sum of Rs. 6,68,000 was included in the estimate. The amount actually expended in India was Rs. 6,11,000. The decrease, as I have stated, is under the item coal, which depends entirely upon the requirements of the service and the movements of ships at out-stations in connection with the trooping arrangements. A sum of Rs. 6,84,900 was provided in the Budget as a deduction on account of supplies to other Departments; but the actual recoveries amounted to Rs. 8,90,189, due to more work having been done for, and stores supplied to, those Departments and the Royal Navy, than was anticipated.

6850-1. (*Chairman.*) Now can you give us what the actual expenditure on the stores was?—The figures I have quoted do not include stores received from home; they do not come into our review at all.

6852. They come into a separate account?—They do not come into my Budget.

* *See* Appendix No. 61.

6853. You issue to other Departments stores received from home; they do not form part of your Budget, and yet you carry the recoupment got from the sale of these stores to the credit of your Budget?—Yes. The actual amount estimated to be purchased in India in 1894–95 was Rs. 6,68,000; to be issued to other departments Rs. 6,84,000 which includes work as well as stores.

6854–5. The point that struck me was this: you have given us the recoupment from stores, and then I ask you what was the expenditure on stores; and you say that the Indian Marine Budget does not give those figures because the larger part come from home. Then I ask, if the stores that come from home do not enter into the Indian Marine Budget, why do you credit, in diminution of that Budget, the recoupments derived from stores brought from England?—I cannot explain the matter, except that the recoveries, being made in rupees, must be brought to account in India.

6856–7. I think it would assist us very much if you would get prepared for us a table showing for the years 1891–92, 1892–93, 1893–94, and 1894–95, under the different heads under which your Budget is framed, the estimate and the actual, first gross, if you please, and putting at the bottom what the recoupments have been?—Yes.*

6858–9. Taking your estimate, I see it is framed under nine sub-heads: general supervision, marine survey, miscellaneous or shore establishments, dockyards, salaries and allowances to officers and men afloat, their victualling, the purchase of marine stores, the purchase and hire of ships and vessels, and miscellaneous, and the actuals of 1892–93 gross appear to have amounted to 19½ lacs. That is the gross expenditure?—That is the gross expenditure for 1892–93.

6860–3. If you were putting it roughly into pounds, I suppose you would call it, according to the old-fashioned way of reckoning the rupees at 10 rupees to the pound, 200,000*l.*?—About 200,000*l.*, yes.

6864. Well, out of that the salaries and victualling come to about 700,000 rupees?—Salaries to officers and men afloat, nearly 600,000 rupees; victualling &c., 1¾ lacs, making very nearly 800 000 rupees.

6865. I am now taking out the chief heads. The dockyards in that year were about 5½ lacs?—Yes.

6866. And the purchase and hire of vessels about 4 lacs. I reckon that those four headings make up very nearly 18 lacs out of the 20. And then we come to the purchase of stores and coal, which only amounts to 171,000 rupees, which is a very small sum apparently for stores. You do not think that that heading was cut down in that year?—No. The Rs. 1,71,000 is a *minus* figure, and is arrived at owing to the excess of recoveries from other Departments over the outlay on stores in India. The gross expenditure on marine stores in India in 1892–3 was Rs. 6,74,000, as against a Budget estimate of Rs. 6,00,000. The only coal that we buy in India is a certain amount which we get in Calcutta.

6867–9. The expenditure on dockyards at Bombay and Calcutta does not appear to be a very heavy one, 5½ lacs. Is that the total expenditure?—That is the total expenditure.

6870. Therefore on dockyards you do not spend in the year beyond 50,000*l.* (upon the conventional method of turning rupees into pounds) and something like between 30,000*l.* and 40,000*l.* taking the actual rate of the rupee?—This only applies to the Budget grant in India; it does not apply to stores received from home.

6871. What is included in "dockyards"? does "dockyards include stores, because you have got a heading down below of "marine stores"?—The latter is only the purchase of marine stores in India.

6872. Yes, but what comes under the head of "dockyards": stores do not come under the head of "dockyards?"—All the stores that we should work up in the repair of ships—boiler plates, thousands of things that we get from home. This Budget in India does not include any purchase of stores in England.

6873–4. Can you give us out of the Home Accounts what the expenditure on stores for dockyard purposes is?—In 1893–4 the expenditure in England on marine stores for India amounted to nearly 132,000*l.*, and most of these stores would certainly be for the dockyards.

6874. At all events, as far as the Indian Budget goes, out of Rs. 20,000,000, something like 800,000 goes on the pay and victualling of the men, 500,000 goes to dockyards and 400,000 for hire of ships?—For hire of ships.

6875–7. What is that hire of ships for?—Purchase and hire of ships. In this particular year it was principally due to the purchase of the Indus Flotilla from the North-West Railway, and of the "Elphinstone."

6878. Can you give us the number of ships detailed for service in the Indian seas by the Admiralty?—Ten, including the "Magdala" and "Plassy," which were handed over to the Admiralty by India.

6879. (*Sir James Peile.*) Those two are turret ships?—One is a turret ship, the other a torpedo gunboat.

6880. (*Chairman.*) Are those eight ships all ships belonging to the Royal Navy, or ships they have taken over at different times from you?—All belonging to the Royal Navy.

6881. They compare with those ships, which, I think, seven or eight years ago you thought might be reduced to four?—About eight years ago six ships were subsidised out of a squadron of, I think, ten ships. Shortly after this the subsidy was reduced to a payment for four ships only.

6882. And now there are eight of them?—Yes. In those days they had quite as many ships; but the subsidy sanctioned in 1869 was for six ships.

6683. And it was only paid upon that?—Not for the whole squadron, but for six ships of the squadron. The subsidy was reduced to one for four ships in 1888.

6884. Therefore the Admiralty keeps out there in your waters eight ships; in respect of those you make a payment on only a portion?—Just so.

6885. In addition to those eight ships you have handed over to the Admiralty two ships which you have built and paid for yourselves?—We have handed over two turret ships, two torpedo gunboats, and seven first-class torpedo gunboats.

6886. Those torpedo catchers and torpedo boats are outside these eight vessels, of course?—Yes, entirely.

6887–8. Would you give us the total number of vessels under the Admiralty that are now employed in Indian waters?—The "Magdala" and "Plassy," two of our ships which are in commission, are included in those 10 ships. Then in addition, in reserve with their crews ready to go on board them, are the "Abyssinia," a turret ship, the "Assaye," a torpedo gunboat, and seven torpedo boats, three in commission and four out of commission.

6889. Have you any of these torpedo boats or torpedo catchers in commission?—The "Plassy" is a torpedo gunboat in commission, and three torpedo boats are in commission out of the seven.

6890. Therefore there are 10 ships in commission and four torpedo boats in commission?—10 ships and three torpedo boats, and in reserve two ships and four torpedo boats.

6891. The Admiralty is now responsible for all these ships and receives in respect of them that 100,000*l.*?—No, the Admiralty is responsible for eight of these ships. Shall I give their names?

6892. If you please?—The "Bonaventure," the "Brisk," the "Cossack," the "Lapwing," the "Marathon," the "Pigeon," the "Redbreast," and the "Sphinx."

6893. Eight?—Eight, and for a portion of those the Admiralty receives at present 100,000*l.*

6894. But then where are you counting the "Magdala" and the "Plassy"?—For the "Magdala," "Plassy," and vessels in reserve, they receive 60,000*l.* more.

6895. (*Sir Donald Stewart.*) 61,008*l.*?—Yes.

6896. (*Chairman.*) That is the sum in the accounts described as subsidy to the Admiralty for maintaining Indian defence vessels, 61,008*l.*?—Yes.

6897. I think that gives us a view of the force that the Admiralty keep on the Indian coasts, and the manner in which payment is made for them?—Yes.

6898. There is nothing extra to be added to that, and any charges that fall on India, apart from these two sums, the contributions of 61,000*l.* and 100,000*l.*, we should find in the Indian Marine Budget?—The Indian Marine Budget is entirely separate from this.

6899. Quite so; I want to get the total charge to India?—Of the Marine and Navy.

6900. Of the Marine and the Navy, and I find two very small sums which we may leave outside—pay and passage of marine officers; I find the stores for India in this particular year, were 132,000*l.*, and then comes your Marine Budget, which was put down practically at 2,000,000 rupees?—Yes.

6901. Diminished apparently by receipts to about Rs. 12,00,000?—To about 12 lacs of rupees, yes.

* *See* Appendix 50.

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6902. And that actually covers the whole of the expenditure of India on marine services. Does it include non-effective?—It includes the whole of the expenditure of India on marine services, on Imperial marine services.

6903. And on local marine services?—Not the small expenditure incurred by Provincial Governments on minor vessels on rivers.

6904. By whom are they paid?—They are paid for by the Provincial Governments.

6905. Would this include the non-effective service, pensions?—All the pensions of officers are paid in this country.

(*Sir Donald Stewart.*) Those of the non-effective officers and men residing in England.

6906. (*Chairman.*) Where are the pensions of the officers employed on the Imperial ships, the Royal Navy?—They are included in the contribution; it is only pensions of the retired officers of the Indian Marine.

6907. Therefore we have to add to your budget only the pensions paid in England to your own officers?—Yes, undoubtedly.

6908. Then summing up the whole matter, the whole marine charge to you is this: 160,000*l.*, which is paid as subsidy for the ships of the Royal Navy and Defence Flotilla, which, of course, we must turn to rupees at the rate of exchange; then the stores for India, 130,000*l.*, which we must treat in the same way; and in addition to that there is your budget of 20 lacs, is it not?—Yes.

6909. With a slight addition (inasmuch as the force is not a very large one) for pensions paid in England of the Indian Marine force?—Yes. It amounted in 1894–5 to 28,492*l.* In 1861–2, the year before the abolition of the old Indian Navy this charge amounted to Rx. 26,526. A considerable amount of the charge in 1894–5 is still being paid to officers of the old Indian Navy.

6910. Now up to 1863 the Government maintained its own Navy, did it not?—Yes.

6911. Have you figures showing what was the cost of the force at that time?—No, and I do not think that anybody else has.*

6912. You do not know how many ships there were?—I can give you a rough idea of the number of ships, I think. Directly after the abolition of the Indian Navy there were three steam transports, four paddle-wheel frigates, one paddle-wheel sloop, and two screw gunboats; several other vessels were sold.

6913–4. Would there not be a Navy List that would show you how many ships were actually possessed in 1863?—I find that there were 3 screw steamers, 13 paddle steamers, 6 screw gunboats, 12 sailing vessels; in all 34 sea-going vessels. There were also two river steam vessels. But of the steam vessels many were very small; and the sailing vessels were mostly in reserve.

6915. In the same way we could find what was the Budget estimate for the Indian Marine at that time?—I do not know that at all; I should think so.

6916. You have no figures?—I have never seen any figures.

6917. You see, it is rather an important point, in considering the case generally, to know whether the change has been an increase of charge to India or a diminution?—Yes, but it is, I would suggest, more important to India to take what we can save at the present moment.

6918. That is one very important view of it; you admit there is another view?—Oh, quite so; there are two sides to every question.

6919. I think there has been a good deal of difference of opinion as to what the precise duties of the Indian Navy were; can you tell us of any paper in which it has been laid down what the duties performed by the old Indian Navy were?—I have never been able to find one. The only book is Low's "History of the Indian Navy"; he gives the detail of the whole service and the duties performed.

6920. Is that book held by the Indian authorities as an authority on the subject?—No, I would not say that, but it quotes largely from despatches, and evidently is very carefully compiled.

6921. What is the date of the book; was it published since the abolition of the Indian Navy?—I think so. I do not know the date, but it describes the abolition.

6922. You do not know from the correspondence which passed at the time of the abolition, what the duties then undertaken by the Indian Navy were?—They virtually did the police of the whole of the Indian seas.

6923. Including the Persian Gulf?—Including the Persian Gulf; then too they assisted in China, they assisted in the first New Zealand war, and they assisted in all the operations in Borneo, in co-operation with the Navy.

6924. What are the dates of those wars; were they before the abolition?—New Zealand was before the abolition a long time—I am talking of the first New Zealand war; the China war was before the abolition.

6925. You do not mean the China expedition which took place at the time of the Mutiny?—No; after the Mutiny; Borneo was before that, in Raja Brooke's time, I think. The Indian Navy ships did very good service there.

6926. Did India receive any payment in respect of any service she did then, or was it a gift?—I believe it was a gift; I am not certain; I never found any record of payment.

6927. Then India at that time did all the service apparently which the squadron, for which she now pays the Admiralty, now performs?—The East Indian Naval Squadron was for a considerable period combined with the China Squadron, and the bulk of the ships were kept in the China seas.

6928. I think it was always held then that India was bound to find means for the protection of her own ports, was it not?—Yes, certainly for the protection of her own ports.

6929. Which is now provided for by the gunboats and torpedo boats which have been handed over to the Admiralty?—By ships paid for by the Government of India and handed over to the Admiralty.

6930. You do not wish to put in any statement of what you consider were the duties performed by the old Indian Navy, as a contrast to the duties now performed by ships of the Royal Navy, for which these payments are made to the Admiralty?—I presume their duties were very similar indeed to those enumerated in the Act of 1884; the suppression of piracy and the protection of penal settlements and local duties round their own coasts.

6931. That was what the Indian Government was bound to do when it maintained its own navy?—Yes; but they have also provided for the defence of their harbours by providing the turret ships before mentioned, and also by paying the Admiralty for commissioning them.

6932. Then would you hold that at the time, when the Indian Navy existed, the Royal Navy had any duties to perform in Indian Seas?—Protecting the Imperial interests, certainly.

6933. Not in any way connected with the defence of India itself?—Nothing in connection with the defence of India.

6934. Nor with the defence of Indian trade?—The Indian trade is virtually English trade. It is all carried in English ships and paid for by English money. The trade of India itself is next to nil.

6935. I want to get at what you think was the duty of the old Indian Navy. India had certain trade; do you consider that when that Indian Navy existed it was bound to look after the Indian trade, or ought the Royal Navy to have maintained ships enough in Indian seas to guard that trade?—I think undoubtedly the Royal Navy should have provided enough ships to guard that trade.

6936–7. Do you think it did so in the old time? I may put it in this way: in the old East Indian trade was not the East Indian fleet a fully armed fleet, which defended itself?—In the time of the old East Indian fleet, their trade extended to China, and the ships were undoubtedly armed and fought their way, but they had nothing to do with guarding the trade route.

(*Sir Donald Stewart.*) I do not think the witness quite understands what you mean by "the trade": you are referring to the time when the East India Company was a trading company.

(*Chairman.*) Yes, up to comparatively recent times.

6938. (*Sir Donald Stewart.*) Well up to 1832, not later?—They defended their own ships in those days.

6939. They were armed ships?—They were armed ships.

6940. (*Chairman.*) And therefore at that time the Indian Government may be said to have relied upon its own

* *But see* Appendix 61.

resources for the defence of its own trade?—Simply because there was no squadron there.

6941. India had a large trade with England at that time; you have told us that you think that England is bound to defend the Indian trade; how far was that actually the case? India at that time sent yearly a large fleet of vessels to England; were not those vessels as a rule armed and manned so as to defend themselves, and is it not the case that the English Admiralty did not provide a fleet in the Indian seas to convoy and look after those vessels on their voyage home and back?—That undoubtedly is the case, and it also extended to China.

6942. As far as the Indian trade to China goes?—No, as far as the English trade to China goes; vessels not under the East India Company trading to the east were also armed to protect themselves.

6943. That England would look after; but it comes to this, that England did not provide a force in the Indian seas to look after Indian trade?—Not back into the thirties, certainly.

6944. I am speaking of that time and previous to that time?—Yes.

6945. And even, I presume from what one reads, that was the case in the great war?—There was a very small squadron of English ships in the Eastern seas at that time.

6946. (*Mr. Buchanan.*) I suppose before the abolition of the Indian Navy in 1863, the Imperial authorities at home professed to protect the Indian trade with England as much as they professed to protect the trade of any other of our colonies with England, out of Imperial sources?—I should say that was the case.

6947. Between 1832 and 1863, when the Indian Navy was abolished, there was no particular liability placed upon the Indian Navy to protect the trade between England and India, was there?—The fact of having an Indian Navy certainly would not exonerate the mother country from protecting the trade routes.

6948. (*Chairman.*) As a matter of fact, in the time when the Indian Navy existed, did not India practically look after her trade, upon her side of the Cape? According to all one has read, the force that the Admiralty kept at the other side of the Cape was a very small one; it may have been a dereliction on the part of the Imperial Government of its duty, but practically the Indian trade was conducted in ships that defended themselves?—That is undoubtedly the case; but at the same time I do not think the home Government is exonerated from trying to protect its commerce, because the East India Company tried to help itself.

(*Chairman.*) I limited myself particularly to the question of fact.

6949. (*Sir James Peile.*) I see in a despatch from the India Office in 1862, it is said: "at all times there have "been several vessels of Her Majesty's Navy in the "Indian seas for the general protection of trade" and also "a considerable squadron of the Royal Navy has "always been maintained on what is called the East India "and China station." I suppose that is correct, is it not?—The bulk of the ships were certainly in China; then shortly after that, in 1865, they divided the station.

6950. Yes, it is speaking of the time before 1862; then, at all times, in fact.

6951. (*Sir Donald Stewart.*) Is it not the case that the duty of the Indian Navy was what may be called the maritime police of India and had nothing to do with the protection of trade in the eastern seas?—Yes, decidedly so.

6952. It was entirely intended for the protection of the coasting trade of India?—Exactly so, but it was employed on occasion to assist the Imperial Government on expeditions.

6953. Oh, yes, but their chief duty was the protection of the coasts and coasting trade?—Yes, and beyond that, they were largely employed in carrying the mails.

6954. That was after the overland route was established?—The overland route was first inaugurated by the Indian Navy and run by their steamers.

6955. (*Mr. Courtney.*) But if you carry your mind back to the time when the East India Company had a monopoly of the Eastern trade—had, for example, a monopoly of the tea trade—would the protection of that commerce as regards India be at all different from the protection of the commerce between the United Kingdom and the West Indian Islands in respect of sugar?—It is very hard to answer that question, sir, because the Indian Navy proper did not come into existence until considerably after the East India Company had armed ships trading and sailing to England. I do not think the Indian Navy was in existence till after 1800—considerably after the French war—but their ships, undoubtedly, as Sir Donald Stewart said just now, carried arms to protect themselves and sailed in fleets.

6956. Was not the Government of India looked upon as a rather more independent political organisation than the Government of the West Indies, and did they not look after their own merchant ships, and arm them in a more complete fashion than the traders to the west?—Undoubtedly so.

6957. (*Mr. Buchanan.*) But all that came to an end long before the abolition of the Indian Navy?—Yes.

6958. (*Sir Donald Stewart.*) The Indian Navy was only established in 1829; up to that time it was designated the Bombay Marine?—Yes.

6959. (*Chairman.*) The point that I am anxious to get your opinion upon is this: the Admiralty has a great duty to perform; but up to a certain time the Indian Government, alone among the depeadencies of Great Britain, maintained its own navy; that Indian Navy was abolished and its duties undertaken by the Admiralty; but what was the position before that abolition? As a matter of fact, while the old East India Company existed, a very small squadron was kept by the Admiralty in the eastern seas, which would be quite incapable of looking after Indian trade in the manner in which it ought to be looked after: and may we not say that, in consequence of that, as matter of fact, the Indian Government made their trade look after itself; and that at the same time it kept a navy of its own, which discharged all duties round its own coasts?—I think the situation may be summed up by saying that after the Mutiny, with a view to a reduction of expense, it was considered desirable to abolish the Indian Navy, which undoubtedly cost a very large sum of money. The Admiralty agreed to take over the duties free of cost; and it must be recollected that India was no longer a trading company making money and protecting its own commerce to preserve that money, but part of the Imperial Government.

6959*a*. I want to ascertain whether you would differ from me, when I say that, rightly or wrongly, the English Navy did very little for the protection of Indian trade east of the Cape, in the period of the Old East India Company?—Undoubtedly that is the case.

6960. (*Mr. Mowbray.*) Does not that partially arise from the fact which you mentioned just now, that the Company was a trading company with a monopoly, trading for a profit?—Yes; therefore they defended their own ships.

6961-2. (*Sir William Wedderburn.*) Therefore the protection of that trade would not be a public service so much as a service to the East India Company?—They protected their own private trade undoubtedly.

6963. (*Chairman.*) Quite so, a very great change took place in the relation of the two powers?—Yes.

6964. But at the same time the fact remains that of old times the Royal Navy did not undertake any very extended service in the East?—That is undoubtedly true.

6965. Sir Donald Stewart just now described the Indian Navy as only doing maritime police duties. I should like to read to you an extract from Sir Charles Wood's despatch at the time that the abolition of the Indian Navy was under consideration, in which he says:—"The nature of the services required to be performed by "vessels of war in the Red Sea and upon the eastern coast "of Africa has recently been much changed, in consequence of the extension of the foreign slave trade and "the more frequent presence of foreign ships of war. "Her Majesty's Government, therefore, consider that, for "the future, vessels of the Royal Navy should be employed "in those seas, instead of vessels of the Indian Navy; and "that, as the purposes for which they are employed are "Imperial, so their cost should be borne by the Imperial "Exchequer."

(*Mr. Courtney.*) He had been Chancellor of the Exchequer.

6966. (*Chairman.*) I think the Chancellor of the Exchequer does not carry his prejudices into the India Office. You see from that quotation that the vessels of the Indian Government had been employed in the Red Sea and on the East Coast of Africa in connexion with the slave trade, because that is implied in those words?—It is implied, but it was only to a very small extent.

6967. Quite so; the words imply that the service must be extended?—The vesseb that was there, so far as my

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memory goes, was only a small schooner or something of that kind.

6968. But at all events the Indian Navy was doing that service, whatever its extent, on the East Coast of Africa and the Red Sea. With regard, however, to the remaining duties, Sir Charles Wood's despatch says: "There remain, "however, duties of considerable importance which must "be performed at the charge of the Indian revenues, and "for which some marine service is required. The police "of the Persian Gulf should, in my opinion, at any rate "for the present, continue to be performed by a local ser- "vice. India is bound, in like manner with the Colonies, "to provide at her own cost sufficient means for the pro- "tection of her ports against a small attacking force from "the sea, by batteries on shore, or by defences afloat . . ." I should say these are extracts only; this is not a continuous quotation. Would you be prepared to take that, as laid down by Sir Charles Wood, as a definition of the duties which the old Indian Navy performed?—Yes; and not only that, but I am prepared to say it is being performed by India. Every single thing mentioned there has not only been performed, but is now being performed.

6969. Under the recent arrangements?—Under the present arrangements.

6970. Do you mean that she pays for the service?—The Government of India have provided for the fortification of the harbours, not only by batteries, but by building special ships, viz., two turret ships, the "Magdala" and "Abyssinia"; two torpedo gun boats, the "Assaye" and "Plassy"; and seven first class torpedo boats, and they pay 61,000*l.* a year for manning them.

6971. And the police of the Persian Gulf?—And the police of the Persian Gulf. We pay the Admiralty for that, and are doing it ourselves to a certain extent; or at all events we could do it.

6972. But at all events you would not differ from that definition as laid down by Sir Charles Wood?—Except that the time has come, I think, when the Imperial Government should bear a portion of the expense of the Persian Gulf.

6973. (*Sir Donald Stewart.*) Do you mean to say that the vessels of the Indian Marine are now capable of defending the ports against an attacking force of armed vessels?—We provide for that by turret ships, which we paid for.

6974. That is only in Bombay?—The other principal ports are protected by batteries, which India has provided, and by submarine defences.

6975. How would you protect the whole line of the Indian coast? You could not do that; you have no armed vessels; that is the point?—Well, undoubtedly, the Navy will never do it, whatever you pay them. They distinctly say that they will not do that. "The protection of "her own ports against a small attacking force by sea" is one of the duties reserved for the Government of India. Do you think that includes the whole of the outside ports, Sir Donald? all the little ports such as Calicut and Cannanore? That is an impossibility.

(*Sir D. Stewart.*) I mean that is one of the duties which your ships, as at present equipped, are not capable of performing; that is all I wish to point out.

6976. (*Chairman.*) At the time of the abolition of the Indian Navy was there any opinion in India in favour of retaining it, or was the Indian Government and Indian opinion in consonance with the Secretary of State in desiring to abolish the Navy?—The Government of India, having carefully considered their existing ships, and the expenses attached to them, and after consulting the commodore commanding the Royal Navy squadron, sent a letter (No. 3, dated 22nd February 1870), objecting most strongly to the proposal, on the grounds, "that the "scheme detailed in your Grace's despatch of August 31st, "1869, which is altogether dissimilar to the proposal made "in our despatch of 10th June 1869, No. 20, is not suit- "able, and it would, under the proposals of the Board of "the Admiralty, involve a charge on the Indian revenues "for which sufficient value would not be returned."

6977. That was in 1869, was it not?—That was in 1869, when the subsidy was first asked for.

6978. My question referred to 1862; I want to know whether in 1862 the Indian Government, and Indian opinion itself, were in favour of the abolition of the Navy, or whether there was a difference of opinion?—I should say they were in favour of it, because they thought the work was going to be done for nothing.

6979. Do you know whether, in that correspondence of 1862 when the Admiralty took over the defence of the Indian coasts without payment, any mention was made of payment; was the subject at all discussed?—Sir Charles Wood, in his despatch, says: "As the purposes for which "they (the vessels of the Royal Navy) are employed are "Imperial, so their cost should be borne by the Imperial "Exchequer."

6980. That is in one despatch, but are you aware whether the subject was ever mentioned and discussed between the Home Government and the Indian Government?—I cannot say; I never saw anything bearing on it.

6981. Then, coming to 1869, do you know what led to the first application that a subsidy should be paid by India for the use of the Admiralty ships?—I imagine it was a complaint by the Bombay Government that their work was badly done, and that the Royal Navy ships were not performing their duties. I cannot say that there was any other reason that I know of.

6982. There was a complaint to that effect?—There was a complaint to that effect, and a proposal to revive on a small scale the Indian Navy.

6983–4. And that was the despatch to which reference is made in the answer, which you were quoting, of the Indian Government to, I suppose, the Duke of Argyll?—To the Duke of Argyll. Here are the two despatches (*despatches produced*).

6985. And at that time the Commodore, at all events, gave reasons why a Royal Navy force would not be so useful as vessels belonging to the Indian Government?—Just so; he said he thought that white men could not stand the heat of the Persian Gulf; and he said he thought the duty would be more efficiently performed by Lascar crews.

6986–7. And then the Government of India and the naval Commodore commanding agreed that the force of six ships was no longer required?—Yes; you will find it in the despatch of February 1870 from the Government of India to the Secretary of State.

6988–9. "Sir Leopold Heath states various reasons why "a force of the Royal Navy would not be so useful for "our purposes as vessels belonging to the Indian Govern- "ment, which could remain in the Persian Gulf at all "seasons; nor does he think it would be at all expedient "to have a mixed crew of Europeans and Natives in "vessels of the Royal Navy; and he thinks small vessels, "such as are wanted for service in the Gulf, could not "with safety to their crews, if these were wholly Euro- "peans, remain constantly in the Gulf during the hot "season. We are not disposed to concur with the Com- "modore in his objections to placing mixed crews in "vessels of Her Majesty's Navy." Therefore, it appears that the Indian Government at one time were not supporting, at all events wholly, the contention of the naval Commodore which would have re-established an Indian force?—With the exception of his view as to the mixed crews, I think they supported his views right through in the whole despatch.

6990. That is your reading of the despatch?—That is my reading of the despatch. The only point in which they differed was that the Commodore wished mixed crews, and the Government of India did not agree with him on that point; on all the other points they were agreed

6991. And therefore, in your opinion, the Government of India at that time would have liked to re-establish a naval force?—I might read some other extracts from that despatch. They proposed in it to maintain a fleet of eight vessels "for the police purposes of the Indian seas under "our own orders, . . . two for service in the Persian "Gulf. . . . . one of rather larger size; . . . . "one at Aden; one for Rangoon, of light draught, so as "to be capable of going up the river, but also fit to go to "sea at all seasons; one for Port Blair and the Nicobars; "one for the Arracan Coast, and one for the Tenasserim "coast." And further: "In the above scheme, we have "not referred to other wants in the shape of steamers for "river and harbour service, or for conveyance of troops "from port to port in India. Of these we are greatly in "want, nearly all our steamers being worn out," and they wished not to pay the subsidy, but actually to re-start a small Indian Navy.

6992. A small Indian Navy?—Yes; in the 18th paragraph the Government of India actually asked that ships might be built.

6993. That Indian Navy would not have provided, as apparently it had provided in former times, though in a

very insignificant manner, for service on the East Coast of Africa, but it would practically have done all the Indian service that the old Indian Navy performed?—Quite so.

6994. That was their view at that time?—Yes.

6995. The Secretary of State over-ruled that?—The Secretary of State over-ruled that, and sanctioned the subsidy in direct opposition to the wishes of the Government of India.

6996. Is it your opinion that, on the subsidy being paid, the Navy did the work which they undertook to do?—I do not think they did the work satisfactorily.

6997. Was the Indian Government able to remove all their ships from the Persian Gulf?—Yes, until the "Lawrence" was provided.

6998. Was not the "Sir Hugh Rose" still kept there?—She was still kept there, from 1871 to 1874; she remained after the subsidy was given, doing duty under the approval of the Commodore.

6999–7001. And matters remained so until the passing of the Act of 1884, did they not? What led to the passing of that Act?—The discipline and the status of the Indian Marine.

7002. Was it a kind of Mutiny Act for the Indian Marine?—Just so, it is almost a copy of the Naval Discipline Act, with the exception of the punishment of cowardice by death; we punish cowardice by penal servitude; that is the difference between the two, I think.

7003. But I see that the Act appears to enumerate certain duties of the Indian Navy. Is that in the preamble of the Act?—Yes, I think so.

7004. I want to know how far the recital of duties was a necessity of the case, and whether it is an authoritative recital of the duties?

(*Sir Donald Stewart.*) The necessity of the case was this, that the vessels were under no law whatever. They were not merchant vessels, they were not vessels of the Royal Navy. There was no Indian Marine Act in force at the time.

7005. (*Chairman.*) Have you the Act there?—Yes.

7006. What does it say about the duties; where does that come in?—In the first paragraph:—"Whereas a "marine establishment, called Her Majesty's Indian Marine "Service, is employed under the direction of the "Governor-General of India in Council for the transport "of troops, the guarding of convict settlements, the suppression of piracy, the survey of coasts and harbours, "the visiting of lighthouses, the relief of distressed or "wrecked vessels, and other local objects, and maintained "out of the revenues of India."

7007. And would you say that you look upon that as the authoritative definition of the duties which the Indian Marine now performs?—Undoubtedly. And the last clause in the Act is an important clause. It says:—"In case a state of war exists between Her "Majesty and any foreign power, it shall be lawful "for Her Majesty by Proclamation or Order in Council "to direct that any vessel belonging to Her Majesty's "Indian Marine Service and the men and officers from "time to time serving thereon shall be under the command of the senior naval officer of the station where for "the time being such ship may be. And while any such "vessel is under such command such vessel shall be "deemed to all intents a vessel of war of the Royal Navy, "and the men and officers from time to time serving in "such vessel shall be under such Naval Discipline Act "or Acts as may be in force for the time being and subject to such regulations as may be issued by the Lords "Commissioners of the Admiralty, with the concurrence "of the Secretary of State for India in Council."

7008. Then there is no mention in the Act of the subsidy paid by India for the use of ships of the Royal Navy?—No mention at all.

7009. It was not at all necessary for the purposes of the Act?—No.

7010. The Act simply defines the local duties which are still left in the hands of the Indian Government?—Yes.

7011. Somewhere about that time was not the subsidy very much reduced?—The subsidy was reduced in 1888, the Indian Government having added the "Lawrence" for permanent service in the Persian Gulf and placed an armament on board of her in compliance with the Act passed in 1884.

7012. The number of ships subsidised was reduced from six to four?—Yes.

7013. And the subsidy amounted to about 48,000*l.*?—48,700*l.*

7014. And that arrangement continued until a discussion arose two or three years later between the Home Government and the Indian Government, which brought up the whole question, and which led to what is called the Foreign Office Conference?—Yes.

7015. Have you any observations which you would wish to make to the Commission on the results of that Conference, which, as you know, was held under the presidency of the Prime Minister, and which was attended by the Secretary of State for India on the one side, the First Lord of the Admiralty and the Chancellor of the Exchequer on the other. It was in fact a kind of arbitration by the Prime Minister, on the question at issue between the Home and the Indian Governments?—The Conference decided that India should pay the full cost of vessels specially allotted for service in Indian waters, but that the question of what ships suited Indian purposes should be considered. India held that three vessels, the "Sphinx" and two gunboats of the "Pigeon" type, would be sufficient. But the Admiralty disagreed with this and wanted to substitute very much larger vessels. It must be recollected that the Admiralty in 1869 thought that there should be three vessels for the Persian Gulf, and that their size should be only 465 tons each; but now they proposed that India should pay on the cost of the "Marathon," a comparatively large ship, and the "Cossack," a ship larger than the Government of India thought it wanted, one gunboat of the "Redbreast" type and the "Sphinx."

7016. Do you wish to bring before the Commission any views with respect to what I would call Lord Salisbury's decision?—I would point out that of the vessels proposed by the Admiralty the "Marathon" drew too much water to be of any use on the coast of India, in the Persian Gulf most notably; that the size of the vessels was much larger than was required, and that the principle upon which they were paid for, appears to me to involve Imperial and not Indian purposes.

7017. You say "appears to me"; in putting the answer in that form do you mean that in so saying you do not represent the Indian Government?—Yes, certainly I represent the Indian Government in saying that those ships are larger than are required for their purposes and unsuited for their work.

7018. There are one or two points in the decision of the Foreign Office Conference of 1890, upon which I would like to learn whether you have any objections to offer. If you remember, it was agreed then that the Indian Government was to be consulted as to the number and class of ships required in the Persian Gulf. Under that decision India and the Admiralty were practically to agree upon the number of ships; and when that number was settled, then the ships were only to be employed in concert with the Indian Government. Those were the heads of Lord Salisbury's decision?—But the Indian Government could not agree with the Admiralty; that is where the difficulty came in.

7019. That is where the difficulty came in. Then the next step was that Mr. Forwood was to confer with the India Office, and draw up a memorandum on the subject containing the different proposals. Do you remember how that came to break down?—Because the Admiralty based the scheme on ships of a size that India said were not required.

7020. And therefore India objected to the Admiralty proposals?—Objected entirely to the ships they selected to base their proposal on. We wished the proposal based on the Sphinx and the two small gun-boats; they based their proposal on larger ships—first they made it 109,000*l.*, and then 117,000*l.*.

7021. Was that the figure that resulted from the proposal in Mr. Forwood's memorandum?—Yes, it is a figure that resulted from the calculation on the cost of the larger sized ships, which India said she did not require.

7022. And therefore Lord Salisbury's decision failed of effect?—Yes, because the Government of India and the Admiralty could not agree upon the size of the ships.

7023. But is the Indian Government satisfied, so far, with those conditions, as laid down by Lord Salisbury, that the Indian Government are to be consulted as to the number of ships, and that when that number is settled those ships are not to be employed beyond certain limits, except with the consent of the Government. Would that satisfy to a certain extent your view as to what the conditions between the Indian Government and the Admiralty should be?—The Government of India virtually accepted

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Lord Salisbury's terms, provided they had the ships of the dimensions that they proposed themselves, and the calculated cost according to the Admiralty, came to under 49,000*l.*

7024. That is to say, practically, Lord Salisbury's decision was put into force, namely, that the Indian Government and the Admiralty consulted together, but Lord Salisbury's decision failed at this point: it did not provide what was to take place when the Admiralty and the India Office were in conference?—Just so.

7025. And the consequence was that in the following two or three years the deadlock remained as bad as ever?—Yes, that was so.

7026. Then came an endeavour, between the Home Government and the Indian Government, to choose an arbitrator; and first of all, I think Lord Rosebery was proposed when he was out of office?—I believe so.

7027. I beg your pardon, no; first of all the Duke of Devonshire was asked; but the difficulty arose that the Home Government and the Indian Government could not agree upon their case?—That is quite the case—the Indian Government could not agree with the Admiralty as to the size of the ships; that was what they fought about.

7028. About the case to be submitted to the arbitrator?—That was done by the Secretary of State; of course he is the Government of India.

7029. Yes, but the reference to the Duke of Devonshire's arbitration was rendered fruitless by that fact, that the two Governments could not agree upon their case, I think?—I have no knowledge of that.

7030. Then came the selection of Lord Rosebery as arbitrator, and he gave it up on taking office; and lastly, the deadlock continuing, it was decided to refer the matter to Lord Rosebery as Prime Minister, was it not, and that is the origin of the Rosebery award—I am only going through the facts now?—Yes.

7031. And now, do doubt, you would wish to give us the objections of the Indian Government to the Rosebery award?—I think too much importance appears to have been attached to the words "for Indian purposes," and "local purposes," used in the Foreign Office Conference, and again by Lord Rosebery in his letter of December 6th, 1894. During the last 12½ years no single case can be traced of a man-of-war having been in Indian waters for "local purposes," with the exception of Bahrein, which, I submit, was partly imperial.

7032. Bahrein being in the Persian Gulf?—Yes; and with the exception of one vessel sent recently to Goa, where it was replaced by the "Plassy," a vessel paid for by the Government of India. A comparison is made between the subsidies paid by India and Australia, on which the Chancellor of the Exchequer held, according to Sir Henry Waterfield, that the basis of the Australian agreement ought to be applied to India. That was at the Foreign Office Conference.

7033. Where do you get that statement of Sir Henry Waterfield? Is it in his paper on payments?—No. It is in a letter from Sir H. Waterfield to Sir D. Barbour dated 28 March 1890, which is on record in India. He says that the Chancellor of the Exchequer "said that it was absurd to "argue that, because 30 years ago a rate based on the pay "and victuals of men was considered sufficient, it should "be considered so nowadays, when, owing to the change "in ship-building the vessels cost infinitely more, while "they carried less sailors. He maintained the principle "was radically wrong, and that the basis of the Australian "agreement ought to be applied in the case of India."

7034. Sir Henry Waterfield does not say where he quotes from the Chancellor of the Exchequer?—He does not say that, my Lord; he simply says—those are the actual words—"that the basis of the Australian agreement "ought to be applied in the case of India."

7035. (*Sir Ralph Knox.*) This agreement was made in the meanwhile, was it not?—That agreement with the Australian Government was made just before the Conference actually met, and on those grounds we thought that India should be charged—in fact it was distinctly so said—on the lines of the Australian agreement. One point I wish to bring out is that those lines have not been followed.

(*Mr. Ryder.*) I rather think you are referring to a memorandum of a Conference at the Foreign Office, where there was a reference to the Australian agreement.

7036–8. (*Chairman.*) The force of Captain Hext's observation is that he gets a powerful ally upon his side, if he can quote the Chancellor of the Exchequer; and especially, if it was a memorandum that would represent the Chancellor of the Exchequer individually in any way?—I have quoted from Sir H. Waterfield's letter dated the 28th March 1890. It bears upon the subsidies paid by India and Australia. According to the last produced evidence, Australia for 126,000*l.*, which they submit must not be exceeded, has four cruisers and one gunboat in commission, total tonnage 11,035 tons; and one cruiser and one gunboat in reserve of 3,310 tons; and the whole of these ships are in addition to the Royal Navy Australian squadron; thus, even if we leave out the two ships in reserve, Australia pays 11·4*l.* per ton. Even if India accepts the Admiralty proposal for "Marathon," "Brisk," "Pigeon" and "Sphinx," total tonnage, 6,605 tons, and the subsidy now fixed, viz., 100,000*l.*, India will pay at the rate of 15*l.* a ton; and not only this, but not a single ship is added to the existing squadron. Thus Australia pays 11·4*l.* per ton, and has an addition to the local squadron of 14,345 tons, and India pays 15*l.* per ton without the addition of a single ship. I submit that no grounds have been put forward for such an extraordinary difference in the way of calculating the amount of the subsidy, and I think India should demand to be put on the same terms as Australia, as the Government of India asked might be done in paragraph 4 of their Despatch of 13th May, 1891, which request apparently was not laid before Lord Rosebery. A point not touched on in any of the papers I have seen is the certainty of the whole of the subsidised ships being withdrawn from their stations in time of a great naval war. The example of Australia is eulogised "in contributing liberally for the protection of their floating trade." If the same terms, viz., that subsidised ships should be in excess of the ordinary squadron, and the same subsidy, viz., 11·4*l.* per ton be adopted, for the 100,000*l.* India is now asked to pay, the Admiralty ought to add 8,772 tons of shipping to the Indian squadron, which protects not only Indian trade, but that of Australia and China. India has also provided the following vessels, the "Magdala," "Abyssinia," "Plassy," "Assaye," and seven first-class torpedo boats, at a cost to India of 474,497*l.*, and has recently expended 67,000*l.* in re-arming the two first ships, all of which are at present handed over to the Admiralty, and are shown in the Navy List. A subsidy of 61,000*l.* is also paid per annum to the Admiralty for their crews. If this 61,000*l.* is added to the 100,000*l.* now sanctioned by the Secretary of State, India will pay 35,000*l.* more than Australia for almost exactly the same amount of tonnage, but with this difference—that India has paid for and provided 7,710 tons of shipping and seven torpedo boats, and no increase to the Indian Royal Navy squadron has been made.

7039. I think the Commission are very anxious to hear generally the objections which you bring forward?—To Lord Rosebery's award?

7040. We have now reached a very important point in the inquiry as to the Indian Navy; but the Commission at this present moment are hardly in a position, I think, to judge it fairly; first of all, they have not actually got before them, I think, the Rosebery award in full?

(*Sir Donald Stewart.*) No.

(*Chairman.*) And further than that, we have not got before us what is extremely important, the case on both sides on which that award was given; and I wish to suggest to the Commission that Captain Hext should continue his objections to the Rosebery award so that we may get them on record, and that we should distribute to the Commission the Rosebery award and the case. Perhaps Mr. Ryder or Sir Donald Stewart could tell us whether they think there is any reason why the case on which the Rosebery award is founded should not be published with the other papers laid before us. I am not aware of any reason against it, but it seems to me impossible for the Commission to form an opinion upon the award without seeing the case. I do not see any good reason why we should not have it printed and sent confidentially round to the members of the Commission, when Captain Hext has finished his comments on the Rosebery award; I should then ask the other members of the Commission whether they would ask any questions upon the evidence as far as it relates to the arrangements prior to the Rosebery award, but consideration of the Rosebery award itself must take place when the Commission have had time to read that award and the case on which it is founded.

7041. Captain Hext, before you go on with the observations which you were making upon the Rosebery award, I should like to call your attention to a memorandum which I think you have before you, drawn in the India Office, on the subject of payments in respect of services in which both the Imperial and the Indian Governments are interested. That memorandum, at the close of section 26, which

deals with the naval service and alluding to the Rosebery award, says, "In view of the decision of the Prime "Minister, it is not desired by the India Office to dispute "the arrangements recently made upon any arithmetical "or technical grounds. But the attention of the Commis- "sion is requested to the broad question whether it is right "to exact from India within 17,000*l.* of the full charge, "effective and non-effective, of the squadron, seeing that, "although the admiral is required to comply with the "wishes of the Government of India when communicated "to him, still the ships are not at their disposal in the "same degree that the army is. The vessels not employed "in the Persian Gulf are under the command of the Ad- "miralty, and must be occasionally employed on other "than Indian services (*see* Treasury letter of June 30th "1888) for which India gets no return. The number and "class of the vessels employed is not that which the "Government of India think necessary, but that which "the Admiralty determine." This is a memorandum communicated to the Commission, which we must regard as an authoritative statement of the views of the India Office. I would therefore ask you whether you concur in the opinions which are submitted for the consideration of the Commission in this memorandum, and whether you have any addition which you would wish to make to them?—I think they state the case of India very clearly, and especially with regard to clause 3 of para. 26 which runs, "The number and class of the ships employed is not that "which the Government of India thinks necessary, but "that which the Admiralty determine," as the decision as to the size of the ships, which the Admiralty consider necessary, is directly opposed to what the Government of India requires.

7042–4. With reference to that point, how would you meet the *per contra* argument, that, if you entrust the performance of a duty to an expert, you must give great weight, or almost predominant weight, to his opinion?—The Admiralty apparently base the class of ships on their view of the needs of India and the Imperial duties which are required to be performed. The Government of India base their view as to the size of the ships on the duties which they wish to be performed; and the Government of India surely are in the best position to decide what they require.

7045. If you look at the beginning of paragraph 26 of the Memorandum, it is stated, "It is not desired by the "India Office to dispute the arrangements recently made "upon any arithmetical or technical grounds." As far as you are aware, would the Indian Government agree with the India Office, or would they wish to advance any reasons for contesting the arithmetical or technical grounds?—The only reasons that India would wish to advance, I think, would be with regard to clause 3. For instance, the Admiralty say that the "Marathon" is required. The "Marathon" is a ship that draws 22 feet or more, and would be perfectly useless in any operations in the Persian Gulf, inasmuch as she could not go near Bahrein, could not approach Bushire within a considerable distance, and numerous other ports; in fact, in nearly the whole of the Persian Gulf a ship of that draught is prohibited.

7046. But that involves a difference of principle, does it not? because I think you said just now that the Admiralty recommendation, or the Admiralty proposal, was based upon their ships undertaking a larger sphere of duties than those which are now undertaken?—Than those which the Government of India require.

7047. Yes; therefore the India Office called attention to the point concerning the "Marathon," not on arithmetical or technical grounds, but on the ground of principle: and I presume that that ground of principle would be that the "Marathon" is not required in their view for their purposes?—I presume the principle was that the Admiralty required it for Imperial purposes to which in their opinion India ought to contribute, but to which India thinks it ought not.

7048. The Admiralty would differ from your view; that, however, opens a point, not of arithmetical calculation, but of principle?—Just so; the arithmetical calculation is on the larger size of ships, and that, therefore, affects the subsidy very largely. Large ships, the Government of India hold, are useless to them for their own purposes. Then with regard to Lord Rosebery's award; it appears that sufficient attention has not been drawn, on the Indian side of the controversy, to the services performed by India for the Royal Naval Squadron, and the large expenditure willingly incurred by India to make the dockyards thoroughly efficient. I do not think it is saying too much to assert that without the Indian dockyards the East Indian Squadron could not exist in a state of efficiency. The so-called Naval dockyard at Trincomalee has no dock, and the workshops are only equal to minor repairs, not only from the small amount of plant and machinery, but because skilled labour is not procurable. At Bombay large works have been undertaken by the Government of India almost entirely to meet the requirements of the Navy, as the dockyard prior to these was sufficient for Indian purposes. When in 1888 the Admiralty pressed the Government of India to construct a huge dock at Bombay, which subsequent experience has shown would have been almost an impossibility, owing to the enormous difficulty of blasting a channel to it, the Government decided on deepening the Duncan dock to meet, as far as possible, necessary requirements, and this was completed in 1893 at a cost to India of Rs. 4,85,335, and a snip and torpedo basin and dock was also constructed, costing Rs. 15,21,609 rupees. A new dredger was also procured to maintain the channel necessary on the deepening of the docks, which cost 23,100*l.*

7049. Why do you state that in pounds and the other in rupees?—It was a home charge; you see we had to pay for the dredger in England.

7050. What would you put those other sums at roughly —Rx. 480,000 and Rx. 150,000?—I should divide them by 15; that would be a fair way of putting it—15 rupees to the £.

7051. And what would be the totals?—I come to the totals presently; some other things have to be added. Additional storehouses have recently been erected, costing Rs. 1,56,596, to take the large additional stock of stores entailed by the agreement between the Admiralty and the India Office to supply stores to the Royal Navy Squadron. The total would amount to about Rs. 21,88,000 rupees, say 22 lacs, divided by 15 would come to about 150,000*l.*

7052. It may be roughly stated at 150,000*l.*?—Yes, but to that must be added 23,000*l.*, the cost of the dredger. Then again, a reserve of boats for the squadron has to be kept up and paid for by India, and not repaid by the Admiralty until they are required.

7053. On that dockyard question: the charge of the dockyards, as I think we noticed before, is not a very heavy one in India?—No; but the cost of the buildings and the land and the machinery, &c., are all considerations, I think.

7054. The argument which you base upon that is, that this work, though not a very heavy expense, was incurred on account of Imperial purposes. That is your view of it, and it ought to be added, therefore, to the expenditure which is undertaken by India, in which the Empire is concerned?—My idea is to put forward certain things that we do for the Navy for which we get no return, and without which the Admiralty would have to go to very large expense indeed to maintain its squadron, as a consideration for reducing the Rosebery award.

7055. But is there no charge made against the Navy?—10 per cent. on the value of stores and material issued and the labour employed.

7056. (*Sir Ralph Knox.*) The Admiralty are charged for the material?—The Admiralty are charged for the material and the labour for the repairs of their ships, plus 10 per cent. I want to show what a small sum that is, compared with the immense amount of money we have spent, and the value of the building and lands; and also to compare it with Bermuda and Hong Kong dockyards, which certainly are not superior to Bombay. It may be argued that the Admiralty pay India 10 per cent. on the value of those stores; but when the enormous value of the land in Bombay is considered, and the cost of buildings and the staff required for care and supervision, as also the fact that India has to pay for these stores and is not repaid by the Admiralty for lengthened periods, it will be seen that this argument cannot be maintained. A victualling depôt for the Navy is also maintained at Bombay, for which the Admiralty pay 250*l.* a year according to the agreement between the Secretary of State and the Admiralty. The estimated value of the land on which the Bombay dockyard stands is Rs. 44,24,900, and of the buildings and docks Rs. 34,56,409. Besides this the dockyard at Kidderpore must also be taken into consideration, the total value of which is estimated at Rs. 12,06,500. A new dock, capable of docking any ship of the East Indian Naval Squadron, has recently been constructed there.

7057. (*Mr. Ryder.*) Did not England contribute to them?—Not a fraction.

7058. To the Bombay dock in consideration of its being enlarged?—Not one farthing of any sort or description.

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7059. Really? I remember the question coming up; I thought there was a contribution from England?—No. The Admiralty agreed to contribute in case we built a dock to meet their requirements, which would have entailed a channel into the harbour of nearly half a mile, and the up-keep of this channel would have amounted to 20,000*l.* a year. The Government of India would not do it, but built these docks as a kind of compromise to help the English navy as far as possible, and built them entirely at their own cost.

7060. (*Chairman.*) Are these docks in no sense useful for the Indian marine?—Undoubtedly, but at the same time the docks, before they were deepened, were quite equal to our requirements.

7061. (*Sir Ralph Knox.*) But if this assistance were not given in this shape to the Admiralty for the purpose of refitting and repairing their ships, would not the Admiralty make a larger claim against India?—No, because they place their repairs, &c. at a very large figure. I mean to say that I could prove that the amount estimated for repairs to the Defence Squadron, which is paid by India to the Admiralty, much exceeds the actual cost.

7062. (*Chairman.*) There are other points to which you would wish to call our attention, are there not?—I would like to draw the attention of the Commission to one point; in the 10 years from the 1st April, 1885, the dry docks were used by Royal Navy vessels for 3,762 days at an actual cost (including 10 per cent.) of 36,200 rupees, an average of a little over 9½ rupees per day. The Port Trustees dock was used for 53 days at a cost of 213 rupees a day, and the P. and O. dock for 18 days at the same rate. There is a vast difference between 9½ rupees and 213 rupees a day. And as another instance I will quote the "Briton," in dock for 115 days consecutively; the total amount charged for actual labour on her, pumping, &c. was 650 rupees; while the "Conquest," docked in the P. and O. dock for 18 days cost 3,840 rupees. I think those examples show to a certain extent the amount of the work performed by the Bombay dockyard.

7063. You do not know whether that low charge in any way is in consequence of the Indian Government doing what is called in American railways "cutting the rates"?—We make no charge for docks at all. When I say no charge, the only charge made for docking is the actual labour incurred in dragging the ship into the dock, shoring her, and pumping the water out; and I say that the average for the "Briton" was 9½ rupees a day for 115 days consecutively.

7064. (*Sir Ralph Knox.*) My point is, that, if you charged that to the Admiralty, would not the Admiralty charge it to you as part of the cost of maintaining the squadron in the eastern seas?—I do not suppose the Admiralty could possibly for a moment insist upon charging India with an equivalent to the upkeep of Hong Kong dockyard or Bermuda dockyard. Besides you must recollect that the greater portion of the East India squadron is not subsidised by the Indian Government at all; it is only a portion of the squadron that is subsidised.

7065. Then ships come in that have nothing to do with the squadron in the eastern seas?—Yes; ships come in that are not part of the subsidised ships; you see there are eight ships on the station, four of which only are subsidised.

7066. But these other four are at liberty to come into the Bombay dockyard on the same terms as the subsidised vessels; and therefore that dockyard may be said to be kept up for Imperial purposes: but are not ordinary trading ships able to use this dock?—No, but all men-of-war whether on the Indian station or not, may come into the Bombay and Kidderpore dockyards free of charge.

7067. Do the four ships that are not subsidised come in free of charge?—Free of charge entirely. Every ship of Her Majesty's Navy coming from China or New Zealand or anywhere else in the world comes into the Indian dockyards free of charge.

7068. (*Mr. Caine.*) Do the ships of Her Majesty's Navy enjoy the same advantages at Trincomalee?—Trincomalee has no dock at all; it is a misnomer to call it a dock.

7069. Can they not go there for repairing?—No repairs can be done there worthy of being called repairs. Again I think I might point out that the comparative cost of work in India and at home is very different, whereby the Admiralty reap a decided advantage. The cost of docking the "Clive" at Portsmouth last year was 111*l.* under the same agreement which we have with the Navy for docking their ships; and for precisely the same work at Bombay the cost was 77*l.*

7070. (*Chairman.*) Is that taking the ship into dock?—Taking the ship into dock and painting her, giving her one coat of paint.

7071. (*Mr. Caine.*) The "Clive" painted for 77*l.*?—The "Clive" cost 111*l.* for docking and giving one coat of paint in England, and for precisely the same work in Bombay 77*l.*

7072. (*Sir Ralph Knox.*) How are these charges for the repairs of the non-subsidised ships settled?—The Admiralty pay on the Examiner of Marine Accounts presenting a bill.

7073. Was it agreed what the basis of that claim should be?—The basis of the agreement with India was that the Admiralty should in return dock our ships free of charge.

7074. Where?—In Portsmouth or Plymouth, as the case may be, when our ships happen to be at home; and we should dock their ships free of charge. It is a very one-sided agreement, inasmuch as we are docking their ships constantly, and for ten years they have had a ship in our docks every day.

7075. (*Mr. Caine.*) But your ships would never go into Portsmouth dock? if they came home on commission they would fall back into the British Navy?—We had the "Clive" at home the other day, and she was docked in Portsmouth dockyard.

7076. You are trooping with the P. and O. now?—The "Clive" is an Indian Marine ship.

7077. (*Sir Ralph Knox.*) How long ago was this?—I think it was in 1883 that the final agreement was come to. Before that time the ships of the Persian Gulf squadron, which were subsidised by India, were docked free of charge. Then the Admiralty asked us to dock all ships free of charge, not only the East India squadron, but all ships belonging to the Navy; we have taken ships on their way to China on one or two occasions.

7078. (*Chairman.*) There would be no very great difficulty, I suppose, in making up an account which would show what the actual cost of performing those services for the Navy would be?—I think I have got the actual cost of the stores and repairs for the 10 years ending 31 March 1895, amounting to Rs. 18,46,387, including the 10 per cent.

7079. You could without very much difficulty draw up an account, which would represent what the actual cost to India has been of executing these repairs?—The actual cost to India was for 10 years Rs. 16,78,534.

7080. Then you complain that you have spent a large sum of money upon docks for repairs and construction, and upon purchase of lands and so forth; and that you also maintain a considerable stock of stores which costs you money, the interest on which is not covered by this 10 per cent. charge?—Yes.

7081. Could you not show what the real cost was against that 10 per cent.?—I fear I have not got those figures.

7082. Do not the Indian Government keep accounts which show what the expense to them is of performing those services?—There is no such special statement. The 10 per cent. charge is supposed to cover the cost of supervision, warehousing, &c.

7083. You include this arbitrary sum of 10 per cent., instead of keeping a correct account of Indian expenditure?—That is the agreement with the Admiralty which we cannot vary.

7084. Have you an actual account which shows what the actual expense is and what you lose by charging only this 10 per cent.?—No, it would be exceedingly hard to calculate it. The actual average amount paid by the Admiralty towards dockyard expenses in India, apart from the actual cost of labour and material used, and also apart from the value of stores supplied, amounts, for the last 10 years, to about 1,100*l.* per year. Compare this with the cost of the actual upkeep of the Trincomalee Dockyard, as taken from the Navy Estimates for the present year, viz., 2,845*l.*; Bermuda, 12,410*l.*; and Hong Kong, 14,714*l.*, and this does not include anything for the value of the lands, buildings, docks, and machinery; I am quoting these figures to show that, if the Admiralty had to maintain their own dockyard in the East, the cost of the repairs would be increased in the most extraordinary way. In addition to these services which India performs for the Navy, I would point out that we have provided shears for lifting heavy guns, capable of lifting from 45 to 50 tons, costing 9,000*l.* A torpedo store and workshops have also been provided, with compressing and other machinery, which cost Rs. 24,900, and for this

the Admiralty pay Rs. 932 a year for the store room and 5 per cent. for the machinery—Rs. 1,200. India provides moorings free of charge at Bombay for the Navy, exclusive of the moorings for the defence squadron; these were occupied by men-of-war during the last year on 78 occasions. India provides—as, I believe, no other possession of England does—a completely equipped Marine Survey, working under the Hydrographer to the Admiralty at a total cost per annum of Rs. 2,12,780, with a specially constructed surveying ship, whose original cost was Rs. 4,28,000. To fulfil the conditions of the Indian Marine Act, and to render them efficient to take their place in the Royal Navy in case of necessity—see the last clause of the Marine Act—8 commanders, 32 lieutenants, and 32 sub-lieutenants are thoroughly trained in gunnery, torpedo, and other naval duties, which, according to the naval estimates, would cost 2,304*l.* for the lieutenants and 782*l.* for the sub-lieutenants. There are also belonging to the Indian Marine 55 engineer officers, an exceedingly valuable addition in case of war. The Admiralty pay a retaining fee for the smallest of the P. and O. steamers of 2,438*l* per annum; whereas the "Warren Hastings," a more suitable ship in many ways, twin screw, &c., with her magazines and shell-rooms specially fitted when the ship was built, has been provided with a powerful armament at the cost to the Government of India of quite 12,000*l.*, so that in case of war a valuable auxiliary cruiser would be at once placed at the disposal of the naval Commander-in-Chief. No return is made for this. To briefly summarise the position, India is treated on a very different footing from Australia—she is asked to pay 100,000*l.* per annum for a class of ships which the Government say they do not require, and for Imperial services which have never been advanced before; India has added ships to the Navy at a cost to herself of 541,497*l.*, with docks and stores to meet naval requirements at a cost of Rs. 21,88,440. India provides a thoroughly equipped Marine Survey, has drilled and educated officers to take their place in the Royal Navy in case of emergency, has provided a ship superior to some of the subsidised ships free of cost. I also submit that the upkeep of the ships in the Persian Gulf might partially be borne by the Home Government.

7085. (*Mr. Caine.*) Would you not say entirely?—I should like to say entirely.

7086. Well, I hope you will say it, if you would like to say it?—I do not think I would be right in saying it from the point of view of the Indian Government.

7087. (*Chairman.*) Does that comprise what you have got to remark?—That shortly comprises what I have got to say. Perhaps questions might bring out other points.

7088. (*Mr. Buchanan.*) Captain Hext, would you like to lay before the Commission any views of your own, or of the Indian Government, as to bettering the system upon which the Indian Marine is worked on lines which the Indian Government would be willing to undertake, apart from the justice or injustice of the Rosebery award as regards the present system?—I do not know how far I am justified in saying anything on behalf of the Government of India, but I have very strong opinions of my own on the subject.

7089-90. Would you like to give the Commission, not speaking as the representative of the Indian Government, your own opinions and views as to the best method?—I go so far as to say that, if the terms of the Indian Marine Act of 1884 were allowed to be carried out, and the ships fitted to carry out the duties therein enumerated, the Indian Marine ships, without the slightest increase of expenditure, could do the police of their own coasts without the aid of a single man-of-war; and would, therefore, release the naval squadron for their legitimate purposes on the high seas. At present we are obliged to keep a ship at Aden, at the Andamans, in the Persian Gulf, and on the coast of Burma. We have armaments provided for three of those ships.

7091. Do I understand you to mean that you would like to put the armaments on board those ships, or some of them, and make the ships of the Indian Marine sufficient for all defensive purposes connected with India?—I maintain that, if these armaments were placed on board, the Indian Marine ships could do the whole police of their own coasts.

7092. Including in their own coasts Burma and the Andamans?—Including Burma and the Andamans.

7093. And you think that putting the armaments on board these ships, and making them into coast defending vessels, would be within the terms of the Act of 1884?—The Act, as I said before, enumerates very clearly the suppression of piracy, local purposes, the transport of troops, the guarding of convict settlements; and I do not see how you can guard convict settlements and protect the garrison and Superintendent at Port Blair, unless the ship is armed; the ship is there to protect them in case of a rising and their having to evacuate the place, also for the suppression of piracy, the survey of coasts and harbours, the visiting of lighthouses, the relief of distressed or wrecked vessels, and other local objects, and is maintained out of the revenues of the Government of India; and how a vessel can do these duties unarmed I fail to see. Moreover, I may point out that according to page 379 of the Royal Navy List, Australia owns no less than eight ships heavily armed, which are under the local governments and not under the Navy.

7094. Your idea is that India would be prepared with its present marine force to undertake all the duties connected with police, suppression of piracy, and local defence?—Not local defence; I did not mention local defence; local purposes, I said, not local defence.

7095. Local purposes. And, in view of India doing that, are you also inclined to advocate that the Home Government should take over all the other duties, namely, those connected with the Persian Gulf, Aden, and the same duties of local defence that she discharges towards other parts of the Empire; is that your theory?—That is entirely my view, and always has been.

7096. (*Chairman.*) And to that extent you depart from or modify the arrangement which obtained while the Indian Navy was still in existence, under which the Indian Government undertook those duties?—I should advocate the Indian Marine doing the same work for the Government of India that her troops do within the limits of the Indian Empire.

7097. (*Mr. Buchanan.*) But to a certain extent your proposal would modify, and rather restrict, the duties which the old Indian Navy performed?—Oh, considerably restrict them from what the old Indian Navy undertook.

7098. In what respects?—The old Indian Navy, as I said before, ran the first mail line to Suez; the first overland mail was running in the old Indian Navy ships.

7099. That is superseded now?—Yes, but the first overland route was established by the Indian Navy.

7100. But, besides that, in what other respects would you restrict the duties of your marine ships, as compared with what the old Indian Navy did?—I cannot say what the duties of the old Indian Navy were.

7101. But I understood the purport of Lord Welby's question was, that the old Indian Navy did in the Persian Gulf what you think ought to be done by the Imperial Navy?—I think the duty in the Persian Gulf should be done by the Imperial Navy; Sir Charles Wood said not, though, "at any rate for the present."

7102. And at Aden?—I think the Imperial Government should have that duty.

7103. The East Coast of Africa and the Red Sea?—The East Coast of Africa and the Red Sea are far away from India. Zanzibar now belongs to the Cape station.

7104. The Red Sea?—The Red Sea is part of the Mediterranean station, not part of the East India station, as at present constituted.

7105. We only want to know your ideas so as to have them fully on record.

7106. (*Chairman.*) I read you Sir Charles Wood's definition of the duties of the old Indian Marine, to which I thought you gave a general assent. I remind you of this with reference to what you said just now, that you did not know what the duties of the old Indian Navy were. If you remember, I read you this paragraph: "The nature of the service required to be performed by "vessels of war in the Red Sea and upon the east coast of "Africa has recently been much changed in consequence "of the extension of the foreign slave trade, and the more "frequent presence of foreign ships of war. Her Majesty's "Government, therefore, consider that for the future "vessels of the Royal Navy should be employed in those "seas instead of vessels of the Indian Navy." Therefore, up to that time that service had been done by the Indian Navy?—As I said before, to a very limited extent.

7107. No doubt to a smaller extent. There remained, however, duties of considerable importance—"The police "of the Persian Gulf should, in my opinion, at any rate for "the present, continue to be performed by a local service. "India is bound, in like manner with the Colonies to pro-

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"vide at her own cost sufficient means for the protection "of her ports against a small attacking force from the "sea . . .?"—"For the present," he says.

7108. That service up to that time had been performed by the Indian Navy?—Yes.

7109. I am only calling your attention to this in order that we may understand what the duties of the Indian Navy were. You have in that despatch, on the highest authority—not on that of the Imperial Government, but on that of the Indian Government itself—a statement of those duties. They have been considerably restricted, I think, and you would restrict them still further. So that the ships of the new Indian Navy, which you would create, would not have to undertake anything like the duties which the old Indian Navy undertook?—The only exceptions would be the Red Sea and Zanzibar, and the Persian Gulf, which would remain as at present.

7110. You excluded, I understood, just now, coast defence?—No, I agree with the latter portion of the passage you have quoted; and India has clearly carried out the duty of coast defence. I only say that those duties which used to be performed by India can be performed by India.

7111. Sir Donald, you asked Captain Hext a question about defence, and I thought he accepted it.

7112. (*Sir Donald Stewart.*) I understand now that Captain Hext would re-establish the Indian Navy?—I am merely answering Mr. Buchanan's question whether, in my opinion, we could do the police on the coasts of India. I think Sir Edwin Collen said the same thing the other day in his evidence, or something to that effect.

7113. (*Mr. Buchanan.*) How do you distinguish between the police of the coast and the defence of the coast; who is to do the defence of the coast?—The defence of the main harbours is provided for; but as far as I can see, it is a matter of impossibility to provide for the defence of the minor Indian ports in any way.

7114. (*Chairman.*) How is the defence of the bigger ports already provided for?—They are provided for by most expensive fortifications and modern guns; and also by the provision of the Defence Squadron at a cost of half a million sterling, for the manning of which India pays 61,000*l.* a year to the Admiralty.

7115. Supposing you re-established your Indian Navy?—I do not propose to touch the defence of the large ports at all. I do not propose to re-establish the Indian Navy, but simply to police the Indian coasts, with our existing force and under the existing Act, on which in reality the men-of-war never have done a single thing; they have not done anything for the last 12½ years to any place on the coasts.

7116. (*Sir Donald Stewart.*) But for that purpose you must have armed vessels, of course?—My argument is that you cannot carry out the terms of the Act unless you arm ships to put down piracy; you cannot do it unless you arm a ship; and you put officers under the Marine Act under a penalty of transportation for life in case of cowardice, and yet give them no means of carrying out the Act. This seems to me a very strong point.

7117. (*Mr. Caine.*) You propose that India should do everything that is required in time of peace, but not to defend herself against a foreign invader; that is what you put?—No, I go further than that. India is prepared to defend herself against a foreign invader at her main ports, but she is not prepared to take part on the high seas. And we know that the Admiralty policy is not to defend the coasts of India at all; it has been put in black and white by the Government of India. I have not got it here, but I have seen a letter, in which they say that their defence will really be in seeking for the enemy's squadron (which of course is the policy of the Navy and always has been); but, if the enemy's squadron evaded our squadron, the small towns on the coast would be in a very defenceless position, having nothing to defend them. Even Madras is practically defenceless.

7118. (*Sir James Peile*). England is very much in the same position?—Exactly so.

7119. (*Chairman.*) But in many of these places there are methods of defence, such as torpedoes, which may or may not be an efficient means of defence, but still they are of use; how would you propose to provide for those? would you leave them to the Navy or take them yourself?—The only ports, I take it, that would be actually defended in India would be the principal ports; I am not a military expert, but I should say that those are the only ports we should try to defend and they are, as far as my humble opinion goes, far more thoroughly defended than any ports in England. Take Kurrachee, Bombay, Rangoon, and Calcutta.

7120. (*Mr. Buchanan.*) Is that all done at the expense of the Indian Government?—Entirely at the expense of the Indian Government.

7121. And the Indian Government would be prepared to spend any further sums necessary for further defence of that character?—Undoubtedly. And there is another point which you must remember. India has rendered Bombay a safe port for the repair of ships of the Royal Navy.

7122. Could you put before the Commission what extra duties, supposing your views were carried out, you would impose upon the Indian Marine beyond those which it already has, and what would be the financial arrangement for the future with this country? How far, supposing your views were carried out, would you be prepared to allow that India should still pay any sum to the Admiralty for certain services, and for what services? We simply want to get your ideas as fully and as clearly as possible before the Commission?—I think the last proposal of the Government of India, namely, the "Sphinx" and two gunboats of the "Pigeon" class, for which they were prepared to pay, would amply meet the requirements of the Government of India.

7123. For all purposes of defence?—For all purposes that the Navy perform for India; in addition, of course, to the ships that we already pay 60,000*l.* a year for independently.

7124. You would be prepared to continue that payment of 60,000*l.*?—I think there is no question about that. The Government of India never raised that question. What they combat is the increase of 50,000*l.* in the charge, by what you may call the Rosebery award, which they think was not fully gone into.

7125. Then your view, substantially, is that they would continue to pay the 60,000*l.*; and for all other purposes they would be content to pay for three small vessels?—That they would pay the 60,000*l.* which they have agreed to pay for a term of ten years, plus the up-keep of the "Sphinx" and two gunboats of the "Pigeon" class.

7126. And they should have full power of disposing of them as they pleased?—Full power, as far as the Admiralty will let them.

7127. They should also have full power of putting armament in any of their own ships if they thought it necessary to do it?—Yes, and in case of offensive operations, they would place them at the disposal of the senior naval officer.

7128. And you do not think that that would increase the charges on the Indian exchequer for naval purposes?—I think it would not increase the charges on the Indian Exchequer in the slightest degree, except to the extent of the ammunition which might be fired away, because the guns and the armaments are already provided for the ships.

7129. And you are prepared to face any future expenditure that would be necessary for additional guns and additional ammunition?—Undoubtedly it would be cheaper to do that and have entire control over the ships than to be in the hands of the Admiralty, and pay a large subsidy.

7130. (*Mr. Naoroji.*) We have been considering that when the British exchequer disburses any expenses which are considered to be for the purposes of both the British and Indian Governments or British and Indian people, the British exchequer claims a portion from us; that is to say, from India. On the same principle would it not be right that whenever any disbursement is made by the Indian exchequer for purposes in which both are interested, that the British Exchequer should take a share of it also on the same principle?—That undoubtedly seems fair.

7131. Are there any Indians employed in the Navy, or in any of those ships about which we have been discussing all along?—In the Indian Marine, the service belonging to the Government of India, the crews are almost entirely composed of natives of India, and in the Defence Squadron there are a small number of Natives employed; in the Royal Naval Squadron proper no natives are employed.

7132. I am specially asking for that portion for which we are called upon to pay this apportionment, and that is especially the Royal Navy Squadron?—That is the Royal Navy Squadron.

7133. There are no natives at all?—With the exception of one or two cooks and servants, none.

7134. Virtually there are no Indians employed at all?—No.

7135. And though India is called upon to make this contribution or apportionment towards the expenses of the squadron, India itself cannot get any share out of the service for which India contributes?—Except, of course, the defence of their coasts, their trade, &c.

7136. Then that defence is also for the common purpose of defending the British rule in India. We are now going upon the supposition that both are common parties; it is for the interests of both, and wherever any disbursement is made, either by the British exchequer or the Indian exchequer, that the apportionment should be made on both sides?—On both sides, yes.

7137. I suppose, in Australia, in the Royal Squadron that is placed there, of course, Australians are quite free to be employed in every way on that squadron; they would be able to get in; they would not be prohibited or completely excluded as the Indians are from the Royal Squadron?—No; the whole of the Australian Squadron, as far as I know, is manned entirely from England, not from Australia.

7138. But would there be anything to prevent the squadron from being manned by Australians if the Australians offered themselves?—I cannot answer that question.

7139. But there would be no objection to employing any Australian, either as man or officer, if any Australian were here and offered himself as a sailor or joined; he would not be prevented as an Indian would be prevented? An Indian would be told, "No, you cannot come in"?—I think no sailor would be taken in the English navy for the Australian squadron unless he had gone through the training ships at home, (I am speaking from my memory of my service in the Navy) and had come home for that purpose; he would not be entered in Australia.

7140. But an Indian cannot do even that; he cannot be trained at home because he would never be admitted?—I cannot say whether the Admiralty would admit them or not; I think not.

7141. I know in the Army they are not admitted, and I suppose it is so in the Navy also.

7142. (*Mr. Caine.*) I should just like to be quite clear on this point regarding the Persian Gulf. Do you contend on the part of the Government of India, or only as an opinion of your own, that the whole of the Persian Gulf charges would fall on the British Exchequer?—I cannot say what the opinion of the Government of India is on the question; but going by Sir Charles Wood's despatch, he evidently only intended the arrangement he proposed to be for the time, as he says "for the present," and my own opinion is that the Persian Gulf, being outside Indian waters, and all operations in the Persian Gulf not being under the Government of India, but having to be referred to the Foreign Office at home, and the Ambassador at Constantinople, it becomes an Imperial question, and that therefore the Imperial Government should bear the cost. That is only my own opinion.

7143. You do not look upon it as any more Indian waters than Suez, for instance?—Indian waters do not go so far as the Persian Gulf. I had to obtain the permission of the Hydrographer of the Admiralty to survey Jask, as being outside Indian waters.

7144. You employ Indians in the Indian Marine, do you not?—Yes, the crews are almost entirely Bombay lascars.

7155. You have no training ship in India at all, have you?—No.

7146. Do you advocate the establishment of a training ship in India?—No; it would be too expensive.

7147. You do not think you would get valuable recruits from Eurasians in Calcutta, if you had a small training ship there?—In my opinion, Eurasians make bad sailors.

7148. Do you think, if you took them as lads and trained them, they would be?—I do not think they would make good sailors.

7149. They have not got the stuff in them?—I have had a certain amount of experience of them; they do not take to the sea at all.

7150. (*Sir Donald Stewart.*) There is one point I did not quite understand, why you would not undertake to provide ships for the Persian Gulf as well as for other duties and for the rest of the coast of India?—Because it is outside Indian waters.

7151. India has very large interests in the Persian Gulf. We have got all our consular advisers there, the Resident and political agents?—If it is ruled that the Persian Gulf is comprised in Indian waters, I see no reason why India should not assist in the Persian Gulf.

7152. But if it can assist, why not do the whole work?—I do not think India can do the whole work unless she provides more ships.

7153. That is not the point?—I think one man-of-war is required in the Gulf, but I think the "Lawrence" would be a most valuable auxiliary in every way.

7154. What is your reason for saying that a man-of-war should be there instead of an armed Indian ship?—She has to deal with foreign governments, and all her movements are controlled by orders from the authorities at home.

7155. No, I think not?—Well, so far as I know. The "Sphinx" was recently not allowed to act until she got the consent of the authorities at home. Before action could be taken, orders had to be awaited from the Foreign Office, after consulting the Ambassador at Constantinople. Then there are, more fighting duties to be performed at the Persian Gulf, more chance of actual combatant duties to be performed there, than there are on the coast of India, and you are meeting foreigners instead of your own subjects.

7156. But you are liable to meet them in Indian waters too?—Hardly I think, on the actual coasts.

7157. I fail to see why you differentiate between the two?—What I think is that the Bombay lascars are quite as good as the average Indian soldier, and therefore can be depended upon, as a fighting race, to do very good service against their own class; but that, if you get fanatical Arabs like you meet in the Persian Gulf and the pirate coasts, the backbone of the man-of-war would be a great thing, in the same way that the British troops in India are a support to the Native army. I only hold to our own coast, and it is only my own humble opinion, as I said before.

7158. (*Mr. Ryder.*) Do you think, Captain Hext, we may say that the main difference between the Admiralty and the India Office in regard to the Indian naval subsidy is this: that the Admiralty hold that one element in the subsidy ought to be a contribution, however small, to our general defence in Indian waters and off Indian coasts; and on the other hand that the India Office, or the Government of India, hold that the subsidy should not contain that element at all, but that the duty of defence of Indian trade on the high seas and in Indian waters should fall entirely upon the Royal Navy and ought not to be paid for in the smallest degree from Indian funds?—I think that the Admiralty recently, in bringing forward a claim for imperial purposes to be paid for by India, departed from the basis of their arguments on every previous occasion. On all previous occasions they based their claims on the number of men and the maintenance of the ships required by India; but on the occasion of the question finally submitted to Lord Rosebery, they put forward an entirely new claim for larger ships; and, after the claim for the larger ships had been put forward, they then, when India said they were too large for their purpose, for the first time advanced the claim for imperial purposes, and demanded a contribution for the protection of their trade. As far as I know it is the first time that argument has ever been advanced. It seems to me that if the home Government look upon the question as a purely imperial question, they have the power of dictating to India to pay any sum of money they think fit; but if they base their claim, as they always did previously to this one occasion, on Indian requirements and on the increased cost of ships, and then put those ships at a far larger size than is required by the Government of India, I maintain that the thing is wrong.

7159. The reason why the Admiralty maintain that one of the four ships should be a larger one than the Indian Government thought necessary was, if I am not mistaken, that they held that India ought to contribute in a small degree towards the defence of trade generally in Indian waters, and towards the general defence of the coast of India against the ships of the foreigner. I think there is no doubt about that point. I am anxious to bring upon record in the evidence one of the chief grounds on which I believe the Admiralty make this contention that India ought to contribute to a certain extent towards general defence in Indian waters. When the Indian Navy was abolished, and when the Admiralty undertook the whole of the defence of commerce in Indian waters a very important letter was written from the India Office to the Admiralty. It has not yet been quoted, I think, before the Commission. Lord Welby has quoted from a despatch from Sir Charles Wood to the Indian Government of 1862, in which the purposes for which the old Indian Navy was employed have been defined; but that definition does not go quite so far as the definition given by the India Office in a letter to the Admiralty, dated the 10th October 1862. I would ask permission to read one paragraph from that letter. I propose to do so because it

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was the most important document that was before Lord Rosebery when he made his award, and I think one can see from the terms of his award that he evidently was very much influenced by it, and based his decision very much upon it. The paragraph I shall quote is this: "He (that is "Sir Charles Wood) is of opinion, therefore, that, as "regards India, the general defence, the protection to "trade generally, and the measures for putting down the "slave trade on the eastern coast of Africa, which have "hitherto been performed partly by Her Majesty's Navy "and partly by the Indian Navy, should be undertaken "by Her Majesty's Navy." That seems to me to be a very remarkable admission that up to that date the Indian Navy had in part undertaken the general defence and the protection of trade generally. Then we find in the award of Lord Rosebery that he refers to that correspondence of 1862, and decides that the old Indian Navy contributed towards general defence, and that therefore it would be fair that any subsidy now fixed should contain, as one of its elements, some sort of contribution towards general defence?—But with regard to that point, the fact of the Indian Navy having performed certain duties was simply because, before its abolition, India belonged to a company, and therefore an argument based upon it can hardly hold good at the present moment when India has become a dependency of the empire. If you make the Straits Settlements and Hong Kong pay towards the protection of the floating trade, it would be fair to make India do it. Surely it would not be so now, under present arrangements.

7160. I admit that is a fair argument—that we are dealing out a different measure to India and to the various colonies; but India, you may say, suffers from having entered into the community of the empire as an empire itself, with all the full-blown duties of empire upon it. Our colonies began in a very small way, and could only gradually be induced to undertake the duties appertaining to a completely equipped country. I quite admit the validity of your argument, and it is one we are bound to keep in view. All that I wish to say is that, historically, India undertook, and carried out to a certain extent, the duty of defending her own commerce in Indian waters; and that fact was one which mainly weighed with Lord Rosebery when he adjudicated upon the question, and decided that the subsidy ought to include something for general defence. If I am not departing from the subject I would point out that, in the correspondence which followed upon Lord Rosebery's award, the difference between the India Office and the Admiralty narrowed itself down to simply one vessel, and that vessel was the "Marathon"?—Yes.

7161. The Admiralty said that out of four vessels there ought to be one which was of nearly 3,000 tons burden, namely the "Marathon." The India Office, on the other hand, said: "We are ready to pay for four vessels, but "instead of the 'Marathon' you must employ only a vessel "of the 'Pigeon' class, 755 tons"?—Yes; and afterwards they modified that again by saying they wished to employ the "Sphinx," and two vessels of the "Pigeon" class.

7162. Was that after May 1895? you may be right, but I have not got that before me.

(*Sir James Peile.*) It was in 1891 that they made that representation?—Yes; and they repeated it in their Despatch No. 9, of 31st July 1894.

7163. (*Mr. Ryder.*) The India Office, in a letter signed by Lord Reay, dated 23rd May 1895, said that they were ready to pay for four vessels?—I was referring to despatches from the Government of India. The Government of India despatch—their last one—their final decision, was that they would pay for the "Sphinx" and two gunboats of the "Pigeon" class, at a cost not exceeding 50,000*l.* That was the very last word so far as the Government of India is concerned. I do not know what the Secretary of State has done.

7164. The Secretary of State has taken a more liberal view. He was quite prepared (letter to the Admiralty, 23rd May 1895) to pay for the "Brisk," 36,299*l.*; the "Pigeon," 16,513*l.*; gunboat, same class, 16,513*l.*; and the "Sphinx," 20,855*l.*; total, 90,180*l.*?—I do not know anything of that.

7165. When these papers are distributed, I have no doubt the Chairman will show them to you. The Admiralty defended the employment of the "Marathon." They used just the argument to which I have been alluding, that, by including such a ship as the "Marathon" in the squadron for which India was to pay, India would be made to contribute in a certain degree towards defence on the high seas, which had been one of the duties of the old Indian Navy?—But which was performed, as I said before, by the Company in their own interests to protect their own money; it was a perfectly private business. I maintain that, as far as the justice of the thing goes, when you have proclaimed India to be part of the English Empire and the Queen's proclamation has issued, India ought to be dealt with in exactly the same way as the rest of the Empire; if you make the rest of the Empire pay for protection of commerce, then, as far as I can see, there is nothing more to be said; but if others do not do it, I do not see that that argument can be brought forward to make India pay for it.

7166. Your argument is that all the members of the empire are really on the same footing; that if you charge anything to India you ought to charge it also to St. Helena, and to make no difference whatever between the two?—I have tried to show to-day the services of the Government of India to the Navy, which have never been considered, or at all events I fancy they have never been considered, but those services go further than that a great deal, if you take into account the enormous sums of money which India has paid at Aden, brought before you by Sir Edwin Collen, and also what she has spent in fortifying Bombay, Calcutta, Karachi, and Rangoon. All these things were done to protect the whole of the floating trade of the Empire.

7167. We contributed for Aden, you remember?—One half.

(*Chairman.*) And I think, generally speaking, in these arrangements the half came to a great deal more than one half.

7168. (*Mr. Ryder.*) It did in the case of the fortification of our Colonies of Hong Kong and the Straits Settlements to which we contributed. Whether it did in the case of Aden I am not quite sure?—If you contribute a portion of the expense at Hong Kong you ought to contribute at Bombay.

7169. India gains a great deal, for which England pays, by having Malta and Gibraltar on the route between England and India?—It is not right to say India gains; England gains. In the whole of that trade there is scarcely a ship which goes to India, which does not belong to English owners.

7170. There must be a profit to both?—The shipping belongs entirely to England. I suppose at the outside there are about six ships running out of Bombay which are not owned by English owners and English firms.

7171. (*Sir Ralph Knox.*) What about the cargoes?—cargoes are going home to England for England's wants.

7172. (*Mr. Ryder.*) But the profits go into the pockets of the Indian to a large extent. It seems to me that that is inevitable—I do not think you can separate the interests of the two countries?—I do not desire to contend that you can.

7173. Do you remember that in 1887, and again in 1890, the Indian Government pressed upon the Admiralty the substitution of modern and more powerful vessels for the older types then on service in the East Indian Squadron?—Yes, I perfectly recollect that, and I recollect writing a letter in which I tried to describe the squadron as it existed then, and said that not one ship in the whole squadron could go to Aden against the monsoon.

7174. Could a vessel of the "Pigeon" class steam against a monsoon?—Undoubtedly, better than any of the vessels of that time.

7175. It is generally held now, I think, that a vessel of that sort is not strong enough to steam against a monsoon; they cannot depend upon it?—Well, I doubt very much if you could depend even upon the "Cossack" class. I would prefer myself, if I had my own way, as a sailor, to proceed to Aden in the "Pigeon" to going in the "Cossack."

7176. The "Marathon," I suppose, is fitter?—I was outside Madras on the 10th December last; we were hardly moving, the "Bonaventure," the flagship, was also very steady, and even the "Brisk" was fairly so, while the "Marathon" was wallowing in it, and pitching her bows down to her jack-staff. I never saw such a thing in my life. I told her commander afterwards, that I would rather command the smallest gunboat in the British Navy, than have anything to do with the "Marathon."

7177. But still you would agree that they ought to have vessels strong enough to steam against the monsoon?—Not necessarily. That fact was brought up, not for the purpose of getting vessels that could steam against a monsoon, but to illustrate the disgraceful vessels that they had in the Persian Gulf for which the Government of India were paying a subsidy.

7178. The "Sphinx" was there, was she not?—Yes, the "Sphinx" was there and the "Ranger." All these ships mentioned in Despatch 14 of 1887, the "Briton," the "Algerine," and the "Mariner," were of a very obsolete type, and that was originally what the Government of India complained about. The state of the squadron was a constant re-commission of certain ships, of which the "Ranger" was one; the "Ranger" had been twice, if not three times, recommissioned on the station and was in a very bad state of repair in every way. And I think I am right in saying there was also a complaint about the "Woodlark"—previously to that employed in the Persian Gulf—as being utterly inefficient in every way.

7179. There were three small gunboats, I think, in the Persian Gulf before the "Sphinx"?—I know when I was in the Persian Gulf in 1881 that the two gunboats in the Persian Gulf, besides my own ship, could neither of them steam seven knots in a calm, and both had been recommissioned two or three times on the station, and the cockroaches in them were more like sparrows.

7180. (*Mr. Naoroji.*) We were told just now that India took all those duties upon itself. Was it not rather that the British rulers put upon India those duties, than that the Indians undertook all those duties of their own defence, and so on?—I have never been in the secrets of the Government; I could not give an opinion upon that.

7181. It is a mere matter of fact that all that is imposed upon the Indians is by the Government. The Indians themselves have no voice whatever in it. It is said also that the members of the Indian Empire are on the same footing as any other Colonial people; is it so? The Colonists are their own masters; they did not submit to the British Government here dictating to them, and at last the British Government was compelled to give them their own government. Is India in that condition?—I presume the British Government do it for their good; not only for the good of the British Government, but for the good of the Indian people. *Captain J. Hext, R.N., C.I.E.* 16 April 1896.

7182. But for the British supremacy and the British rule; they ought, therefore, to take their own fair share in everything that is done?—I am not a member of the Government and I cannot give any opinion. I do not know what the intentions were in the least.

7183. (*Chairman.*) If we can get to-day's evidence in type in time for the Admiralty to see it and send a representative here next Thursday, we should take him; and then, I think, when you have seen his evidence, and when, moreover, the Rosebery award with the case has been in the hands of the Commission, they will probably ask you to come again?—Very good.

The witness withdrew.

Adjourned till Thursday next at 11 a.m.

(For the 15th and 16th Days' Evidence, *see* page 234 *et seq.*)

At the India Office.

SEVENTEENTH DAY.

Wednesday, 6th May 1896.

PRESENT.

The LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, BART., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Vice-Admiral W. A. KENNEDY, R.N., and Mr. WILLIAMS CUMING of the Admiralty called in and examined. *Vice-Admiral W. A. Kennedy, R.N., and Mr. W. Cuming.* 6 May 1896.

8218. (*Chairman.*) Admiral Kennedy, what post do you hold now?—(*Admiral Kennedy.*) I am on half pay as a Vice-Admiral.

8219. You have lately been in command in India, have you not?—In command of the East India Station for three years from January 1892 till April 1895.

8220. That is the station which is called the East Indian and Ceylon, is it not?—The East India Station. It comprises Ceylon and of course much besides, but it is called the East India Station.

8221. Does that squadron visit Australia, for instance?—No, not Australia.

8222. It takes Zanzibar?—No, Zanzibar now belongs to the Cape Station; but it includes all Burma and the Andaman Islands, and Ceylon, Mauritius, Madagascar, and Aden.

8223. And does it go so far as Singapore?—No.

8224. (*Sir James Peile.*) And the Persian Gulf?—And the Persian Gulf.

8225. (*Chairman.*) Mr. Cuming, what position do you hold at the Admiralty?—(*Mr. Cuming.*) I am in charge of the branch in the Department of the Accountant-General of the Navy, which deals with all financial questions. Practically I have had charge of the correspondence relating to this question for more than seven years.

8226. Admiral Kennedy, you are aware that this Commission have to report as to the apportionment of charges between this country and India?—(*Admiral Kennedy.*) Yes.

8227. The changes which have taken place in the contribution by India towards the Naval force maintained for the protection of India come consequently before them. The Commission desire to learn the views of the Admiralty as to that contribution?—Yes.

8228. You have seen the evidence of Captain Hext, the Director of the Indian Marine?—I have.

8229. During the time that you were commanding in India, were you in relations with Captain Hext?—I wish to take this opportunity, my Lord, to acknowledge the loyal support and hearty co-operation I have at all times received from Captain Hext during the time of my command in the East Indies. He was always most ready to assist me in every way; our ships were docked without delay and the repairs were well and smartly executed. For the three years we were together we worked with perfect accord and harmony, without a single hitch.

8230. Indian naval service may be divided into two heads:—1. Naval protection afforded by vessels of Her Majesty's Navy kept in Indian waters. 2. Local marine services performed by vessels belonging to the Indian Government. How would you define the duties

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the Admiralty discharge for India?—Generally speaking, the duties for which armed vessels are required, *e.g.*, general defence (including trade), suppression of piracy and slave trade in the Persian Gulf and on the Indian coasts, &c. Police duties in Indian waters requiring armed vessels, &c.

8231. In that definition you include the protection of trade. Do the Admiralty consider that that duty was transferred to them at the time when the Indian Navy was abolished, or would they consider that the Indian Navy, when it existed, was not under the obligation of protecting trade?—At the time of the Indian Navy they did their own protection.

8232. Yes?—But undoubtedly the Admiralty accepted all obligations.

8233. What I meant to ask was this; the Admiralty had, before the abolition of the Indian Navy, a force on the Indian Ocean?—Yes.

8234. I gather from the correspondence that has passed, that that force was small?—It was.

8235. At all events, the force which could be detached from the Eastern fleet for service in India consisted, I think, of three vessels with a tonnage of something like 3,000 tons. At that time, therefore, the Admiralty could hardly be said, with such force, to have had the full responsibility for protecting the trade of India?—No.

8236. India, having a navy of her own, would be expected, at all events, to protect her own trade on her own coasts and within a reasonable distance from her coasts?—She did so undoubtedly. (*Mr. Cuming.*) May I read a short paragraph from the letter of Sir Charles Wood to the Admiralty, which deals with that point:—"He is of opinion, therefore, that as regards India, the "general defence, the protection to trade generally, "and the measures for putting down the slave trade "on the eastern coast of Africa, which have hitherto "been performed partly by Her Majesty's Navy and "partly by the Indian Navy, should be undertaken "altogether by Her Majesty's Navy. Sir Charles "Wood is the more inclined to this view from the "change which has taken place of late years in the "character of the slave trade from the eastern coast of "Africa, and from the more frequent pressure of "vessels of the French Navy both there and in the Red "Sea. A French frigate has recently visited the Port "of Muscat, at the entrance of the Persian Gulf, and "Sir Charles Wood is of opinion that it is very "desirable that vessels of Her Majesty's Navy should "be more frequently seen in those waters. He also "would wish to know if the Lords of the Admiralty "would be prepared to undertake the duty in the "Persian Gulf. The vessels employed in this part of "the Indian seas will have the ready means of repair "at the dockyard at Bombay, and the Government of "Bombay will be ready to furnish any assistance which "may be necessary in order to enable Her Majesty's "ships effectually to perform their duty. Sir Charles "Wood understands that the Lords Commissioners of "the Admiralty have already appointed an officer, with "the rank of commodore, to take under his orders all "the ships and vessels employed in the Indian seas. "Sir Charles Wood is of opinion that this is an "arrangement most advantageous to Her Majesty's "service, and that such officer should be instructed to "communicate freely and constantly with the Govern-"ments of India and of Bombay, and to meet, as far as "in his power, any demands for naval assistance which "those Governments may find it necessary to make. "The transport of troops and stores will be provided "for by vessels either belonging to or hired by the "Government of India; and the means of local defence, "by floating batteries or otherwise, may be provided "in the same way. Before taking any step, however, "Sir Charles Wood is desirous of learning whether the "Lords Commissioners of the Admiralty will be pre-"pared to undertake the performance of the duties "which, in his opinion, ought to be assigned to Her "Majesty's Navy." That is a letter dated the 20th October, 1862.

8237. And written by the Secretary of State for India?—Yes.

8238. And the Admiralty would accept that definition?—Yes. (*Admiral Kennedy.*) Certainly.

8239. Is there any Admiralty minute or memorandum which defines those duties?—The Standing Orders of the station for the Commander-in-chief assign the duties very clearly. We did not bring a copy of the Standing Orders with us.

8240. Would the paragraph of the Standing Orders which refers to these duties be short and easily put in?—Yes.

8241. Would you mind putting it in your answer?—I should think there would be no objection at all to it. (*Mr. Cuming.*) I do not think so. They are under revision. They have been partly revised since the last arrangement was made too, and they still have to be revised, but they practically embody the instructions to the Commander-in-chief that he is to carry out all requests from the Indian Government.

8242. You see we have on the one side that paragraph which you, Mr. Cuming, have just read, which defines very intelligibly the duties that belonged to the old Indian Navy. As against it, if we have the Admiralty definition of the duties that they consider they perform for India, I think we shall have the two sides of the question?—Of course the Standing Orders since 1862 have been constantly revised. They were revised when the arrangement was made in 1869. (*Admiral Kennedy.*) There is only one article in the Standing Orders which really defines the duties. It defines the duties generally, namely, the protection of the coasts of India and the suppression of the slave trade and piracy, and general compliance with the wishes of the Viceroy of India, assisting him in every way.

8243. You mentioned the suppression of piracy. The Indian Government have a local marine which, I think, is charged with the suppression of piracy along the coasts, is it not?—The Indian Marine Act does mention the suppression of piracy, but the Indian Marine vessels do nothing towards the suppression of piracy, not being armed.

8244. (*Sir Andrew Scoble.*) Is there any piracy on the coast of India now-a-days?—Very little.

8245. Then there is nothing to suppress in that part?—In the Persian Gulf?

8246. I am speaking of the coast of India?—I never heard of any on the coast of India; only in the Persian Gulf.

8247. (*Chairman.*) I gather that the services the Admiralty render to India may be divided again into two heads. 1. The services performed by vessels of Her Majesty's Navy, in respect of which India makes a contribution of 100,000*l.* a year, and 2. In respect of vessels in reserve, for which a contribution of 60,000*l.* is made (in round figures)?—Yes. The actual amount, as regards No. 2, 59,600*l.*, is paid for the maintenance of what is known as the Indian coast defence flotilla.

8248. How many vessels do the Admiralty keep in Indian waters under head 1, as already described, and in respect of how many of them does the Indian Government contribute the 100,000*l.*?—Four.

8249-50. Does the Admiralty keep more than four?—There are eight altogether in the squadron, four of which are always in Indian waters.

8251. And four of which are maintained by India?—In respect of four of which India contributes 100,000*l.* a year.

8252. You hold that that does not cover the whole cost of Indian defence?—Oh no.

8253. And, therefore, it may be said that the Admiralty keep eight Imperial vessels on the coast of India, towards four of which India makes a contribution?—Makes a contribution, yes.

8254. (*Sir Andrew Scoble.*) Have you any idea what is the annual cost of those four vessels?—Well, it would be very difficult to answer that question straight away, but I think it was estimated at 117,000*l.*?—(*Mr. Cuming.*) It was estimated at 117,000*l.* plus 4,000*l* a year which India is supposed to expend on repairs of the "Sphinx" in India, making 121,000*l.* altogether. (*Admiral Kennedy.*) Making 121,000*l.* altogether. Of course the estimated repairs of all the ships are an average, because the repairs would vary very much in different years.

8255. (*Chairman.*) That does not cover, in the Admiralty view, the whole charge, because I notice, in some of the correspondence which has passed, that the Admiralty called attention to the fact that the contribution calculated upon the footing of 117,000*l.* amounts to about 17*l.* a ton for effective service, and 3*l.* for non-effective, say, about 20*l.* a ton; but I also see that the Admiralty state that they consider

that, all round, the Navy costs the taxpayer about 38*l.* a ton?—38*l.* a ton? I was not aware of that. (*Mr. Cuming.*) That was a calculation that was made by the Treasury, not by the Admiralty; but it is a fair calculation; because, if you take roughly the whole of the Navy Estimates, and spread them over the whole of the Navy, 117,000*l.* would not by any means represent the cost. Neither administrative expenses nor other indirect charges are included in that 117,000*l.*

8256–57. At all events that calculation would represent roughly the Admiralty view as to the facts of the case?—What we should call direct charges. But it does not include anything for contingencies or for the coal that is used by the ships, except where they are requisitioned by the Indian Government, and in the case of the "Sphinx," in which the Indian Government pays all the coal.

8258. You may say, generally, that that contribution, in the view of the Admiralty, does not cover the whole of the cost of the vessels which the Admiralty maintains in those waters?—(*Admiral Kennedy.*) No, it certainly does not. I am not prepared to say what the whole cost of those vessels is. The Admiralty has been prepared to accept the contribution as covering the cost.

8259. Yes; but the point has been suggested by questions that have been put to you as to the difference between the contribution made and the Admiralty view of the total charge of those vessels?—Yes.

8260. Will you tell us in what manner the charge is computed?—Interest on first cost at 3 per cent., average annual payment towards replacement, annual estimated average cost of repairs and stores, pay, victuals, medicines, liability for retired pay, pensions and half-pay, and average cost of triennial reliefs.

8261. There is one item in the calculation on which the contribution is based, of 4,000*l.* for the "Sphinx"?—For the "Sphinx."

8262. But that is paid direct by India?—That is paid direct by India.

8263. Why was that particular arrangement made with regard to the "Sphinx"?—Because the "Sphinx" is employed solely for the Persian Gulf; nowhere else. (*Mr. Cuming.*) It always has existed in the case of the "Sphinx."

8264. Is there any reason why that difference should be made?—I imagine it is more particularly an Indian ship. It was built specially for the Persian Gulf service, and it was considered a matter of convenience of account. (*Admiral Kennedy.*) You see, the Admiral, although he has control of the "Sphinx" entirely, has no use for her for any other purpose; she is always up the Gulf.

8265. Then what heads of charge, if any, would you say are excluded from this computation?—Pilotage and contingent expenses, besides indirect charges.

8266. Including administration I suppose?—(*Mr. Cuming.*) No indirect charges are included in it at all. (*Admiral Kennedy.*) For those the Admiralty make no charge.

8267. Do you consider that the necessities of the present time require that India should have the support of a larger fleet than between 1832 and 1867?—Certainly.

8268. It has been stated that after the Mutiny the Admiralty agreed to take over the duties of the Indian Marine free of cost; have you anything to say upon that point?—I think the Admiralty would agree that at the time that they took over these duties, they made no specific claim to be paid for them until 1869, but they would say that that was on account of the embarrassment, financial and otherwise, of India after the Mutiny, and that, as stated by Lord Rosebery in his award, there was at most a temporary waiver of the claim of the Imperial Government.

8269. And you would, of course, coincide in the view that Lord Rosebery took on that point?—I cannot help coinciding in it, because he claims that it is an Imperial question, what is defined by Indian purposes; I do not see how you can separate the two.

8270. Would you say that the Indian Government, looking at what it is asked to pay now—that is, the 100,000*l.* a year—and looking also at the increased cost of ships which the Navy is obliged to incur since the time of the abolition of the Indian Navy, is a gainer or a loser by the transfer? Of course I am speaking financially?—I should think a gainer on account of the enormous difference in the price of ships at the present time.

8271–2. You consider that the Navy protects the whole of the Indian coast now?—It does.

8273. What were the reasons which led the Indian Government and the Admiralty, in 1862, to wish for the transfer of the duties from the Indian to the Imperial Navy?—Apparently because the work could be more advantageously performed by the Navy, and because for reasons of policy it was advisable that Her Majesty's vessels should be more in Indian waters.

8274. Then I suppose one main reason for that policy was consolidation of authority?—Undoubtedly.

8275. If the Admiralty was charged with the whole defence of the Indian coast, there was only one authority, and not a divided authority?—Yes. With regard to that question you asked me about the protection of the Indian coasts. I mean that indirectly, of course, the Navy protects the coasts of India, but I do not mean to say that the ships stationed there are dotted round that coast; they cannot be, but they protect the coasts because they are always on the spot, and they are ready to attack any enemy that might approach that coast; and the fact of their presence is sufficient to debar an enemy from visiting it.

8276. But that is really only the same consideration as applies to the defence afforded by the Navy to the coasts of the Empire, and trade throughout the world?—Just so.

8277. The naval officer in command has so many ships with him which he employs according to his discretion?—Yes.

8278. For the prevention of harm either to the coasts or to the trade?—Yes.

8279. Therefore the defence of India may be described exactly in the same terms as you would describe the defence of England, may it not?—Yes. We do not profess to defend the ports of India, for instance, in particular; they defend themselves.

8280. I suppose India has its own torpedo arrangements and other arrangements for defence?—Bombay has the defence flotilla and batteries, and is really quite independent; Calcutta pretty well so; Kurachi partly so.

8281. When you mention the defence vessels, do they form part of that reserve force in respect of which the 59,000*l.* is paid?—Yes; it is a floating force, really.

8282. Then those special defences are, to that extent, under the responsibility of the Admiral?—Yes, the admiral has the control of those ships entirely.

8283. And the Admiralty pays for them, subject to this contribution of 59,000*l.* from the Indian Government?—Yes, and officers and mans them. India paid the first cost of the ships and the armament.

8284. At the time of the abolition of the Indian Navy, which, I think, actually took place in 1863, no mention was made of a subsidy, and for some seven or eight years the Indian Government saved the whole charge of her own navy, such charge being transferred to the British taxpayer. Do the Admiralty records show the reasons for this forbearance on the part of the Imperial Government?—No. No doubt the reason was, that the executive part of the question pressed urgently for settlement, and that the financial disturbance caused by the Mutiny made it an inopportune time for dealing with the financial portion.

8285. And on that account the Admiralty would hold that it was only a temporary forbearance in consideration of the financial difficulties into which the Mutiny had plunged India?—Yes.

8286. Are you aware of any discussion between the Home and Indian Governments at the time Sir Charles Wood stated in his despatch to India, "the Admiralty "will take it over free of cost"?—No. Apparently the question of payment was first discussed between the Admiralty and the India Office in 1869, with the result that a payment by India of 70,000*l.* was agreed on.

8287. That is the first time you find in the Admiralty records the question of payment mooted?—That is the first time.

8288. And so the first arrangement under which a contribution was made by India took place in 1869. Would you tell us the nature of that arrangement?—There was a capitation rate of 70*l.* on 1,000 men

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representing the crews of six ships, that is 70,000*l.* a year.

8289. Was that basis of 70*l.* a man then held by the Admiralty to be a complete and full representation of the cost to the Navy?—No; no calculation of the total cost of these ships appears to have been made.

8290. Then this was more or less a rough and ready way of arriving at a sum that might represent the direct cost of the ships?—Yes, and it was not considered to be sufficient though accepted for some time.

8291. Had it become a matter of record in the Admiralty, as a convenient method of calculating the cost, that 70*l.* represents the cost of a seaman?—No, I should think it is obsolete entirely.

8292. But at that time?—At that time they appear to have considered it was sufficient. (*Mr. Cuming.*) I do not think there was much consideration given to it. It was a sort of rule-of-thumb method of arriving at something, which India should pay, when Mr. Childers was First Lord of the Admiralty, and the letter which was written to India was as follows; the paragraph is very short:—"The exact method of computing this charge "will be open to consideration, but it might be most "easily arrived at by a capitation rate. The number "of men to be provided for by India would be about "1,000, to be employed in six vessels, three of which "would be gun vessels detached for service in the "Persian Gulf, and, at the rate of 70*l* per annum for "each man's pay, provisions, &c., the charge would be "70,000*l.* per annum."

8293. It was only supposed to be pay and victuals?—Only pay and victuals.

8294. Because about the same time, if I remember right, there was a calculation made by General Peel in regard to the Army which for a long time was accepted in ordinary statements made by military authorities, that each soldier cost 100*l.* a year, but, if I remember aright that was arrived at by dividing the total army estimates by the number of men, which is a very rough method of calculation?—(*Admiral Kennedy.*) A very expensive soldier, I should think.

8295. (*Mr. Courtney.*) That included all the charge for the Army, not the keep of the soldier alone, all ammunition, every organisation of administration?—Yes.

8296. (*Sir Ralph Knox.*) It included the cost of the militia and the volunteers, all the forces?—Yes; it was an absurd calculation too. (*Mr. Cuming.*) I have no doubt that 70*l.* represented approximately the actual pay and victuals of the men.

8297. (*Chairman.*) And clothing I suppose?—It was to some extent a more advantageous arrangement for the Imperial Government than appeared, because as a matter of fact, the number of 1,000 was never kept in the six ships, and was never insisted upon, so that there was a considerable margin which paid other expenses.

8298. (*Sir Ralph Knox.*) But what you really did was to take out certain expenses and thus make up a certain sum, and divide that by 1,000, and that gave you the capitation grant of 70*l.*?—I think probably they took the actual cost of victualling and the actual wages of a certain number of men and averaged them. Of course the victualling would be the same for every man, the wages would differ according to the man's rating.

8299. But you think you built it up by calculating the cost of victualling and personal charges for each man, and it came to 70*l.*?—I think so.

8300. (*Mr. Courtney*). Do you know what would be the result of a calculation of this kind, if you took the total tonnage in commission, or alternatively the total number of men who were in ships in commission, and divided the total naval estimates by the tonnage or by the men. What would be the rate per ton?—I could not say what the rate per ton would be, but the charge to India on such a basis as that would be infinitely higher than that which the Admiralty has made, because the charge which they make now to India excludes everything in the nature of establishments, administration and indirect charges.

8301. But you do not know what it would come out at per man?—No, you would have to allow a different rate for each ship. It could only be an arbitrary calculation at best. (*Admiral Kennedy.*) You mean to divide the sum total in the estimates by the number of ships?

8302. By the number of men who are in ships in commission?—Oh, not by the total number of ships.

8303. Well, there are two methods; you can proceed on either alternative?—You can get a rough estimate of what each ship cost. One ship might cost 1,000,000*l.*

8304. You must take it at per ton if you go by the ship, or per man?—Per man. (*Mr. Cuming.*) And some ships have more men in proportion than others, but certainly it would come out a very much larger sum, probably three or four times as much as the charge made against the Indian Government.

8305. (*Chairman.*) You then calculated that 1,000 men were employed upon the station?—(*Admiral Kennedy.*) They took roughly 1,000 men in the six ships.

8306. And how many men do you reckon now to be employed?—Well, in the four ships it would be roughly about 500, but I think we could tell exactly. There would be the "Marathon," the "Brisk," the "Pigeon," and the "Sphinx." The "Brisk" would be 175, the "Marathon" would be 200.

8307. The total is 623, is it not?—(*Mr. Cuming.*) I can give you the complements of the ships on which the present subsidy is based; the four ships amount to 623.

8308. How long did that arrangement of 70*l.* a man for 1,000 men remain in force?—That went on up to the year 1888.

8309. And then the force was reduced, was it not?—(*Admiral Kennedy.*) It was reduced then to four ships.

8310. Costing India by way of contribution how much?—(*Mr. Cuming.*) 38,500*l.* and five per cent. on the cost of the "Sphinx." (*Admiral Kennedy.*) Making 41,600*l.*

8311. And that was calculated at the same rate of 70*l.* each for officers and men, was it not?—Yes, on 550 men. (*Mr. Cuming.*) When the Committee sat which brought in that alteration, it was ruled that it was not open to them to consider the rate; and that they were only entitled to consider the number of ships and the number of men.

8312. Therefore they had to continue to take the 70*l.* per man basis?—Yes, the 70*l.* rate was not considered by that Committee.

8313. That arrangement did not meet with the approval of the Treasury, did it?—The Treasury strongly objected to it from the first; they allowed it to go on for; I think, three years, but they strongly objected to it.

8314. (*Sir Ralph Knox.*) Then is it not the fact that in 1887 Lord Cross, who was then Secretary of State for India, pressed upon the Admiralty the substitution of modern vessels of increased speed and with powerful armaments?—(*Admiral Kennedy.*) Yes. (*Mr. Cuming.*) Yes, that is so.

8315. This representation is contained in a despatch of 29th July 1887?—Yes, there is a memorandum by Lord George Hamilton, when he was First Lord, which is printed in the correspondence put in by the Admiralty. In that memorandum he points out: "In the meantime, and "more especially in Despatches No. 14 of the 29th July "1887 and No. 117 of the 25th August 1890, the Indian "Government had pressed upon the Admiralty the "substitution of modern and more powerful vessels for "the older types then on service in the East Indian "Squadron. Four vessels, of which one, the 'Tur-"quoise,' was included in the ships above-mentioned, "were particularly objected to."

8316. (*Chairman.*) That does not give an answer directly to Sir Ralph Knox's question as to whether that remonstrance emanated from the Indian Government or from the Secretary of State?—It was in a despatch from the Government of India.

8317. The result of the remonstrance of the Treasury against that arrangement, which resulted in the payment of 41,000*l.* instead of 70,000*l.*, was a correspondence which eventually led up to what is called the Foreign Office conference, is it not?—(*Admiral Kennedy.*) Yes.

8318. No change was made in that charge of 41,600*l.* until the Foreign Office conference?—(*Mr. Cuming.*) No, the Treasury allowed it to go on under protest.

8319. And at the same time, while the Treasury was the active department in moving for reconsideration of the arrangement, it was acting in accordance with the Admiralty view, was it not?—Certainly.

8320. The Admiralty equally with the Treasury did not think the contribution sufficient?—That is so.

8321. We come next to the reference of the dispute to the Prime Minister in what is called the Foreign Office conference: What view does the Admiralty take of the decision then arrived at?—(*Admiral Kennedy.*) The Admiralty has always accepted this decision, and understood that it was accepted by all parties, including the Indian Government.

8322. The decision was to the effect that a certain force must be kept for Indian purposes, but the Foreign Office decision did not define those Indian purposes, did it?—No. That has always been the vexed question. (*Mr. Cuming.*) No, but as far as it went the Foreign Office decision was accepted by everyone. (*Admiral Kennedy.*) The Admiralty hold that the term "Indian purposes" has a wider significance than has been given to it by India.

8323. The terms of the Foreign Office decision were: "The Indian Government is to be consulted as to the "number and class of ships required in the Persian "Gulf and off the coast of India for Indian purposes. "When that number is settled by the British and "Indian Governments jointly, it will be arranged that "the ships are not to be employed beyond certain "limits to be agreed upon, except with the consent of "the Indian Government. They will be under the "control and orders of the naval commander-in-chief, "to whom will be sent the wishes of the Indian "Government, with which it will be his duty to comply. "India is to pay the whole cost, effective and non-"effective, of them." Therefore the conference contemplated that the Admiralty and the India Office would take the definition of "Indian purposes" into consideration, and settle between themselves the number and class of ships required?—Yes.

8324. And after the conference there was a consultation—a correspondence rather—between the Treasury, the Admiralty, and the India Office as to the number and class of ships required; but that correspondence led to no useful result, because the Indian Government and the Admiralty and the Treasury could not agree upon the definition of Indian purposes?—That is so, and the Admiralty hold that the term "Indian purposes," in addition to police duties, comprises the general protection of India, her trade, and her coast.

8325. And the India Office wanted to limit the purposes very considerably?—(*Mr. Cuming.*) To police duties.

8326. To police duties—at least, that would be your definition of the view the Indian Government took of their duties?—Yes.

8327. Then, so far as the Admiralty was concerned, there was no difficulty in accepting the decision of the Foreign Office conference, so far as it went?—(*Admiral Kennedy.*) No. The whole difficulty turned on the definition of the term "Indian purposes," as on that depended the number and class of ships to be selected on which to calculate the subsidy.

8328-9. Could you tell us shortly what the difference between the Admiralty and the India Office came to when expressed in ships? We know that the Admiralty thought necessary for the station these four ships which are described in Mr. Forwood's memorandum?—Yes, and the difference between what they think fit and what the Indian Government think fit is, that the Indian Government claim that three ships of the small class will do their work.

8330. What was the tonnage of those four ships that the Admiralty proposed as necessary for the Indian station?—(*Mr. Cuming.*) Including the "Marathon," the Admiralty proposed 6,605 tons; the Indian Government proposed the "Sphinx" and two vessels of the "Pigeon" class.

8331. Which would make a tonnage of—?—2,640 tons.

8332. (*Mr. Buchanan.*) Is the "Pigeon" a gunboat?—She is a gunboat of 755 tons.

8333. And what is the "Marathon"?—(*Admiral Kennedy.*) The "Marathon" is a third-class cruiser of 2,900 tons. She was not employed solely in Indian waters when I was out there. The selection of ships was agreed to subsequently to my time; but she formed part of the squadron.

8334. Are there four vessels exclusively employed in Indian waters now?—Four of them never leave Indian waters.

8335. Do you include in Indian waters the Persian Gulf?—Most certainly.

8336. The Sphinx is permanently stationed there?—The Sphinx is permanently in the Gulf, and the other three are employed in this way: There would be one always at Aden, one in the Bay of Bengal, and one at Bombay waiting to relieve the one in the Gulf. You cannot do with less than four, that is impossible.

8337. (*Chairman.*) And it was arranged under the Foreign Office Conference that those ships are not to be employed beyond certain limits to be agreed upon except with the consent of the Indian Government?—That is so.

8338. And that rule is observed now?—Yes. The latest orders were issued after my time. These are the orders to the Admiral:—"The ships will "be under your control and orders but you are to "comply with the wishes communicated to you "by the Indian Government as to their employ-"ment. These ships are not to be employed without "the consent of the Indian Government beyond the "under-mentioned limits." Then come the limits of the waters, namely, north of an imaginary line drawn from Cape Guardafui to Point de Galle, and thence south of the Nicobar Islands to Cape Salang.

8339. Those limits were agreed upon between the Admiralty and the India Office?—Yes. (*Mr. Cuming.*) A copy of the letter which was sent to the Commander-in-Chief was sent to the India Office, and they either accepted formally—I do not recollect whether they made a formal acceptance—or took no notice of it.

8340. On that point there is no difference between you?—No difference.

8341. (*Mr. Buchanan.*) Of these four vessels one is permanently stationed in the Persian Gulf, another permanently stationed at Aden, and the third out of the four relieves the Persian Gulf vessel?—(*Admiral Kennedy.*) Relieves the Persian Gulf vessel, and one is stationed in the Bay of Bengal, generally at Trincomalee.

8342. Then there is only one permanently stationed in the waters of India, that is in the Bay of Bengal?—The others are all in Indian waters. You must have a ship at Aden, that is in Indian waters; you must have a ship at Bombay to relieve the Gulf ship, and the other is in the Bay of Bengal, with her headquarters at Trincomalee.

8343. But do you consider that "Indian waters" means the same thing, when applied to the Persian Gulf, and the waters immediately round the coast of India?—Yes; I can see no other solution. If the Persian Gulf is not Indian waters, to what does the term apply, to whom does it belong? It must be Indian waters. All the interests round the Persian Gulf are Indian interests; the officials are all Indian officials.

8344. But do you think there are no Imperial interests connected with the Persian Gulf?—When you get up to Bagdad, I suppose we are touching an Imperial interest, but even there they are all Indian officials.

8345. (*Chairman.*) Did you ever send one of the other ships on the Indian station up to the Persian Gulf?—Whenever required. Whenever any outbreak was expected, or took place in the Gulf, the Indian Government would call upon the Admiral to send another ship, which, of course, he promptly did.

8346. And that ship would, probably, be one of those ships on the station to which India does not contribute?—Yes, one of those on the station.

8347. Therefore, of these ships there are two stationed on the coast of India, one in the Persian Gulf, and one at Aden?—Yes.

8348. The basis of the Foreign Office decision carried out what had previously been the understanding, namely, that the Indian Government is to be consulted as to the number of and class of ships in the Persian Gulf and off the coast of India for Indian purposes?—Yes.

8349. Therefore, the Persian Gulf was always included, so far as concerns questions connected with the Indian Government, in Indian waters?—Yes.

8350. (*Mr. Buchanan.*) Does not what you have read distinguish between the Persian Gulf and off the coasts of India? Do you not consider that it is fair to draw a distinction between the naval services in the Persian Gulf and the naval services, in the words of the Treasury, "off the coasts of India"?—No, I think not. (*Mr. Cuming.*) I think the Admiralty would hold that both

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are Indian purposes, that the Persian Gulf was as much an Indian purpose as the Bay of Bengal.

8351. (*Chairman.*) The old Indian Navy used to look after the Persian Gulf, did it not?—(*Admiral Kennedy.*) Yes.

8352. And, therefore, at the time when the Indian Navy existed, the service in the Persian Gulf was looked upon as an Indian service?—Yes, it was. There is another view; if the Persian Gulf is not Indian waters, why do the Indian Government always keep one of their ships up there permanently? She goes nowhere else. The "Lawrence"—one of the Indian Marine ships—is always stationed in the Gulf for the purpose of taking the Resident about from place to place, showing clearly that it is Indian waters.

8353. I see that when the Admiralty and the India Office came to conference after the Foreign Office decision, the Indian view of the tonnage required, as Mr. Cuming has told us, was 2,640 tons, against the Admiralty view of the requirements, namely, 6,605 tons. The Indian view was to the Admiralty view almost exactly as 1 to 2½?—(*Mr. Cuming.*) Yes.

8354-5. (*Mr. Ryder.*) Is that quite correct to say that the Indian view is 2,000 tons odd; was it not 4,000 odd?—Not the ships that they first wished to select The 4,000 odd tons was the amended offer of India after the decision of Lord Rosebery.

8356-7. (*Chairman.*) That is their present offer?—Well, it was an offer that they made after Lord Rosebery's decision. But at the time when the first dispute began after the Foreign Office Conference they wanted to have the "Sphinx" and two "Pigeons."

8358. Yes?—That narrows Indian purposes down to the "Sphinx" for the Persian Gulf, and the two "Pigeons" for police duties. (*Admiral Kennedy.*) When I was out there—I do not know that it has any bearing on the subject—I was not tied to any particular ships, only to four ships—it was left to me what four.

8359. Out of your squadron?—Out of my squadron. I just used the ships which were most suitable. The "Marathon" did not happen to be one, although she was on the station, but she would take her turn with the rest. (*Mr. Cuming.*) That system was based on the old arrangement for the men; no ships were specially allotted; in fact when payment came to be made the flagship was allowed to reckon as one of the ships in Indian waters.

8360. And now?—And now there are four specially allotted; formerly any four might have been there; the Admiralty rather hold that the fact of the flagship having been allowed to reckon as one, clearly take "Indian purposes" at that time as being something more than police purposes. (*Admiral Kennedy.*) I think myself it is a mistake tying us down to particular ships, because it is better for the squadron to keep them on the move for the health of the men; but still they have made other arrangements since.

8361. You would hold, of course, that these four vessels which are now permanently stationed in Indian waters are more valuable for their purposes than those for which they were substituted?—Undoubtedly; the others were obsolete. (*Mr. Cuming.*) There is a comparison in the correspondence on the subject which shows that very clearly. (*Admiral Kennedy.*) The present ships are superior in tonnage, speed, and armament.

8362. In fact, they satisfy the object of Lord Cross's letter of 1887 which has been alluded to?—Yes.

8363. Can you say what meaning the Admiralty attached to the proviso in the Minutes of the Foreign Office Conference that India should be consulted as to the number and class of ships to be selected for Indian purposes?—The Admiralty considered that the initiative in the selection of the ships rested with them, as it was necessary that they should consider the requirements of the station as a whole, and the proportion which the ships specially selected for Indian waters should bear to the full strength of the squadron. The letter of the Foreign Office Conference no doubt required the consent of India to the selection, but the spirit of the Conference would not admit of the consent being unreasonably withheld. The objection on the part of the Indian Government arose from the restricted view they took of the term Indian purposes.

8364. And that was the real difference between the Indian Government and the Admiralty, that the former took a much lower view of the number and the nature of the ships required for Indian purposes?—Yes.

8365 Has the Indian Government expert advice on maritime matters which would entitle its opinion on the requirements of the Naval Service to equal weight with that of the Admiralty?—Possibly as regards the vessels required for police purposes, but not as to the general duties, *i.e.*, general protection and protection of trade, &c. The opinion of the naval authorities, who are responsible for these, must obviously have greater weight, and indeed for all the duties the service responsible would appear to be able to form the best opinion.

8366. I suppose the Admiralty view would be this: that the Admiralty, being charged with the defence of the Empire, must be the deciding authority as to the manner in which that defence is carried out on any particular coast?—They would consider that greater weight should be given to their opinion.

8367. And they could not admit a divided and duplicate authority in deciding how that defence was to be carried out; they would allow that under the Foreign Office Conference the India Office might require a certain number of ships to be constantly kept in Indian waters, but beyond that the Indian Government must leave the manner in which those ships are used at different times to the Admiral representing the Navy?—Yes. The Admiralty are the best judges of the ships required for each part of the world.

8368. And though we know they have got an experienced naval officer on the spot, yet the opinion of that officer alone would hardly be taken as a counterweight to the opinion of the Admiralty?—His opinion is very good. Captain Hext, of course, is a naval man who knows just as much about it as any of us, but not more.

8369-70. I do not in the least mean to depreciate the value of Captain Hext's experience in any way; but in such a case as that, it is the opinion of an individual officer against the department with the Minister at its head?—Yes.

8371. And a Department with the Minister at its head is the authority responsible to Parliament?—I think so.

8372. (*Mr. Courtney.*) But do these authorities proceed on the same basis? Does Captain Hext regard purely what he thinks is necessary for India; do the Admiralty take in other considerations as to the employment of the fleet?—Captain Hext takes the view of India, if that is what you mean, sir, no doubt.

8373. Yes, but the Admiralty something more?—The Admiralty would take a broader view of the situation. Captain Hext on the spot as a servant of the Indian Government would, naturally, I do not say, be biassed, but, of course, he would view it from the Indian standpoint, which possibly may be a restricted one.

8374. May not both conclusions be right though they differ from one another? May not his conclusion be right as to what is wanted for India, and the conclusion of the Admiralty be right, having regard to what is wanted for the Navy?—They are both right but the rock they split upon is always "Indian purposes." Captain Hext contends on the part of India that a few small ships is all that they require; the Admiralty contend that that is not sufficient.

8375 For what?—For the general protection of India. Then we come to the question of "Indian purposes." Lord Rosebery in his award maintains in regard to "Indian purposes," the broader view. Captain Hext says that he could do certain police duties and protect the interests of India generally, with, say, three small ships. Well, we say it is impossible. Then there is another question which we have not perhaps come to yet, and that is the arming of the Indian Marine ships. If he had all his ships armed, no doubt he could do a great deal; but then there is a great objection to arming those ships.

8376. (*Chairman.*) That we shall come to later on?—Yes.

8377. (*Mr. Courtney.*) Is there any analogous controversy between the Australian Colonies and the Admiralty?—No, it is not altogether a parallel case. (*Mr. Cuming.*) There is no controversy with them that I know of. They have made an arrangement and they pay under it regularly and no question arises.

8378. But has that settlement been effected more in accordance with the Indian or the Admiralty view of the Indian difficulty?—I could not say. It was settled at a conference. I believe representatives from the Colonies came here, but I do not know how they arrived at the arrangement. But the calculation

is under an Act of Parliament, and it is on a different basis from what was settled at the Foreign Office Conference and applied to the Indian ships.

8379. (*Mr. Buchanan.*) But it gives much better terms to Australia than India gets?—Well, Australia has no power to requisition ships as India has. The Australian ships do no police duties for the Colonies The ships that we have in Indian waters can be requisitioned by the Indian Government, and the Commander in-Chief is bound to comply with any request that is not absolutely dangerous; but there is no such power on the part of the Colonies.

8380. No, but from the financial point of view Australia gets much better terms than India does from the ships supplied?—I do not think you can quite sever the financial advantage to the one or the other from the services required from the one or the other.

8381. As a matter of fact Australia does get better terms?—As a matter of fact Australia does not pay the full cost of the ships which are there, and India is expected to.

8382. They get a much larger tonnage for the money they give than India does?—I have not the actual tonnage in my mind, but I should admit that they paid less for the ships than India is asked to pay, because they do not pay the full cost.

8383. (*Mr. Courtney.*) That is quite sufficient; in the one case you get what you believe to be the full cost, and you desire to get that; and in the other you do not?—Yes, but the Admiralty pointed out in a letter to the India Office when they brought forward the Australia case, that the two things were different. There were two different agreements to work on. The Australian was based on an Act of Parliament, but it did not follow that the Admiralty might not get, if the arrangement were renewed, better terms in the future. I imagine that the Admiralty would probably endeavour to get the full cost. It was the first arrangement made with the Colonies, and it was a tentative arrangement.

8384. (*Mr. Buchanan.*) But is there any equitable reason why you should endeavour to get the full cost out of India and not out of Australia?—I should not like to give an opinion upon that.

8385. But can you give the Admiralty opinion?—I have never seen any official opinion on the part of the Admiralty. (*Admiral Kennedy.*) The India Office, in a letter on the 23rd May, 1895, says *apropos* of that:—"You now, however, state that the subsidy paid by the "Australian Colonies falls considerably short of the "sum actually incurred; and as Mr. Fowler does not "wish to urge a departure from the agreement to pay "the whole cost of the vessels that may be selected, he "will no longer press for a reduction on the analogy of "the Australian agreement."

8386-8. (*Chairman.*) But, Mr. Cuming, I think it has been argued, and is argued in these papers, that, though the basis of the calculation for the Australian Squadron, and that of the Indian Squadron would differ, in substance it does not come to a very great difference?—(*Mr. Cuming.*) The Admiralty has, as far as possible, avoided all controversy in detail on the subject of the different contributions. I think, in one letter, they pointed out that taking the proportion of tonnage of the squadron there was not very much difference between the two cases.

8389-90. In a letter from the Admiralty to the Treasury, dated 8th January, 1891, the following passage occurs:—"In the minutes of the conference, "an allusion is made to the arrangement with the "Australian Government for the vessels provided under "the Imperial Defence Act. This had reference more "especially to the limit of radius of employment of "the special Indian ships rather than to the financial "terms of the arrangement. For the purposes of "comparison, I am instructed to enclose a memoran-"dum marked B., showing what the amount payable "by India would be if the terms were the same as those "with Australia. In doing so, however, I am to "observe that the circumstances of the two cases are not "altogether analogous, and that, although no provision "was made with the Australasian Colonies for a sinking "or replacement fund, on the other hand the duration "of the contract is limited to ten years, and the rate "of interest chargeable on first cost is five per cent., "instead of three per cent. as now proposed. The pro-"posal is based on the principle of India recouping the "actual outlay incurred in providing and maintaining the "vessels," and enclosed in this letter are two statements, the first showing the Admiralty calculation about which we are speaking, namely, that which arrived at the total sum for the four vessels, the "Marathon," the "Brisk," the "Pigeon," and the "Sphinx," of 117,000*l.*; the second statement showing the first cost, the contribution at the rate of five per cent. per annum on first cost, and the estimated amount of annual maintenance of the four above-mentioned vessels to be employed in Indian waters (on the basis of the arrangement made with the Australasian Colonies), and that amounts to 106,000*l.* As therefore, under the arrangement now made, the Imperial Government accepts 100,000*l.* from India, I think if the Admiralty was right in that calculation, it is clear that the Imperial Government is accepting a less sum than would be payable, if the squadron were calculated on the basis of the Australasian agreement?—That is so. It is quite true, as you were suggesting, that, based on the Australian mode of calculation, the four Admiralty ships would be paid for by India at the rate of 106,000*l.* a year, instead of 117,000*l.* a year. As a matter of fact, India only pays 100,000*l.*

8391-3. (*Mr. Buchanan.*) I am speaking from memory, but I think it was stated in Captain Hext's evidence that for the vessels supplied by the Admiralty to Australia, Australia pays less than India does. Is that not a matter of fact?—I do not think so. There was a calculation made, but it was not followed up very much. India did not think our calculation was a correct one, but, as they dropped that question, it was not gone into. It was that the tonnage of the ships selected by the Admiralty for India was ·44 of the whole squadron and the tonnage of the Australian ships was about ·43.

8394. (*Mr. Buchanan.*) This is the statement which I was referring to. Captain Hext says (Q. 7036-8) "according to the last produced evidence Australia "for 126,000*l.*, which they submit must not be "exceeded, has four cruisers and one gunboat in "commission, total tonnage 11,035 tons; and one "cruiser and one gunboat in reserve of 3,310 tons and "the whole of these ships are in addition to the Royal "Navy Australian squadron; thus, even if we leave "out the two ships in reserve, Australia pays 11·4*l.* per "ton." Then he contrasts the payment of India, and says "India will pay at the rate of 15*l.* per ton and "not only this, but not a single ship is added to the "existing squadron." Do you admit the correctness of that evidence?—I should like to examine it very carefully before I could give any opinion about it.

8395. (*Chairman.*) It would be useful to us if you would look at this statement, which I have read to you, which gave 106,000*l.*, instead of 117,000*l.*, as the sum which, on the Australian principle, India would contribute, and compare it with Captain Hext's statement, and show us if you can reconcile them. Could you?—Yes.

8396. (*Mr. Buchanan.*) And then, is it not a fact that besides this payment of 100,000*l.* a year, India makes a payment of 60,000*l.* a year for the other four ships and that there is no corresponding payment on the part of Australia?—Australia keeps up some ships of her own.

8397. So does India, so far as the Indian Marine is concerned, but the 60,000*l.* is beyond that.—

8398. (*Chairman.*) Australia does not contribute anything corresponding to that 60,000*l.* a year?—It does not employ the Admiralty to do any work of that sort.

8399. But does she keep any floating batteries of her own?—She has some for harbour defence.

8399*a*. (*Mr. Buchanan.*) But she makes no payment in any sense corresponding to this 60,000*l.*?—No, she manages them herself. (*Admiral Kennedy.*) There are some vessels belonging to Australian Colonies for local defence, maintained at the cost of the Colonies.

8400. (*Chairman.*) That is to say, both India and Australia protect what you may call their interior waters and their ports?—(*Mr. Cuming.*) Yes.

8401. Australia keeps her own ships, and the charge for these ships is borne on her own budget?—Quite so.

8402. As far as a certain class of ships, which India has for that purpose, is concerned, she, as it were, contracts with the Imperial Government to do the service by the payment of 59,600*l.* a year, and for that payment of 59,600*l.* a year the Imperial Government keeps up these port defences?—(*Admiral Kennedy.*) All the port defence ships.

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8403. And, therefore, until we know for what number of ships for defence of ports the Australian budgets provide, we should not be in a position to compare that 59,000*l.* with the Australian charge?—No.

8404. (*Mr. Buchanan.*) There is nothing in Australia which at all corresponds to the Marine Survey Department which is maintained in India?—(*Mr. Cuming.*) The Australians have paid a good deal towards surveys in Australia; they have paid a contribution to several of them.

8405. But they do not pay any fixed annual contribution, do they?—Yes, I think in some cases they have paid half.

8406. For special services?—Yes.

8407. But there is a regular Survey Department in the Indian Marine, is there not; one or two ships told off?—(*Admiral Kennedy.*) Yes, there is the "Investigator."

8408. There is nothing of that sort in the Australian service?—(*Mr. Cuming.*) There may be; I could not say one way or the other, but I know they have contributed towards surveys carried out by the Imperial Government.

8409. But the whole of the surveys in Indian waters are done by the Indian Government and at their charges?—(*Admiral Kennedy.*) Yes, that is so.

That is an additional expense which India takes upon itself?

8410. (*Chairman.*) There is this difference; we must bear in mind that this contribution from Australia is the first of its kind. Until 1888 or 1889, Australasia never paid anything whatever towards the Navy; on the contrary, from very early times, from the time the English became the masters of India, the East India Company had always maintained an Indian Navy. The two States, therefore, if I may call them so, start from a different point, that is to say, the Indian Government had always maintained its own Navy, the Australian Government had never maintained its Navy?—No. (*Mr. Cuming.*) I think it might be said the Colonies were behindhand; they were not, as has been put, a duly-constituted Empire, and they were gradually growing up. It was only about the year 1870 that the English troops were withdrawn, so that England paid for the whole of the troops for the Colonies up till then. Then the Colonies took the cost of the troops, and it is hoped, as time goes on, that they will take more and more a share of the cost of the Navy. (*Admiral Kennedy.*) Some of the Colonies do not pay anything at all towards the up-keep of the Navy, but I think they ought to.

8411. Without pressing that point further, it is fair to bear in mind that in the one case it has been the recognised duty of the Indian Navy to look after the protection of her own coasts and her own trade, whereas it had not been so in the case of the Australian Colonies; and, as you say, there are a good many Colonies that do not contribute anything?—That is so.

8412. (*Mr. Courtney.*) It is a matter of history; it is more a matter of asserting power than the recognition of duty?—(*Mr. Cuming.*) I am afraid that is a question which does not come within my province to answer.

8413. (*Chairman.*) Do you suppose, if the two Governments reverted to the old state of things before 1862, if the Admiralty restricted its duties in Indian waters precisely to those which it discharged before 1862, that the Indian Government would be able to effectually discharge the duties thus devolving upon it with the force which they now represent as sufficient?—(*Admiral Kennedy.*) No.

8414. May it not explain the divergence of views which now exist, that the Indian Government do not contemplate undertaking, or paying for, the same amount of duties as devolved on the old Indian Navy?—I think so. The Indian Government would throw the whole cost of the general protection afforded by the fleet on the Imperial Government.

8415. And that would be transferring to the Imperial Government a portion of those duties which the Indian Government discharged while it had its own navy?—Yes.

8416. In fact, it assumes as granted the transfer from the Indian taxpayer to the British taxpayer of a considerable part of the naval charge which the Indian taxpayer bore before 1862?—It appears to be so.

8417. Is there any proof that the Admiralty or the Treasury have ever accepted that position?—I have never heard of it.

8418. Have you any knowledge of the cost of the Indian Navy, *i.e.*, of that portion of it, the duties of which were assumed by the Admiralty in 1862?—I have no actual knowledge. I think they admit 300,000*l.* per annum. (*Mr. Cuming.*) That was a calculation made. I do not know whether the Government of India made it. (*Admiral Kennedy.*) That was a very rough calculation, but I think it was admitted that it cost 300,000*l.*

8419. I think Mr. Ryder made as profound a study of the subject as could be made on the very indifferent and insufficient material that was at hand; and, I think, he came to the conclusion (concurring in that with Captain Low's book) that about 300,000*l.* represented the sum which the Navy cost the Indian Government.

8420. (*Mr. Ryder.*) I think the Treasury thought that was a safe estimate. It was put before the India Office; the India Office have referred to it from time to time in papers of their own, but have never directly combated it, and we may suppose that they would have done so if they had had the power of disputing it?—It seems to be admitted, then. (*Mr. Cuming.*) It was in a paper put before Lord Rosebery.

8421. (*Chairman.*) Since 1864 there has been a large increase in our naval expenditure?—(*Admiral Kennedy.*) Yes.

8422. How would the estimates of 1858 59 compare with those of the present year?—The estimates for 1858-59 were 9,140,127*l.*, and for 1896-97 21,823,000*l.*, an apparent increase of 12,682,873*l.*, but, after allowing for transfer of services, the net increase is about 12,000,000*l.*

8423. Over double?—From 9,000,000*l.* in the one case, to nearly 22,000,000*l.* in 1896.

8424. Do you suppose that, if the Indian Navy had been maintained to the present day, discharging the same duties as it discharged in 1862, its cost would have increased?—Very much so, it certainly would have been doubled or trebled.

8425. Then, if its net cost in 1862 was 300,000*l.* or thereabouts, you would expect that its cost now would be at least 600 000*l.* or 700,000*l.*?—I certainly think so, because to keep pace with the times and keep ships up to date would require such an enormous outlay compared with that on the old ships.

8426. Before the great war the power of France in the East Indies had been practically crushed, had it not?—I believe so.

8427. And during the great war did the Admiralty keep a great force on the coast of India?—No, I think not, to the best of my knowledge.

8428. Did the Admiralty convoy the Indian trade? or did the bulk of the East India Company vessels sail armed and able to defend themselves?—I am under the impression that they defended themselves.

8429. So far, then, the East India Company kept their own coasts and looked after their own trade?—Yes.

8430. Putting all these facts together, would you hold that the abolition of the Indian Navy in 1862 was financially a boon to the Indian Government, and that the present subsidy does not impose so great a burthen on the Indian taxpayer as he must have borne if the old condition of things as it existed prior to 1862 had remained in force?—Yes, the abolition of the Indian Navy must be financially a boon. As regards the second part of your question, the cost to the Indian taxpayer, had the old conditions continued, would have been much greater than the subsidy.

8431. Were you aware, when you were in command of the East Indian Squadron, of the existence of the Indian Marine Act of 1884?—I was aware of it but had no occasion to deal with it, seeing that it did not apply to me.

8432. But you knew of the Act?—Yes, I was familiar with it.

8433. The policy of not keeping up a separate Indian Navy must be regarded as settled, but Captain Hext seemed to think that, from a financial point of view, it might be cheaper for India to keep her own navy. Looking at the question simply as a financial problem, should you agree with Captain Hext on that point?—No. I cannot see how it is possible that it should be

cheaper for India to keep her own navy. To start a navy they would require at least half-a-dozen ships of the "Bonaventure" class, which would cost a couple of millions straight away, besides a large flotilla of gun-boats and smaller vessels. And, having got them, I do not see how they are going to man them or fight them; they could officer them, they have got very good officers in the Indian Marine; but, though the Bombay Lascar is a very good sailor man, I am afraid that he would hardly be fit to be matched against the men of a foreign up to date navy.

8434. (*Mr. Buchanan.*) Is not that rather a different sort of navy from what Captain Hext had in contemplation in his evidence the other day?—Possibly.

8435-6. I mean, you are contemplating the establishment by India of a naval force similar to that which we keep in Indian waters?—Yes.

8437. I certainly do not think Captain Hext meant that?—He meant, perhaps, arming the present Indian Marine ships.

8438. I would say, summarising what he said, he meant that if you allowed the armament to be put on board the ships they have already got they could discharge all the duties enumerated in the Indian Marine Act?—Just the police duties, yes. (*Mr. Cuming.*) I think all Captain Hext's calculations are based on the understanding that the Rosebery award is to be put aside, and that the whole cost of general protection is to fall on the Imperial Government. It is a question, wherever you touch it, that always comes back to what is the definition of "Indian purposes."

8439. I am afraid that is another question; but what I meant was that it is hardly fair to Captain Hext, when you are speaking about the financial question, to set up a comparison of that sort?—(*Admiral Kennedy.*) The answer is "No" to that question about the financial aspect of the case; but it is trenching on the next question about the armament of the Indian Marine; if that was his idea.

8440. (*Chairman.*) The position, in fact, that Captain Hext was taking up was this, that the Indian Navy should consist of the existing ships which are under his direction, employed in police duties along the coast, and transporting troops round the coast—insignificant duties of that kind?—Yes.

8441. And his re-constitution of the Indian Navy, therefore, meant this that the Imperial Navy was to do all the duties of guarding the Indian coast, only that India was to be relieved from paying for them. That is what it must come to?—Yes, but then I think he proposes to arm the Indian Marine.

8442. Yes, I have not come to that, but I think he did.

8443. (*Sir James Peile.*) Certainly he deprecated greatly their armament having been disallowed?—Yes, but we will come to that presently.

(*Chairman.*) Perhaps he was prepared to take rather more work than at present; he was prepared to do the work, you say, of the "Sphinx"?

8444. (*Mr. Buchanan.*) I understood his idea to be that he would be prepared to do all that is done by the Indian Marine now, and also all that is done by three ships out of the four—the "Sphinx" and the other two ships—that he would be prepared to do that under the Indian Government, and that he thought it could be done equally efficiently and at any rate not at a financial loss to India?—Yes, but to do so you must arm those ships.

8445. And he was, of course, strongly in favour of putting an armament on board the Indian Marine ships?—Well, I will tell you the answer of the Admiralty to that when the question is put to me.

8446. (*Chairman.*) Supposing that idea were carried out—supposing those Royal Navy ships were withdrawn and nothing paid for them by India, and that India bought its own three ships and kept them on the coast as part of its navy, do you think that they could do that cheaper than 100,000*l.* a year?—If they bought their own ships?

8447. Yes, and added them to their Indian Navy, manning them and paying for all the expenses of them?—I should think they could, but I have never gone into the calculation.

8448. Less than 100,000*l.*?—I should think so, subject to a calculation being made; but then they could not do it at all unless the ships were armed.

8449-50. But including the armament, I mean. They are to be completely masters of the ships, to buy them, to maintain them, to man them, and to arm them, and, if they did that, could they do it do you think for less than 100,000*l.*?—I think they might do it with 100,000*l.* (*Mr. Cuming.*) Should not the comparison be with 50,000*l.* not with 100,000*l.*, 50,000*l.* is for the police duties; they offer the Admiralty 50,000*l.* for doing the police duties.

8451. I was taking what Mr. Buchanan said, which probably, as far as I remember, correctly represents what Captain Hext put, that, if he had an independent navy, he would add to the present Indian Marine a couple or three ships.

8452. (*Mr. Buchanan.*) Enough ships to do these duties. I do not know that he stated the amount.

8435. (*Chairman.*) And I want to get Admiral, Kennedy's view, whether, if these three ships were added, he could establish them and add them to the Indian Navy for less than 100,000*l.* a year? (*Admiral Kennedy*) I think we could arrive at that if we knew what is the cost of the "Sphinx." She is a perfect ship for the Gulf, and the "Lawrence" is another, a sister ship to the "Sphinx."

8454. (*Mr. Buchanan.*) The "Lawrence" is one of the Indian Marine?—She is one of the Indian Marine. (*Mr. Cuming*) 61,000*l.* was the cost of the "Sphinx." (*Admiral Kennedy*) To do the work of the Persian Gulf alone would require three ships, I consider, of the "Sphinx" class; but, even if there were only two, that would amount to 120,000*l.*, supposing there were two "Sphinxes." (*Mr. Cuming.*) The yearly cost on our basis is 21,000*l.* (*Admiral Kennedy.*) Well they could run three "Sphinxes" for 60,000*l.* roughly speaking.

8455. (*Chairman.*) The point that struck me was this—the Admiralty is a great organisation and probably it could keep three ships of that kind going somewhat more cheaply than the very small Indian Department which the reconstituted Indian Navy would represent. I should have thought that if India started its own Navy again, even in that small beginning, she would find it more expensive than the Admiralty?—Well the wages are so cheap; I should think that India could run them cheaper; but that is exclusive of many charges which do not come into the Admiralty calculation.

8456. (*Sir James Peile.*) Why would you require three "Sphinxes" for the Persian Gulf when one "Sphinx" suffices now?—I believe you could do the work of the Persian Gulf really with two ships of the "Sphinx" class, supposing they were armed, one relieving the other, but it is not allowing for any contingency of taking down or refitting, and that is the reason why, to do the work properly, you would always have to have one in reserve—making three.

8457. (*Chairman.*) Have you anything to say as to the desirability of reconstituting an armed Indian Marine, as recommended by Captain Hext, involving as it does the armament of the ships?—I have no instructions to notice the opinions expressed by the Director of Indian Marine in his evidence before this Commission on the subject of the reconstitution of an Indian Navy, or to admit directly or indirectly that such a question is open. It has been finally decided that a return to the system which existed in the days of the East India Company is not possible. There can be but one Navy for that service, the Imperial Navy, governed by the Queen's officers with undivided responsibility.

8458. And, therefore, inasmuch as the Indian vessels would not be under the Imperial Naval Commander, the Admiralty would object to their being armed?—They object most strongly, but if the "Lawrence," for instance, were armed and placed under the orders of the Admiral, I myself see no objection to it whatever, and I do not think that their Lordships would either; but they would insist, if the ship were armed, that she must be under the orders of the Admiral.

8459. (*Sir James Peile.*) Just as the turret ships are?—Yes. For instance, in war we should at once utilise all the Indian Marine ships, and most valuable they would be. They have got their armament out there ready; they could be turned into men-of-war very quickly; but they must be under the one head, and it is very easy to see why it should be so, because

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otherwise you would have the Admiral with his fleet, and you would have the Director of the Indian Marine with his armed fleet possibly committing an act of war in some other part of the station, which would lead to complications; you cannot have two heads.

8460. (*Mr. Buchanan.*) But that could surely be adjusted; it is clear that they must both be put under the same command; but, apart from that, this vessel, the "Lawrence," is at present in the Persian Gulf?—Yes.

8461. Doing what sort of duty?—She is really a yacht for the Political Resident to move about in the Gulf, and she has certain guns for saluting purposes. It is most important to salute the Sultan of Muscat and the different Sheikhs; they think a great deal about salutes, therefore she has just a small armament.

8462. Then does she act quite independently of the "Sphinx" in the Persian Gulf?—Entirely, we never interfere; we have never interfered with the "Lawrence" or any of the ships of the Indian Marine, and they do not interfere with us; they are entirely under Captain Hext.

8463. The "Lawrence" is employed in the Persian Gulf under the arrangement that she belongs to the Indian Government. Do I gather that that arrangement is not satisfactory to the Admiralty?—No. It is quite satisfactory at present.

8464. Because she is not armed?—Because she is not armed. They did arm her; but it was objected to, and the guns were taken out of her.

8465. So far as your knowledge goes, what do you consider to be the duties performed by the "Lawrence" in the Persian Gulf? Do they, as Captain Hext thinks, include suppression of piracy?—She acts as a moral force, but you can hardly say that a ship that is unarmed suppresses piracy.

8466. Therefore she is not actually employed in the suppression of piracy?—No. Directly you admit that she suppresses piracy, you imply that she is armed, and she is not allowed to be armed.

8467. You observed that Captain Hext stated in his answer to a question that one vessel in the Persian Gulf which, I suppose, was the "Lawrence," might have been carried by a pirate dhow?—Yes.

8468. What would you say upon that point?—I certainly think that any ship employed in the Persian Gulf or in the Andaman Islands ought to have arms aboard sufficient for her own protection; but I take it that all the Indian Marine ships have that. They have all got small arms aboard. Of course, that is an exaggerated case about the "Lawrence" being carried: it is not actually the fact; she could make a very good fight with the arms she has.

8469. In fact, the Admiralty would admit that any vessel of that kind ought to be sufficiently armed to defend herself?—Most certainly. I think it would be a very wrong thing to send a ship up there without sufficient small arms for her own protection, or to the Andaman Islands.

8470. (*Sir James Peile.*) Is it not a waste of force to have armed and unarmed ships exerting the same influence in the same waters?—A waste of force?

8471. Yes, having both classes?—The "Lawrence," though unarmed, is very useful indeed, because the Political Agents could not dispense with her services as a yacht.

8472. (*Mr. Buchanan.*) Would she not be more valuable as an auxiliary to the Navy if she were armed?—I think she would be most useful to us; but then the Admiralty would insist upon her being put under the Commander-in-Chief. On those terms they would have no objection to her being armed.

8473. (*Mr. Naoroji.*) That could be done in a time of war?—In a time of war they would arm the "Warren Hastings" and the "Clive;" they have their guns, and they are very smart ships.

8474. (*Sir Donald Stewart.*) Supposing the ship is armed in time of peace, how would the discipline be carried on?—Supposing they were armed?

8475. On board the "Lawrence," we would say?—In war time they would be immediately put under the Articles of War.

8476. In time of war, I know: but in time of peace?—The Indian Marine Act would be quite sufficient.

8477. The Admiral would be satisfied with that, would he? I should think so; dealing with black crews, Bombay lascars. I think that Marine Act would meet the case perfectly well.

8478. You think there would be no objection to be raised on that ground?—I should think not. The arming of the Indian Marine is a question which the Admiralty have not admitted for a moment.

8479. I quite see that?—They do not admit that it is capable of argument at all. Therefore it must be only my own opinion about it.

8480. (*Sir James Peile.*) Would the Admiralty object to the British Resident being carried on a ship of war under the Admiral's command?—No; he constantly is so carried. When the "Lawrence" is down refitting, the "Sphinx" takes her place, and takes the Resident about; he goes just as much in the "Sphinx" as he does in the "Lawrence"; in fact, she is fitted up with saloons on purpose for taking the Political Resident about.

8481. (*Mr. Buchanan.*) With regard to the armament; do I understand that there is an excellent armament for the "Lawrence" lying on shore?—Yes, she had it actually on board her at one time.

8482. And I also understood from another answer of yours that there is armament also provided for another ship of the Indian Marine, which the Admiralty ordered to be put on shore?—No; the "Lawrence" was the only ship that was armed and was disarmed by order of the Admiralty.

8483. But armament was also provided for another ship?—Yes; there is an armament for the "Warren Hastings," and for at least three ships, all ready in Bombay Dockyard, that can be put on board at 24 hours' notice. That is all part of the scheme; but only to be put on board in case of war.

8484. Is it not rather a waste of power then, that there should be these vessels there and armament provided for them by the Indian Government, and yet, owing to this question of the command, which surely might be settled, by legislation if necessary, these ships with their armament on board cannot be made available for general naval purposes?—It is not a waste of power, because the ships are very useful all the time as troopers; trooping is their legitimate work; that is what the Indian Marine is for.

8485. There are three, which, we were told, were troopers? The "Warren Hastings" is a trooper, so is the "Clive" and the "Canning"; everyone of them does trooping service except the "Lawrence;" she does a little in that way, but it is not her business.

8486-7. But if the "Lawrence" had armament on board and the question of the command were settled, would not she and the "Sphinx" be quite sufficient for all purposes in the Persian Gulf at no extra cost to the Indian Exchequer?—I believe they would, with a reserve at Bombay. You cannot run them for ever. It is just the same as if you had two omnibuses or two cabs, you must have a third in reserve. That is easy to understand; but still the "Sphinx" and the "Lawrence" could do the whole of the Persian Gulf with a gunboat or a third ship.

8488. And the "Lawrence" and the "Warren Hastings," or any other ship for which armament is provided, if armament were put on board of them, would be good additional auxiliary cruisers for naval purposes in Indian waters?—In time of war, most certainly.

8489. So that, owing to this difficulty about the command, practically we are deprived of the naval services which the Indian Government is prepared to render to us?—That is one way of looking at it.

(*Sir Donald Stewart.*) But that is not the right way of looking at it though.

8490. (*Mr. Buchanan.*) We suffer the loss owing to this difficulty that has arisen about the question of the command; this armament has been ordered to be put on shore, and we do not get the value of the services of those two vessels?—You get the value of the ships, because they are doing good useful work all the time; and the guns are not deteriorating in any way—the armament is all stored in Bombay Dockyard and most carefully kept in beautiful order, and it does not cost anything, barring the first cost.

8491. (*Sir. Donald Stewart.*) Do you know for what purposes these ships were built and supplied?—The "Warren Hastings" and so on?

8492. The whole of those ships of which you are talking?—Troopers; they are fitted for troopers.

8493. And for that only?—For that only.

8494. And for the purpose of utilising these ships in time of war, armaments have been provided for them; but it is not their business to do any work excepting trooping work?—That is so; in that respect they are much the same.

8495. Otherwise, the Government of India would not have gone to the expense of purchasing vessels for trooping purposes, if they had not been required?—They are on much the same footing as the large Cunard and other steamship lines, which are fitted by order of the Admiralty to carry guns, and would do so in time of war.

8496. To defend themselves in time of war?—To defend themselves in time of war.

8497. (*Chairman.*) With reference to these ships being used as transports, may I call your attention to the recital in that Act of 1884 as to the services for which the Indian Marine is established. "Whereas a marine "establishment, called Her Majesty's Indian Marine "Service, is employed under the direction of the "Governor-General of India in Council" . . . "for "the transport of troops" comes first "the guarding of "convict settlements, the suppression of piracy, the "survey of coasts and harbours, the visiting of light-"houses, the relief of distressed or wrecked vessels, "and other local objects, and is maintained out of the "revenues of India"?—Yes.

To carry out these duties, they have the following force, as Captain Hext describes it to us:—10 seagoing vessels and five river vessels; three of these 10 vessels are employed as transports; there is one ship at Aden, one ship in the Persian Gulf, one at the Andamans, one on the coast of Burma doing lighthouse work, one with the Government of Bengal for work on the Hooghly, and one surveying ship; and the five river steamers are employed, four on the Irrawaddy and one on the Tigris. Therefore, three of these ships are constantly employed in carrying troops, one ship is engaged in lighthouse work, and one ship is employed in looking after the convict settlements.

(*Sir Donald Stewart.*) I beg your pardon, it is not for defending the settlements that the vessel is provided; it is not an armed vessel, it is for enabling the Superintendent to move about.

(*Chairman.*) I was not saying that it was for defence.

(*Sir Donald Stewart.*) She is for the use of the Superintendent.

(*Mr. Buchanan.*) "Guarding convict settlements" is the wording of the Act.

(*Sir Donald Stewart.*) I do not know how a vessel can be said to guard them when it has no guns.

8498. (*Chairman.*) My reason for asking you the question is to ascertain whether, after hearing the recital of that Act, you would at all limit the statement that the Indian Marine exists for the transport of troops, which I gathered that you said?—I should say that the transport of troops was their principal duty.

8499. That is, three out of 10 ships are engaged in it?—Are only three out of the 10 for the transport of troops?

8500. Three out of the 10; the others are all employed on different duties?—Yes, there are lighthouse duties and the Andaman Islands.

8501. And surveying?—Yes.

8502 And one ship on the Hooghly for the service of the Government?—Yes. I think most of those 10 are probably river boats for going up the Rangoon river.

8503. There is only one ship on the coast of Burma?—Yes.

8504. They have got four small steamers on the Irrawaddy?—Yes, are those included in the 10?

8505. No. There are 15 altogether: five river steamers and 10 sea-going ships?—I should say, still, that their principal duty was trooping, because all the best ships, the larger ships, are employed for trooping. Of course the smaller ones have other duties to perform,

8506. The "Lawrence" is really only employed to carry the Resident about?—That is what she is, only a yacht.

8507. (*Mr. Buchanan.*) Still, guarding convict settlements and suppression of piracy are two of the objects of the establishment of the Indian Marine as set forth in the 1884 Act?—Yes.

8508. (*Sir Donald Stewart.*) Of course it may be put into the Act, and the wording is no doubt correct; but practically the vessel at Port Blair is only a despatch-boat for the service of the Superintendent of the settlement. The Andamans have been occasionally without any boat at all. The "Enterprise," built specially for the settlement, had no guns, nothing but small arms. She was not for defensive purposes at all?—I think she was lost there, was she not?

8509. Yes, she was wrecked in the harbour?—Yes.

8510. (*Mr. Buchanan.*) I quite understand; but Captain Hext's view would be that these words in the 1884 Act justified him in making the proposals for the armament of some of the ships of the Indian Marine?—It is quite true that it is an anomalous position to expect ships to guard, suppress piracy, and so forth, without arms; but then we do not know anything about that Indian Marine Act. I do not know who invented it; and we do not admit it at all from the naval point of view. (*Mr. Cuming.*) At the time when that Act was under consideration between the India Office and the Admiralty, the Indian Marine was described in the India Office letter of the 13th February 1883 as "a purely non-combatant service."

8511. (*Mr. Mowbray.*) And when was this armament put on board the "Lawrence?"—(*Vice-Admiral Kennedy.*) It was on board when I went out in February 1892; she had all her arms on board, and while I was on the station orders came that she was to be disarmed. It is difficult to understand how you could have an armed force out there unless actually commissioned men-of-war; they would have to fly a flag, and be under the orders of the Admiral, become men-of-war, otherwise they would become a sort of pirates.

8512. What colours do the Indian Marine fly?—They fly a blue ensign with some device on it—the Star of India, I believe.

8513. (*Chairman.*) What would you suggest as an improvement on the present arrangement, presuming that the "Lawrence," or some other vessel, is necessary in addition to the "Sphinx"? Would you propose that the "Lawrence" should be put under the command of the officers of the naval squadron, instead of being simply at the disposal of the Resident?—If she is armed, she would have to be put under the orders of the Admiral; but I should think that the Indian Government would object to that themselves; they would prefer to keep her as she is.

8514. Would they object, or the Resident?—I do not think the Resident would care, because he uses one ship like the other.

8515. Does he use your ships?—Yes, he uses the "Sphinx" just as much as he uses the "Lawrence;" I do not think it would matter to him. But Captain Hext himself would be the first to object; he prefers, naturally, to have the Indian Marine ships under his orders; and he is quite right from his point of view, and he has them under his orders. That is the difficulty. Directly you arm them they become pirates; they have no status if they are fully armed.

8516. There is another way of solving the question. Would you, from the Admiralty point of view, like to undertake the whole of the Indian Marine as it exists, so as to have those vessels armed and ready for service in case of necessity?—I do not know what the Admiralty view would be in that case. That is what it would come to in time of war; but in time of peace I should think that they would prefer to let these vessels do their own work.

(*Mr. Cuming.*) You mean that we should work the ships and charge the Indian Government another subsidy for it, and that they should pay us the cost?

8517. I mean that you should extend the arrangement made with regard to floating batteries?—Undoubtedly I think the Admiralty would rather not.

8518. As a method of remedying the Indian complaint that their ships are useless because the Admiralty pre-

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vent them being made useful, it might be a solution of that difficulty if the Admiralty undertook the whole business?—The local troop service—the Admiralty would not care to take that over, and on it, as the Admiral says, the Indian Marine ships are largely employed.

8519. When we look at Captain Hext's evidence we see that three ships out of the 10 are so employed?—(*Vice-Admiral Kennedy.*) The others are small.

8520. (*Sir Donald Stewart.*) But if the ships are not wanted for trooping purposes, would not the true economy be to sell them, to get rid of them?—But they always are required for trooping services; they are constantly taking troops about.

8521. (*Chairman.*) That is rather at variance, I think, with what Captain Hext says. I gather from his evidence that three are kept upon the trooping service; and then he distinctly states that such and such ships—the other seven ships—are kept upon these different stations. For instance, the ship of which Sir Donald spoke?—Yes, one at Aden, one at the Andamans, one at Rangoon, and so forth.

8522. Might there not be an advantage if those ships were put under the Admiralty, so as to have only one authority?—I do not know what the Admiralty view would be as to that.

8523. That has never come under your consideration?—No

8524. Have you anything to say on the statement that the "Marathon" is a ship that draws 22 feet or more, and would be perfectly useless in the Persian Gulf?—Yes, I think Captain Hext a little exceeded the facts there. The "Marathon" as a matter of fact draws 19 feet instead of 22, and as to her usefulness in the Persian Gulf, she is not suited for the Persian Gulf. She could get up within four miles of Bushire, but, as a matter of fact, she is not intended for the Gulf.

8525. And you do not use her in the Gulf?—No; we never send her up there by any chance. She would be useful at Muscat, for instance, where there is very often trouble, but that is not in the Gulf, and any ships can get there.

8526. Did you form a bad opinion of the behaviour of the "Marathon" at sea?—No, she is a very good ship; what sailors call "lively," but fast and perfectly safe; a good ship.

8527. Captain Hext appeared to me to have an opinion that the Admiralty had not taken into consideration the services of the "Lawrence" in the Persian Gulf; and that the presence of the "Lawrence" there should be taken into consideration in connection with the contribution; do you think that the presence of the "Lawrence" in the Persian Gulf has been taken into consideration in the contribution that has been fixed?—No, I should think not; it has nothing to do with it.

8528. Do you think there is anything in his view, as I understood him, that in consequence of the presence in the Persian Gulf of the "Lawrence," which is paid for by India, some reduction should be made in the Indian contribution for the other ships?—She does not do any fighting; she is most useful as a yacht, but supposing the "Lawrence" is up there single-handed and there is any disturbance, they immediately telegraph to the Admiral, who sends a man-of-war; so that I do not see that she can be taken into consideration as a force.

8529. Looking at the financial point; supposing she were put under the orders of the Admiralty and armed, should you then be able to withdraw a ship from the Persian Gulf?—She is just as good as the "Sphinx," perhaps better; but they would still want a yacht up there. I think myself that that really would be the best way of working the Gulf, because those two ships are so specially fitted that they are very healthy, and our gunboats are not suited for it.

8530. Then you think there might be an advantage in making such an arrangement as that? Is your opinion based on the ground that the Persian Gulf is bad for the white man?—I do not say that it is unhealthy for the white man, but the heat is so terrific that you require a special ship for him and special precautions; and the "Sphinx" was always perfectly healthy, the most healthy ship in the squadron, though she was up there all the year round with white men on board; but then, of course, they were taken the greatest care of

8531. But the upshot of it is that if the "Lawrence" was under the Admiralty orders, there might be an advantage in keeping her in the Gulf and withdrawing the "Sphinx"?—I would not withdraw the "Sphinx," but the "Lawrence" and the "Sphinx" between them would do the work well.

(*Sir Donald Stewart.*) My Lord, I have got the papers here which will explain to you exactly what the "Lawrence" was built for. The Government of India wrote in 1881:—"Having regard to the peculiar "circumstances of the appointment, it seems very "desirable that the Resident in the Persian Gulf should "no longer be dependent for his visits by sea to the "places within his political charge, upon the vessels of "the Royal Navy stationed in these waters. For the "prompt and regular discharge of judicial duties, and "for the proper political control of the Gulf coasts, the "Resident undoubtedly requires to be able, at the "shortest notice, to proceed himself, or depute one of "his subordinates, to any part of his charge. So long "as he has to rely entirely upon the aid of Her Majesty's "gunboats, such free action is out of the question, for "these vessels are not always available; nor, when "available, are they in all respects suitable for this ser-"vice. The practical usefulness of the Bushire Residency "is therefore much impaired, and no corresponding "advantage appears to be gained by Her Majesty's "Navy, as the crews of British vessels suffer from "employment in the Gulf during the hot weather. "Under these circumstances, we have the honour to "recommend that a special despatch vessel be provided "for the use of the Resident, the cost being met by "the withdrawal of one of the gunboats upon the "East Indian station. For the services of these "vessels the Government of India pays 70,000*l.* per "annum, or at the rate of 11,666*l.* apiece. It is "estimated that a special vessel of the character "required could be maintained for about Rs. 80,000, or "6,666*l.* per annum, and that the initial cost of such "a vessel would be about 25,000*l.* in England. The "annual saving, therefore, would be about one-fifth of "the initial cost." So that we were to reduce the ships of war from five to four and were to provide in the place of the reduced ship this vessel, which would be a despatch boat for the use of the Resident; and for that purpose this vessel was built and sent out there.

(*Mr. Buchanan.*) And paid for by the India Government?

(*Sir Donald Stewart.*) And paid for by the Indian Government.

8532-3. (*Chairman.*) Then the proposal of the Government of India, as far as the financial contribution went, was this, that the Admiralty should withdraw a gunboat, that gunboat being replaced by a ship that was not under Admiralty orders?—Yes.

(*Sir Donald Stewart.*) And would be less costly than the gunboat.

(*Sir James Peile.*) Was a gunboat reduced?

(*Sir Donald Stewart.*) Yes, I believe a gunboat was reduced.

(*Mr. Buchanan.*) Then that was a saving to the Admiralty.

(*Mr. Cuming.*) No, to India, because the subsidy was reduced from 70,000*l.* to 41,600*l.*

(*Chairman.*) What year was that, Sir Donald?

(*Sir Donald Stewart.*) This letter was written in 1881. Then there is another letter in 1884 on the same subject.

(*Chairman.*) There were six vessels under the old arrangement?

(*Sir Donald Stewart.*) There were six vessels under the old arrangement. In 1887 they were reduced to four.

(*Chairman.*) Exactly; they were reduced to four.

(*Sir Donald Stewart.*) From six.

(*Chairman.*) This being part of the arrangement which made that reduction of the subsidy possible?

(*Sir Donald Stewart.*) Yes.

(*Chairman.*) The "Lawrence" went up in 1887, did she not?

(*Sir Donald Stewart.*) She was ordered in 1881 and she was working in 1887.

(*Chairman.*) Therefore the arrangement in 1888 under which a reduction was made in the number of ships

employed by the Admiralty and the contribution paid by India was in part rendered possible by this employment of the "Lawrence"?

(*Sir Donald Stewart.*) Yes.

8534. (*Chairman.*) India would not gain any financial advantage, unless the "Sphinx" was withdrawn, would she? The "Sphinx" is the only ship of war in the gulf?—(*Vice-Admiral Kennedy.*) Yes, the only one.

8535. Therefore, for financial advantage, if the "Lawrence" is to be put under Admiralty orders, she must be able to replace the "Sphinx" altogether, must she not?—I think you would want them both; she would take the place of the reserve gunboat really.

8536. You always have a gunboat in reserve?—We have a ship constantly in the Persian Gulf; the gunboat is the reserve ship; she stops at Bombay. That was always the plan I think, and whenever the "Sphinx" came down the gunboat took her place.

8537. What it comes to is this, that if the "Lawrence" were put under Admiralty orders, that gunboat might be free for other service?—There would still be a gunboat in reserve at Bombay.

8538. But as far as the Persian Gulf was concerned, there might be a financial advantage in it?—There might be. That would be the best way, for the Admiralty to buy the "Lawrence" right out. That is what I should do; I should buy the "Lawrence" right out.

8539. It would be a question of re-considering the number of vessels in respect of which the contribution is paid?—Yes.

8540. Captain Hext mentioned that the Indian Navy had been of very considerable use to the Imperial Government, and he cited the services which were rendered by it in New Zealand and in China. They were a very long time ago; I do not know that he was quite positive in his opinion that no payment had been made by the Imperial Government on account of the Indian Navy in those times. Do you know whether at that time, if the Indian Navy was ordered outside Indian waters for Imperial purposes, any payment was made by the Admiralty to India for the services they rendered?—No, I do not know on what footing they were employed.

8541. Have you had an opportunity of reading page 26 of Sir H. Waterfield's paper which is understood to represent the form of the India Office objection to the Rosebery award? "In view of the decision given "by the Prime Minister, it is not desired by the India "Office to dispute the arrangements recently made upon "any arithmetical or technical grounds. But the "attention of the Commission is requested to the broad "question whether it is right to exact from India within "17,000*l.* of the full charge, effective and non-effective, "of the squadron, seeing that—(1.) Although the "Admiral is required to comply with the wishes of the "Government of India when communicated to him, "still the ships are not at their disposal in the same "degree that the Army is. (2.) The vessels not employed "in the Persian Gulf are under the command of the "Admiralty, and must be occasionally employed on "other than Indian services (*see* Treasury letter of "June 30th 1888) for which India gets no return. (3.) "The number and class of the vessels employed is not "that which the Government of India think necessary "but that which the Admiralty determine." Would you wish to make any observation upon that representation?—The Admiralty might demur to it on the ground that it was, so to speak, an objection, not to Lord Rosebery's award, but to the decision of the Foreign Office Conference, which, it was understood, had been accepted on all sides. In the minutes of that Conference it was provided that for the ships selected India should pay the full cost. The Admiralty would point out that in the arrangement they have made, they are receiving less than the full cost, which is 117,000*l.* They are in fact foregoing 17,000*l.* a year. They assented to this in order to settle a long controversy, and because, as stated in their letter of the 30th May, they were willing to recognise that, as intimated in paragraph 7 of the India Office letter of 28th March, there may under existing circumstances be a limit to what India should be asked to pay.

(*Mr. Cuming.*) There is a small paragraph in a letter of the Secretary of State, which I might be allowed to read, that rather covers that.

8542. What is the date of that letter?—It is a letter from the Secretary of State of the 26th June 1895 communicating the terms of settlement with the Admiralty to the Indian Government. It says: "As to "the annual payment I am of opinion that, while a "reference to arbitration would probably not result in "better terms than those offered by the Admiralty, it "might possibly increase the Indian payment beyond "what the Admiralty were willing to accept. I de-"cided, therefore, in Council to accept the proposed "compromise, which is, I am satisfied, the best arrange-"ment which could be secured in the interests of India." That seems to show that the Admiralty made, in the opinion of the Secretary of State a very reasonable proposal.

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8543. (*Sir Donald Stewart.*) That is an opinion?—At any rate it seemed as if he thought an arbitrator might take that view.

8544. (*Chairman.*) The first point upon which the Indian Government rely in making, what I may call, their appeal to the Commission is that the ships are not at the disposal of the Indian Government in the same degree as the army is?—(*Vice-Admiral Kennedy.*) No.

8545. But I would ask you, is it not almost a necessity of the case? Assuming that these ships are used solely for the purposes of India, would you not say that it is desirable that one authority should determine the manner in which a naval force should be used?—That is the reason why the Admiralty never would allow their Admiral to be under the orders of anyone; we do not admit anyone over us out there, not even the Viceroy of India; but, of course, if he expresses a wish it is the duty of the Commander-in-Chief to comply with it.

8546. I mean, looking at it from the common-sense point of view, is there not something almost untenable in the idea that the Viceroy—a landsman—should direct the movements of the ships in Indian waters?—That is the reason.

8547. (*Sir Andrew Scoble.*) The First Lord of the Admiralty is a landsman?

(*Chairman.*) But then he is only one of a Board?—Oh, yes, and for that reason, I was going to say, he knows nothing about ships. But of course it is not necessary for the First Lord of the Admiralty to know anything about it; there are great questions for him to deal with.

8548. (*Mr. Courtney.*) But is that distinction between the Navy and the Army sound? The Viceroy may be a pure civilian, yet he is at the head of the military forces?—I do not know, I am sure, how he stands with regard to the military; but I do not suppose the Viceroy would give any orders to troops except through the military Commander-in-Chief. He would express his wishes, of course; I am speaking in the presence of Sir Donald Stewart, who knows all about it, and I do not; but I take it that that would be the way in which he would order troops about.

8549. Through the Commander-in-Chief?—I suppose so.

8550. Might he not, in the same way, order ships through the Admiral?—Well, it would amount really to an order, although not admitted as an order. If he were to say to the Admiral, "I wish you to send a ship "to such and such a place," it would be the duty of the Admiral, under his instructions, to comply. It is laid down expressly in the minutes of the Foreign Office Conference that the vessels will be under the controlling orders of the Naval Commander-in-Chief, to whom will be sent the wishes of the Indian Government, with which it will be his duty to comply. Of course it amounts to the same thing.

8551. (*Chairman.*) Therefore would you lay very much stress upon that ground of remonstrance, that the ships are not at the disposal of the Indian Government?—No, I should not lay much stress upon it, because it is not really a fact. The Indian Government have only got to express a wish and it is complied with directly; they very seldom did express a wish.

(*Mr. Cuming.*) Those are the exact terms that were laid down at the Foreign Office Conference; the Admiralty has adhered to them strictly. The Foreign Office Conference gave the Indian Government a limited control of the ships.

8552. When I was asking Admiral Kennedy about the advantage of a single authority, I was thinking of a case

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of this kind; if an operation was about to be carried out, would you hold that it was necessary that the Admiral should decide what number of ships should be used upon the service?—(*Vice-Admiral Kennedy.*)—Certainly.

8553. And supposing the non-naval authority on shore said "Oh, no, three ships are not required for that, two will do;" that is a case which, the Indian Government not having an expert department to advise it comparable with the Admiralty, might lead to considerable mischief, might it not?—Of course the Admiral would be obliged to act entirely on his own judgment. There was a case rather bearing on that subject with regard to the defences of Bombay. The military authorities claimed the right to control those two turret-ships and the Coast Defence flotilla generally for which India pays. I was obliged to explain that, as it was a purely nautical question, they must be under the orders of the Admiral or the senior naval officer in Bombay harbour at the time, who would, however, work concurrently with the General. They would never be working in opposite directions; they would all be working for the public good. But it would not do for a landsman to give orders to those ships.

8554. Then the answer to the first complaint is that, practically, the wishes of the Indian Government are carried out?—Invariably carried out.

8555. (*Mr. Courtney.*) Has any similar question arisen with regard to Australia?—I do not know at all what footing they are on in Australia.

8556. What are the orders or directions given to the admiral on the station?—I have been senior officer on other stations, but never as an admiral. The orders, however, always are to assist the civil authorities in every possible way, and to oblige them in any way. We could not take orders from them. For instance, in Australia most likely the Admiral's orders would be to support the Governor in anything he may wish. If the Governor wished a ship sent round to any place, the Admiral would be most happy to oblige him, but he would not be under his orders.

8557. Supposing some difficulty arose at Norfolk Island and the Governor of New South Wales wanted a ship to go there?—It would be sent immediately.

8558. There would be no question of considering the authority of his requisition?—There would be no question. The Admiral would not dispute it. The mere fact of the Governor, who would know all about it, requesting a ship to be sent there at once would be sufficient. If the senior naval officer, whoever he might be, did not do it, he would act at his own peril, and most likely would be superseded as not fit for his post. There might be a massacre at that place; if he did not send up a ship at once, he would, I think, fail in his duty. Such a thing would never arise, because the Navy is always most anxious to assist the political authorities, whoever they may be, whether governors or viceroys.

8559. (*Mr. Naoroji.*) But you would have the power of refusing if you chose?—Certainly; it might be impracticable to comply for reasons of a naval character.

8560. That makes all the difference?—Yes.

8561. (*Chairman.*) Coming now to the second complaint: "The vessels not employed in the Persian Gulf "are under the command of the Admiralty, and must "be occasionally employed on other than Indian ser- "vices." But I gather, from what you have told us about the arrangement between the Admiralty and the India Office, that those vessels cannot be employed, without the consent of the Indian Government, outside certain limits?—Certain limits, which are clearly defined.

8562. And those limits are defined with the assent of the Indian Government?—Inside those limits they may move about as they please, but they are not to go outside those limits.

8563. Therefore, is it quite correct to say that they must be occasionally employed on other than Indian service? They could not be employed on other than Indian service, except with the consent of the Indian Government, could they?—Since I left the station the orders are more binding on the Admiral. I think it is mentioned in them that he cannot move those ships without the consent of the Indian Government. It was not so in my time, but I kept them always in Indian waters; they were always there, and they were carrying out the usual duties of the station.

8564. And in that case, I suppose, from what you said before, you would, as far as possible, carry out the wishes of the Indian Government?—Yes. As a matter of fact, the Indian Government rarely expressed any wish at all. Only once or twice, I think, I was asked to send a vessel up the Persian Gulf in consequence of trouble at Muscat and other places. Of course it was sent immediately.

8565. (*Sir Donald Stewart.*) But your ships go to the Mauritius and Madagascar, which are not in Indian waters technically?—Yes, but I always had four in Indian waters. That would still leave the Admiral four ships to go to Mauritius and Madagascar; but he would leave the four in Indian waters all the time.

8566. Is that the present arrangement?—Yes.

8567. There are always four in Indian waters?—Always supposed to be.

8568. But are they in fact? In my time, I can answer for it, there always were four; I never left less.

(*Mr. Cuming.*) Under the old arrangement of 1869 to 1887 it was six ships first, and four afterwards. If there were less than six ships, or four, India had the right to reduce the subsidy, and she did so on more than one occasion.

8569. May not the fact that the full number of ships was not always in Indian waters have been the reason—I do not know—why this proviso was specially put in?—(*Vice-Admiral Kennedy.*) There may have been some complaint lately; I do not know about that.

8570. (*Sir William Wedderburn.*) I just wish to ask whether general instructions were given by the Admiral to officers commanding men-of-war in the Persian Gulf to carry out requests from the Political Residents?—Always.

8571. There were general instructions?—Most particular instructions that he really was at the disposal of the Political Resident to carry out his wishes in every way. In fact they do so. The "Sphinx" has her headquarters at Bushire and is entirely at the service of the Political Agent there.

8572. And as regards the location of these men-of-war, is that under the direct instructions of the Admiral or does that depend on the request of the Political Resident?—On the request of the Political Resident in the Gulf. The ship leaves with the Admiral's orders, for instance, to go to the Gulf, and there her duties are clearly defined—suppression of the slave trade and so forth—but she has always to be in touch with the agent at Bushire and carry out his wishes.

8573. Have there been any cases in which a difference of opinion has arisen between the Political Resident and the Naval officers—any cases of complaint?—I never heard of one.

8574. Things have always been arranged in an amicable way?—Always very amicably.

8575. (*Mr. Naoroji.*) Do I understand that the second complaint is that India gets no return?—That seems to be the complaint as far as the remonstrance goes; it was "India gets no return."

(*Chairman.*) You must read the words before "occasionally employed."

(*Mr. Naoroji.*) "Vessels not employed in the Persian "Gulf are under the command of the Admiralty, and "must be occasionally employed on other than Indian "services," *see* Treasury so and so "for which India "gets no return," and that I understand was the complaint.

(*Chairman.*) But the complaint is that they are occasionally employed on other than Indian services, for which India gets no return.

(*Mr. Naoroji.*) I merely wanted to know what the real complaint was.

8576. (*Chairman.*) Then what would you say about the third complaint?—"The number and class of the "vessels employed is not that which the Government "of India think necessary, but that which the "Admiralty determine"?—That is true; because, for instance, they object to the "Marathon," and yet the "Marathon" is selected.

8577. But would not the answer be, that the Admiralty are the expert department?—They are the best judges.

8578. And therefore best fitted to determine?—They are the best judges of the all-round work of the station. It is perfectly true, as Captain Hext says, that the

"Marathon" is no use for the Persian Gulf; she is not the sort of ship; she is too big; she draws too much water.

(*Mr. Cuming.*) That was a point that the Admiralty was willing to go to arbitration about, but the Secretary of State accepted their modified offer instead of going to arbitration. I do not know whether the Government of India has accepted it, but the Secretary of State has accepted the ships.

8579. (*Sir James Peile.*) What was the modified offer you speak of?—To take 100,000*l.* instead of 117,000*l.*

8580. (*Mr. Buchanan.*) Does the Rosebery Award in this case, with regard to the third complaint, go beyond the terms of the Foreign Office Conference of 1890?—Not at all. The Rosebery Award merely explained what was the meaning of the term "Indian purposes."

8581. But was not the power of the Indian Government to choose their ships, and to name the class of ships, more definite under the Foreign Office Conference agreement than under the Rosebery award?—I think not; I think Lord Rosebery's award left the Foreign Office Conference exactly where it was. All it did was to define the meaning of "Indian purposes." The Admiralty hold that the interpretation put by Lord Rosebery on "Indian purposes" justified their selection of ships; the India Office consider that they should have a voice in the selection of the ships; the question was who should name the ships first.

8582. (*Chairman.*) As far as the Foreign Office award went, it merely named Indian purposes without defining them?—Quite so.

8583. Then when the Admiralty and the India Office could not come to an agreement as to what those Indian purposes were, it was necessary to call in a referee?—Yes.

8584. Lord Rosebery was the referee?—Yes.

8585. And his award simply defined what was to be the meaning of "Indian purposes"?—Quite so.

(*Mr. Mowbray.*) Have we had that definition put before us? We have not got the award before us, and it is very difficult to follow without seeing it.

(*Chairman.*) It will be distributed with the papers containing the Indian and Admiralty cases.

8586–7. (*Mr. Mowbray.*) I only wondered whether we could have the definition?

8588. (*Chairman.*) You have the Rosebery award before you?—(*Admiral Kennedy.*) Yes.

8589. Perhaps you would read the conclusions at which Lord Rosebery arrived?—"My conclusions therefore are: That the old Indian Navy did perform, or "co-operate in the performance of, duties more extensive "than are now admitted under the expression 'Indian "purposes' as limited in the India Office case. (2.) "That this expression cannot be limited to merely "maritime police and the repression of piracy, but must "be held to include some portion at any rate of the "duties devolving on the Royal Navy for the defence of "India and the protection of trade in Indian waters. "(3.) That the transaction of 1862 represented at most "a temporary waiver of the claim of the Imperial "Government to a contribution from India in respect "of the performance of those duties. (4.) That in any "case, nothing then said or done could affect the right "of the Imperial Government to raise such a claim on "its merits at any subsequent period. (5.) That the "basis on which such a contribution should be calculated "does not admit of a permanent definition, but should "be settled between the Home and Indian Governments "from time to time, at fixed intervals of, say, ten years.

8590. At all events that was the answer of the arbitrator on the question of what were Indian purposes.—(*Mr. Mowbray.*) Yes.

8590*a*. (*Chairman.*) Besides the ships in respect of which the subsidy of 100,000*l.* is paid, are there not ships in reserve and torpedo boats which have been transferred by the Indian Government to the Admiralty and maintained by the latter in return for an annual payment of 61,000*l.* Would you give us the Admiralty view of this arrangement?—(*Admiral Kennedy.*) The annual payment is 59,600*l.* The vessels in question form the Indian Coast Defence Flotilla, and are:—1 turret ship, 1 torpedo catcher, and 3 torpedo boats in commission, and 1 turret ship, 1 torpedo catcher, and 4 torpedo boats in reserve.

8591. And how are these ships that are in commission employed?—Those that are commissioned are in Bombay Harbour and they remain there; the turret ships never leave Bombay Harbour except for exercise. The torpedo catchers and torpedo boats are constantly exercised up and down the coast to keep them up to the mark.

8592. But they belong to Bombay?—They belong to the defence of Indian ports, not all to Bombay. The reason that those seven torpedo boats are kept at Bombay is that the dockyard is there, and they are kept in good order; but in time of war they all belong to all India. In time of war they would be dispersed wherever it might be thought fit; in fact, one belongs to Calcutta, and another to Rangoon, another is probably for Kurrachee, and Bombay would take the balance.

8593. The arrangement under which the Admiralty took these over is approved by the Admiralty?—Yes. there is no objection on either side. I have never heard any; Captain Hext does not raise any complaint.

8594. Does the Imperial Government, in your opinion, lose or gain by it financially?—I do not think there can be anything one way or another.

8595. And, therefore, as far as the Admiralty is concerned, they would suggest no modification of it, speaking of it now from a financial point of view?—I have not heard that there is any gain or loss. Mr. Cuming is an expert in finance, he may have heard of it. (*Mr. Cuming.*) There is no difficulty.

8596. Captain Hext holds that the Indian Government render great service to the Royal Navy by having provided docks, for the use of which the Navy pays nothing, or, at most, an insufficient sum. What is the Admiralty view on this point?—(*Vice-Admiral Kennedy.*) There is no doubt about the usefulness of the docks, and the service is very well performed; the ships are very well looked after, the work thoroughly done; as regards the payment, that is an arrangement that has been made between the Governments, and I have not heard any complaint until now.

8597. It is a reciprocal arrangement, is it not?—Yes, a fixed charge.

8598. Only the Indian Government has no ships over here?—They very seldom come here.

8599. But it was made at a time when the Indian Government had the big troopships, was it not?—Yes; they had the benefit for about 30 years.

8600. And at that time these troopships which belonged to the India Government were constantly in dock?—They were docked in Portsmouth.

8601. Now the India Government does not get that advantage?—Not since the withdrawal of the Indian troopships.

8602. It has become a one-sided arrangement?—Our ships are docked out there, and their ships do not come here. Whether they lose or gain by the operation out there I cannot tell.

8603. (*Sir Donald Stewart.*) I think the complaint is that there is little reciprocity—that the docking charges in India are very favourable to Her Majesty's ships, and that when an Indian ship is docked in one of the Government yards in England it is charged full rates?—(*Mr. Cuming.*) I do not think so; I think the same charge is made, the actual wages, the material, and 10 per cent. on that.

8604. Is that so?—Oh, yes. (*Vice-Admiral Kennedy.*) That is the arrangement.

8605. (*Chairman.*) Captain Hext laid stress upon that point. I had always understood that the arrangement was reciprocal, and that whatever charges were made there were made here also; that is to say, the contingent charge of 10 per cent.?—(*Mr. Cuming.*) Yes. (*Vice-Admiral Kennedy.*) The fall of the rupee may account for the discrepancy in charges.

8606. That would not be the case if the charge was a percentage of the actual cost, would it?—(*Mr. Cuming.*) In one case that Captain Hext quotes the apparent difference is owing to exchange.

8607. (*Mr. Mowbray.*) The case of the "Clive"?—Yes, that is it. It is a mere difference of exchange. (*Vice-Admiral Kennedy.*) Yes.

8608. (*Chairman.*) Do you wish to make any remark as to the statement "At Bombay large works have "been undertaken by the Government of India

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"almost entirely to meet the requirements of the "Navy," &c., &c.? These works appear to be the deepening of the Duncan Dock, construction of a ship and torpedo basin and dock, and the purchase of a dredger. Also, as to the statement that the docks, before they were deepened &c., were quite equal to Indian requirements?—Yes, I think it requires some qualification. A despatch from the Government of India to the Secretary of State, dated 11th February, 1890, intimates that the former had under their consideration the provision of shelter for the torpedo boats lying in Bombay Harbour, and proposed for the purpose to construct a wet basin, that is for their own torpedo boats. The torpedo boats in question are the property of the Indian Government, and form part of the Defence Flotilla. The despatch goes on to say that it was proposed to take advantage of the opportunity to carry out a "much needed improvement" to the Duncan Dock itself, as owing to its insufficient depth ships could be taken in and out at spring tides only. As an instance a case was given that had actually occurred in connection with the "Serapis," an Indian troopship, which might have involved an increased expenditure of 18,000*l.* out of Indian revenue. The despatch adds:—"When the Duncan Dock is deepened as proposed, "there will be no difficulty in docking any of H.M. "Indian troopships at any time." As regards the dredger, in a letter to the Indian Government, dated 7th October, 1887, Captain Hext, in dealing with the question of deepening the existing channel, says: "this last, as a "new dredger must, in any case, be ordered from "home, need not be taken into account, as *it would be "part of the dredger's current work.*" As a matter of fact, neither the "Boadicea" nor the "Bonaventure," the past and present flagships, have ever been into the Duncan Dock, on account of the approach thereto not being properly dredged; they have had to go into the Mereweather Dock, a private concern.

8609. Would the Admiralty consider then, that, looking at the whole question, there is any force in the argument that these docks have been enlarged, and that, if it had not been for the presence of Admiralty ships, smaller docks would have sufficed? Or would it be answered that if the Indian Government had their own Navy, docks of equal magnitude would have been required to dock those ships?—No; the dock, as it was before, undoubtedly would have taken any ship in the Indian Marine; but the basin was built for their own purposes, viz., for their torpedo boats, and for docking their own ships in the wet basin in the South West monsoon. Undoubtedly the dock was increased in size for the benefit of Her Majesty's ships, or for Indian troopers.

8610. Supposing the Indian Navy had remained, belonging to the Indian Government, would they have been obliged to construct similar docks, do you think?—That would depend on the class of ships they possessed.

8611. Of course, these docks are constructed for the repairing and maintenance of ships that are required for Indian purposes?—Really that Duncan Dock was increased for the benefit of the troop ships.

8612. That was an Indian service?—That was an Indian service, and as a matter of fact it will not take in the flagship at the present day; it might just at certain times, spring tides, but it would be rather risky.

8613. If the Indian Navy had remained and, we must suppose, been brought up to the rates of the present time, they would have had a flagship of equal size?—Undoubtedly they would have required the docks; I did not understand you. If they had their own navy and ships up to date, they must have increased the dock accommodation.

8614. And are these docks ever used by ships of Her Majesty's Navy that are not appropriated to Indian waters?—Yes, certainly, every one of the ships on the station goes into them.

8615. The ships on the station; may it not be fairly argued that the ships on the Indian station are there for the purpose of defending India, and therefore that docking accommodation should be provided for them? But what I meant was, are the ships of other squadrons ever brought into dock there?—They are; just ships passing through: not often, but such things have occurred.

8616. But so far it is a convenience, and that is a point that might be taken into consideration fairly in considering the question of contribution, might it not?—I think so. You see it would not often happen that a ship that did not belong to the Indian station would go to Bombay at all; of course she would go to Colombo instead, wherever she was bound for.

8617. That reduces the value of these docks to vessels other than those on the Indian station, to very small dimensions?—It is very little advantage excepting to ships on the Indian station; in a short time we shall have a dock at Colombo which will discount the Bombay dock.

8618. Can you furnish any information as to the 10 per cent. paid by the Admiralty on the repairs of their ships?—The Admiralty pays 10 per cent. in addition to the actual cost of labour and material, which includes that expended on actual docking and undocking. The same charge would be made against India for work performed in Imperial dockyards on Indian vessels. The repairs and docking of the five Indian troopships were performed on this arrangement. This 10 per cent. is supposed to cover incidental and establishment charges.

8619. Is not that very much the same as you charge in England upon ships docked here? (*Mr. Cuming.*) Yes, we should charge them exactly the same; we should charge them wages and material, with an addition of 10 per cent. on it.

8620. And the only question, therefore, which arises there is, first of all, whether now there is any reciprocity, since troopships belonging to India no longer come over here?—(*Vice-Admiral Kennedy.*) No, there are no longer troopships.

8621. But apart from that, are you satisfied in England that 10 per cent. is a sufficient charge?—(*Mr. Cuming.*) I have never gone into the percentage; it does not include capital charges, but has been accepted by both Governments.

8622. Have the Treasury any view upon that point? Because, without of course their being in any way concerned in the *minutiæ* of those charges, the question has arisen, from the financial point of view, as to what the Admiralty charge to cover indirect expenses should be?

8623. (*Mr Ryder.*) I rather think that the Admiralty have two scales of charges, one for what I may call the family, viz., Government departments and India, and one for outsiders?—Yes.

8624. And in the case of outsiders the charge is supposed to cover various things, such as interest on original capital, cost of headquarters administration and that kind of thing, which are omitted in the case of charges to Government vessels?—Yes; they are rather, I imagine, prohibitive charges; it is not desired to encourage people to come.

(*Chairman.*) And therefore the charge made by the Admiralty of 10 per cent. is supposed to be sufficient to cover and save the Admiralty from loss in the case of public departments using their works?

(*Mr. Ryder.*) Yes, I think so.

8625-6. (*Chairman.*) Would they charge the 10 per cent., supposing there was a case of an English merchant ship being allowed to use the docks, or would they in that case put the non-family charge in force?—Yes. That would be a non-family charge. She would be looked upon as a private individual. (*Vice-Admiral Kennedy.*) There is not the slightest doubt of the enormous accommodation of these docks at Bombay, of course, because we have no other dock on the station. Trincomalee has none. But they are going to have a very good dock at Mauritius and another one at Colombo.

8627. (*Mr. Molesbray.*) What charges do you pay when you do repairs at Trincomalee? At Trincomalee there is our own dockyard; there is charge for the plant; I do not know whether there is any scale. (*Mr Cuming.*) To outside people?

8628. No, to the Indian squadron? There is no charge; it simply comes into the expense accounts. (*Vice-Admiral Kennedy.*) It is our own dockyard there.

8629. Provided for by the British taxpayer?—Yes.

8630. (*Chairman.*) Can you explain the difference in cost in docking the "Clive" at Portsmouth and Bombay, viz., 111*l.* at the former and 77*l.* at the latter?—(*Mr Cuming.*) It is supposed that this is due to the low rate of exchange, and that if the rupee were now worth 2*s.*, the cost in sterling of docking at Bombay would be

rather more than at Portsmouth. The calculation is 115*l.*, as against 111*l.* at Portsmouth.

8631. That is to say, the "Clive," going with sovereigns in her locker to Bombay changes those sovereigns and pays in rupees, and makes a good thing of it?—They calculated the cost at Bombay in rupees and then turned it into sterling.

8632. Have you any remark as to the retaining fee of 2,438*l.* paid for the smallest of the P. and O. Steamers as an armed cruiser?—(*Vice-Admiral Kennedy.*) This rate is for vessels of over 6,000 tons and 7,000 indicated horse-power. Payment is made to the P. and O. Company for three vessels, but it holds ten others at the disposal of the Admiralty without further subsidy.

8633. Therefore you do not consider there is much force in Captain Hext's implied remonstrance?—No, I do not think it is of any consequence.

8634. You will observe that some of Captain Hext's observations are based on the long time in the year that the docks are occupied by the ships of the Royal Navy?—We have no records at the Admiralty to verify that; there is no doubt that ships have been a long time years ago. He mentioned the case of the "Briton" having been in dock 115 consecutive days; but that is very ancient history.

8635. When was that?—The "Briton"—it must have been 15 or 20 years ago.

8636. (*Sir Donald Stewart.*) She was out there in 1872–73, about that time?—About 1872.

8637. (*Chairman.*) You do not think he could adduce anything similar in later days?—Ships are never in dock a moment longer than it is necessary for the repairs required.

8638. I suppose the meaning of that is that not only do they charge less, but the ship was an old ship and consequently requiring repairs?—I should think she was a worn-out old tub; it is 25 years ago.

8639. Would you tell us shortly the changes which have taken place of late years in the transport arrangements between England and India? Formerly the ships belonged to the Indian Government, did they not?—Yes.

8640. But of late years those ships have been given up, have they not, and the transport has been taken up from the trade, has it not?—That is so. It is a subject with which I am not familiar, Admiral Brent is the proper person to give information about it; but what you say is correct, that the trooping used to be performed by the Indian troopers, and that they are all worn out and no longer running; and, since, that the trooping is done by hired transports belonging to the P. and O. and British India Companies.

8641. And speaking of that, from the financial point of view alone, are the Admiralty satisfied that that is an economical way of doing the service, and is that the object with which they have made the change?—That is a question which I could not really answer with any authority. (*Mr. Cuming.*) We do not know much about that. There is one department in the Admiralty which acts as the agent for India and as the agent for the War Office as regards transport; but all the claims and all payments are made between them and the India Office, and the Admiralty does not see anything of the financial working of it at all.

8642. If we want any information as to the reasons for that I suppose we can get it?—(*Vice-Admiral Kennedy.*) Yes, it is quite easy to get the information. I fancy that it is much more expensive running the hired transports than on the old system, but I have no personal knowledge on the subject.

8643. I want to know whether the Admiralty have made the change from financial reasons or from other reasons?—That really is a question which it would be better to put to Admiral Brent. My impression is that it is force of circumstances; the old troopers are worn out and they have got to transport the troops by some means, and that is undoubtedly the best means but possibly the most expensive.

8644. (*Mr. Buchanan.*) The coasting transport is still done by the Indian Marine, is it not?—Yes, entirely.

8645. It is merely the home transport?—Only the home transport.

8646. Can any further use be made of the transports owned by the Indian Marine than is made at present?—Do you mean with regard to bringing the troops to England?

8647. Would it be possible to use any of them for that purpose?—It would be quite possible; the ships are good enough, and are well fitted. I fancy the difficulty would be that these ships have no status outside of Indian waters; but as regards their accommodation they are quite capable.

8648. As transports they are quite fit for the work? Yes.

8649. Then it is merely the same difficulty as we had before about the status of the ships and the position of the officers?—That is where the difficulty comes in.

8650. So that we are at a loss here again financially owing to this difficulty?—Yes.

8651. (*Mr. Courtney.*) Is that the reason that they were discontinued?—No; the troops used to be carried by certain troopships which are worn out, no longer in existence.

8652. Is the reason why they were not renewed that which you now state, the difficulty of status?—Oh, no, the old Indian troopships were under the English flag and flew the pennant.

8653. (*Mr. Buchanan.*) Has it ever been considered by the Admiralty whether they could not use these Indian transports for bringing troops to England?—I expect it has been; you may depend upon it that there is some good reason against it.

8654. Apparently it would save money to have these efficient transports, and yet they do not make use of them?—They do make use of them for the coasting service.

8655. (*Sir Andrew Scoble.*) Has not the "Clive" brought troops from India to England?—I believe she has; she was certainly over here in English waters. (*Mr. Cuming.*) She brought the Shahzada.

8656. I do not mean the Shahzada—the troops?—I never heard of it. (*Vice-Admiral Kennedy.*) And the "Warren Hastings" came to England the other day; she brought Lord Lansdowne home.

8657. Did she not take troops back?—I am not quite sure about that. (*Mr. Cuming.*) I do not know; I have nothing to do with it.

8658. (*Sir William Wedderburn.*) May I ask if you know of any actual case of outside ships being hired when Indian Marine transports were available; do you know any actual instances?—(*Admiral Kennedy.*) You mean for the transport of troops to England?

8659. To England, yes?—No, not when Indian ships were available; I do not know of anything of the kind.

8660. You do not know of any actual cases?—No, I never heard of any case.

8661. (*Sir Donald Stewart.*) Troops have occasionally been brought home in small parties on trading ships, have they not?—Not to my knowledge.

8662. (*Chairman.*) There is one remarkable statement in a Treasury Memorandum, which is one of the papers put in, about which I would ask you whether you have noticed it, and whether you would agree with it, namely, that, when the old Indian Navy existed, taking the value of the Indian trade, and looking upon the cost of the Navy as an insurance upon the trade, the cost to India was about 4 Rx. per 1,000; if you take the cost of the contribution the Indian Government pays now, the Treasury work it out as being not 4 Rx. per 1,000, but 4 Rx. per 10,000. My only reason for calling your attention to that point is that it gives one the idea that the present arrangements, as compared with the arrangements of 35 years ago, are not very onerous to India?—No, I should not have thought they were. It seems a very small sum really, looking at it from a broad standard, to pay 100,000*l.* a year as an insurance for the protection of Indian trade round her coasts; that is what it amounts to.

8663. (*Mr. Buchanan.*) She has built a dock for you that you get the benefit of?—It is generally admitted that she required it in any case.

8664. I mean there are certain points to be put on the other side?—Yes.

8665. (*Mr. Naoroji.*) Does the Royal Navy admit any Indians in employment either as crew or as officers?—No, only as cooks and stewards.

8666. One or two?—Plenty of them are employed.

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8667. Then that means that India should pay for that from which no Indians derive any benefit of employment?—But they do derive benefit.

8668. I mean benefit of employment in the Navy. The whole employment must go to the benefit of the Englishmen according to present arrangements?—No. They have benefit, because there are a great number of lascars employed in the defence ships, for instance.

8669. I mean in the Royal Navy, in the Royal Squadron for which India pays this 100,000*l.* and 60,000*l.*; I am only talking of the Royal Navy, not the Indian Marine. They get no benefit out of this contribution which they pay for the Royal Squadron?—No, we do not ship Natives as seamen in the English Navy because they are not trained for it, and in like manner, I conclude, officers; but Lascars are employed in the Defence Flotilla.

8670. But is it simply because they are not trained, or is it a determination not to employ them at all? Facilities might be given for them to be trained; is facility given nor them to be trained? I know of one instance where an Indian here wanted to be employed—I do not know whether it was exactly as a crew—in one ship, and he was distinctly refused; so; too, in the Army; they are distinctly refused to be employed at all either in the Royal Navy or the Royal Army?—The natives of India are largely employed in the Army.

8671. The Native Army, but I am talking of the European officers?—Who wanted to join this army?

8672. We will confine ourselves to the Navy?—Yes. I am not prepared to say whether an Indian gentleman who wished to get his son into the Navy, and who was prepared to send him home to pass his examination—I do not know at all why he should not be admitted; there could be no bias against him. But I am only speaking without authority on the matter.

8673. That is exactly what I wanted to know. As far as I understand, he would be distinctly refused; if any Indian gentleman's son went home he would not be admitted to any training college or any place at all?—Oh, no; try it on. I am sure he would be heartily welcome: there is no feeling of that sort at all.

8674. His "trying it on" means a deal of expenditure, therefore can we not have any authoritative expression that, if an Indian came here and wished to enter the college and to be trained just as others—it would be no concession at all—that he would be freely admitted on the same terms as any Englishmen passing the same examination, and so on?—Yes.

8675. Till that order is made, or until that is publicly known, "trying it on" means simply expenditure and going back disappointed?—That could be ascertained quite well. I shall have very great pleasure in finding out for certain, because I cannot answer the question entirely myself.

8676. I should be very glad if you would find that out?—I will find it out without any delay.

8677. Assuming that India has an Imperial interest in the Royal Navy, there is so far an equal interest to Britain to maintain its rule also in India?—There is no doubt that Britons do take a great interest in India.

8678. So far, assuming that the account is balanced with equal interest, is it not right that India should have a proportionate share of the benefit of the employment according to the money India pays? That will be answered if you will kindly find out what I have asked; I need not ask that any further?—Has an Indian man or gentleman ever expressed a desire, because it is rather springing a mine on one; I have never heard that they wanted to come, generally the climate is against it.

8679. Not necessarily?—They would not like to leave their own home.

8680. They believe that they would never be admitted?—I see; you start under the belief that there is a great bias against it.

8681. Both in the Army and in the Navy?—But I do not think so.

8682. I shall be very glad if you will find out that?—Yes.

8683. Now, it is said that when any expenditure is incurred by the British Exchequer, either here or in India, in which both countries are interested, India must contribute a share; on the same principle does not justice require that, when any disbursement is made from the Indian Exchequer for any purposes in either country in which both countries are interested, the British Exchequer should make a fair contribution?—It seems so.

8684. In apportioning charges between Britain and India should not their respective capacity be taken into consideration? Britain is a vastly rich country, and drawing its riches largely from India, and India is an extremely poor country owing to Britain carrying away its wealth; should not Britain have some consideration for these circumstances?—Of course, these are really questions for experts, and it is the first time I have heard that India is a very poor country, or that it is drained for the benefit of England. I always thought that it was a very rich country and self-supporting, and that without England it would be in rather a bad way.

8685. We differ very largely in that?—I do not see exactly what you are aiming at. Your contention is that if England had nothing whatever to do with India, India would be better off than she is now?

8686. That is a different question?—That is what you are thinking of, is it not?

8687. I say that comparatively Britain and India are very different in their capacity for payment or in their wealth. England, taking the expressions of Secretaries of State——?—Has a large swallow.

8688. England is a very rich country, and India is distinctly poor, as Lord Cromer has stated. Now, I say that in apportioning charges for any purpose which is common to the interests of both, is it not necessary, as the Government of India has also asked, that their comparative capacity to pay must also be taken into consideration, and not merely the arithmetical division?—I expect that if I expressed any opinion upon that subject it would not be worth anything whatever; no one would pay any attention to it: I am afraid the Chancellor of the Exchequer would tell me to mind my own business.

8689. That is true, but an English gentleman may express his views, whether the Chancellor of the Exchequer hears him or not?—I think you should put that straight to the Chancellor of the Exchequer, but not through me.

8690. But, if I am supported by good English opinion, I might put it more forcibly to the Chancellor of the Exchequer?—Yes, but you must get an opinion that is worth having, and not mine, upon such subjects as that; it is quite valueless.

8691. We have got here that they constantly use the words "Indian purposes" and "Indian requirements"?—Yes.

8692. But is it not the case that there are two parties concerned in all these purposes: the English purpose, namely, the English rule, and the Indian?—Yes.

8693. Therefore, whatever is supposed to be an entirely independent Indian purpose, as if it was the case of the United States or France, is it not right that in considering all these Indian purposes both these parties should take their fair share in everything that is for the interest of both; that is a question very similar to what I have already put, in fact?—Yes. That is the very reason why India pays this subsidy, because they ought to take their share.

8694. In the same manner Englishmen ought to take their share for purposes for which India pays?—Of course, we do, because this 100,000*l.* per annum must certainly be a very small proportion of the enormous burdens that England has to bear. And, in alluding to Indian purposes, of course they would claim that all our squadrons are really for the benefit of India. We take so much interest and care of India that we keep up large fleets in the Mediterranean and all over the world, on purpose to guard India, which we do not want to lose.

8695. Which we do not want to lose?—Which we do not want to lose. That is right; if we lost India we should put down a great many of our expenses; therefore all these questions are really Indian purposes, and the whole East Indian squadron is for Indian purposes, because they are looking out to prevent the enemy from coming and attacking India. Without that squadron we might have other people prospecting round the coasts of India and making themselves very disagreeable, no doubt; so that the indirect advantage that India gets from the English Navy is enormous. I

should say that if they really wanted to claim their just rights they would be estimated at at least half a million sterling.

8695*a*. I grant that India has so much benefit out of this squadron, but is not this squadron for the defence of India as much for the interest of England as of India? Is it not for the preservation of British rule, and therefore you pay a portion of the expense, I grant, in this matter?—Yes.

8696. Well, in other matters there are other purposes also common to both, for which India alone pays, and of which Britain ought to take a share just on the same principle?—Yes. Well, I am not aware of such a case.

8697. If there are cases they should be fairly taken into consideration?—Yes, I should conclude so.

8698. Now, in Question 6938 we are told: "Then "summing the whole matter together, the cost of the "Marine to you is 20 lakhs: there is the 160,000*l.* which "is paid as subsidy, which, of course, we must turn "into rupees at the rate of exchange; there are the "stores for India, 130,000*l.*, which we must treat in the "same way" (stores, of course, is a material I have nothing to do with). Captain Hext answered, "The "Marine budget is 19 lacs." And then about the pensions he said they are something about 6 lacs more. Now, considering the squadron expenditure to be for common purposes we contribute this 160,000*l.*?—Yes.

8699. Then, on the other hand, we spend 20 lacs in India for the marine and other purposes in which both are interested, because any defence of India, large or small, is for the purpose of defending British rule as well as Indian; therefore, should not the British Exchequer take a share in this 20 lacs in the same way as we take a share of 160,000*l.* in the Royal Squadron?—I do not know exactly what you would propose, supposing the squadron was withdrawn, to substitute in lieu of this 160,000*l.*

8700. I do not object to the 160,000*l.* at all, which I say is very properly paid, but I do object on the ground that there are common purposes, and that therefore the Government here supplies this squadron and undergoes certain expenditure, and out of that expenditure not the whole, as I understand, but a portion of it, is paid by India, which comes to 160,000*l.*?—Yes.

8701. Now, I say that the Indians spend 20 lacs of rupees there for purposes of defence, harbour defence and coast defence, and so on, in which both parties are interested, whether the sum to be divided be large or small?—Yes, but more especially the Indian, I suppose, who pays for his existence.

8702. Your British rule is far more important to you than it is to the Indians. Would you care a single farthing, if British rule were not there, to go and protect India?—You mean that it is not entirely philanthropic?

8703. Supposing the British rule were not in India, would you care a straw to go and protect India in any way whatever?—I do not suppose that we should go to a great outlay under such circumstances, if the Russians were in possession; but, viewing from the Indian standpoint, they are very much better as they are than under any other circumstances, and therefore pay a very small percentage for protection.

8704. I accept the Indian point of view as you put it; I want the British point of view to be taken in the same way?—I should say that that is a point I am not prepared to discuss.

8705. I do not know what the British Empire would be if India were lost; British India is of the highest importance to the British Empire?—No doubt about it.

8706. Then, with regard to the protection of trade; the question was 6934—"Nor with the defence of Indian trade"—that is to say, was not the protection for the defence of Indian trade. Then the answer was:—The "Indian trade is virtually English trade. It is all "carried in English boats, and paid for by English "money. The Indian trade itself—of India itself—is "next to nil." Do you agree with that?—No; there is a very large local trade in India, as you know. Perhaps you know Mr. Shepherd, who owns an enormous fleet of ships that never leave Indian waters; there is the Pilgrim line that trades to Mecca, that is all Indian trade; there are companies running up the Persian Gulf which are entirely owned by natives. Of course, the bulk of the trade starts from England, there is no doubt about that, and runs to Bombay; and there is an enormous sailing fleet which comes round the Cape for Calcutta as well. But I suppose that a great deal of the money must remain in India, or in the hands of people of India, and there are a great many wealthy natives who are interested in these ships—largely interested.

8707. What I want to say is this: the trade that is afloat, exports from India or imports into India from foreign countries—which is in fact, the bulk of the trade; the coasting trade is very little compared with it, and most of this trade—first of all, the whole shipping is entirely English interest?—Yes.

8708. With no share at all of the Indian in it. Then the cargo also, as long as it is floating on the sea, is primarily at the risk of the East India banks, and of the English marine insurance offices, because the East India banks, which are, strictly speaking, British interest, supply all the money for the exports or the imports. Therefore, what I mean to say is that while any cargo or any ship is floating on the sea, it is essentially primarily a British interest and British money is concerned in this ship and cargo; and, therefore, I said Captain Hext was quite right in saying that the Indian trade, strictly speaking, was *nil*, or very little compared with the whole British risks that are involved in the whole of the foreign trade of India?—Yes. I do not know what he means in saying such a thing; it may be the case.

8709. What I say is this; that when we are told that the squadron is needed to protect trade it is forgotten that this trade is mostly British trade, or almost wholly, and very little Indian interest in it?—I suppose these ships pay duties in bringing their cargoes to India, do they not?

8710. I am talking of the ship and the cargo while it is on the sea, and when the squadron is expected to protect it. While it is on the sea the interest is of British capital almost entirely. Of course, I may take you through the whole process of the transaction in order to explain that to you?—I will take your word for it. Your argument is that the Navy is no good to India at all.

I do not mean to say that it is no good to India at all; we are paying this share, but at the same time I say that the argument which is constantly urged, that the Navy is necessary to protect the Indian trade, the East Indian trade, is a very misleading one; the real interest of the capital that has to be protected is almost wholly British. I wanted to make a correction of your expression "Indian trade."

8711. (*Mr. Ryder.*) There is only one question I should like to ask, and that has reference to one argument used by Captain Hext, which, I think, has not been alluded to to-day. In the course of his evidence he said, substantially, I think, that it was right enough for the East India Company to pay for the Indian Navy, because it was required for the protection of their trade?—Yes.

8712. They naturally paid for it out of the profits of their trade; but when the change of Government took place after the Indian Mutiny, the maintenance of the Navy became an Imperial service, and, therefore, ought to be paid for like other Imperial services by the British taxpayer. I should like to ask whether, in the opinion of the Admiralty, that argument is held to be a sound one?—(*Mr. Cuming.*) I have been looking up that subject, and trying to find out when the monopoly ceased, and it is not very easy to find out. In 1832 there was an Act which took away their monopoly with China, but I am not sure whether the monopoly of India with the rest of the world existed then. I do not think, so far as the Act goes, that it existed at all.

8713. I think the monopoly ceased in 1834?—It certainly ceased by an Act of about 1832 or 1834, as regards China.

8714. And is it not the case that the Indian Navy, at any rate for 25 years, was not paid for in any sense out of the profits of the East India Company, but was paid for out of the taxation of the people of India?—I could not answer that; I should say that would be my impression, but I have no absolute knowledge of the matter.

Vice-Admiral W. A. Kennedy, R.N., and Mr. W. Cuming.

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8715. Would not the Admiralty hold that, although the change of government was a very good reason for concentrating the command of all the naval forces in the hands of the Admiralty, yet it did not follow necessarily that there should be any change in the incidence of the charge?—I think so; I think they would hold that the fact of its being absolutely necessary for the Admiralty to take the responsibility did not preclude them from being assisted as to the cost.

8716. (*Mr. Naoroji.*) If in former days the British Government imposed any particular taxation, does it mean, therefore, that that is a justification, whether it was right or wrong, for future conduct of the same kind?—(*Vice-Admiral Kennedy.*) I do not know; I am not an exponent of the views of the Government.

8717. (*Chairman.*) Have you any general remarks to offer?—Only that the whole question resolves itself into the exact interpretation of the much-used expression "Indian purposes." If Lord Rosebery's view as to "Indian purposes" be accepted, the case for India, as advanced by Captain Hext, falls to the ground. Viewed from that standpoint, I contend that India pays a mere trifle for the insurance of her coasts and her trade. What is the East India squadron kept up for but for that purpose? and, indeed, it is not too much to affirm that without India we have no need for a fleet in the Mediterranean.

The witnesses withdrew.

Adjourned till Wednesday next at 11 a.m.

(For the 18th Day's Evidence, *see* page 266.)

At the India Office.

NINETEENTH DAY.

Tuesday, 19th May 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

Sir WILLIAM WEDDERBURN, Bart., M.P.
Field-Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Mr. G. L. RYDER, C.B.
Mr. T. R. BUCHANAN, M.P.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary.*

Captain JOHN HEXT, R.N., Director of the Royal Indian Marine, re-called and further examined.

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9265. (*Chairman.*) Captain Hext, you have read the evidence of Admiral Kennedy and Mr. Cuming?—Yes.

9266. I will, if you please, take you through some of the evidence that Admiral Kennedy gave, and ask you if you have any remarks that you wish to offer upon those points; I think that would be the best way of eliciting your views. Have you any remark to offer on that evidence as contained in the answers to questions 8230 to 8236: You will see that the Admiralty define the duties the Admiralty discharge for India. "Generally speaking, the duties for which "armed vessels are required, *e.g.*, general defence "(including trade), suppression of piracy and slave "trade in Persian Gulf and on Indian coasts, &c. "Police duties in Indian waters requiring armed "vessels." Then Admiral Kennedy goes on to say that at the time of the existence of the Indian Navy, the Indian Government did their own protection; and he speaks of the fact that the force which the Admiralty kept in Indian waters while the Indian Navy was in existence, was not such a force as could be said to have had the full responsibility of protecting trade with India. Then Mr. Cuming read a paragraph from a letter of Sir Charles Wood to the Admiralty, which defines the duties transferred from the Indian Navy to the Imperial Navy. Those are the points upon which I wish to know whether you have any remarks to offer?—I think there is little to be said beyond what has been already put before the Commission; but I would point out that the Indian Navy did not perform duties on the high seas. Their only duties were on the coasts of India and at political stations such as Aden and the Persian Gulf.

9267. How do you reconcile that with Sir Charles Wood's statement that the general defence and the protection to trade generally and the measures for putting down the slave trade on the eastern coast of Africa, which had hitherto been performed partly by Her Majesty's Navy and partly by the Indian Navy, should be undertaken by Her Majesty's Navy?. That statement on the part of the Secretary of State for India certainly conveys the impression that the protection of trade and measures for putting down the slave trade, which, I should think, would involve duties on the high seas, were performed partly by Her Majesty's Navy and partly by the Indian Navy?—The slave trade referred to was principally on the coast of Zanzibar and on the coast of Arabia.

9268. I do not think that that quite answers my question. Sir Charles Wood says that these duties have been "partly performed by Her Majesty's Navy and "partly by the Indian Navy," and among these duties he gives general defence, the protection of trade generally, and the measures for putting down the slave trade. That is an authoritative statement from the representative of India, the Secretary of State, and I think it gives rather a wider definition, does it not, than that which you are giving now?—The protection of trade, as I understand it, means the protection of the sea-borne trade from India and the East. No great naval war, as far as I know, occurred during the time the Indian Navy existed; and, if one had occurred, undoubtedly the Imperial Government would have had to add to the defensive squadron in the high seas of the Indian Ocean. The old paddle-wheeled frigates existing in 1863 could never have done this work.

9269. I think that that does not quite meet the point that I am putting to you. I take the representative of India, the Secretary of State, the chief authority of the Indian Government, and I find that at the time the transfer took place, namely 1862, he gives a definition of the duties that have been performed between the Indian Navy and Her Majesty's Navy, and he includes general defence and protection of trade. You say that no duties were undertaken by the Indian Navy on the high seas. Those two statements do not seem to me to quite run together, and I would call your atten-

tion to the matter. It is Sir Charles Wood's statement, a statement made by the highest Indian authority at the very moment when the transfer was about to take place, and indeed when the Indian Navy was still in existence, and when, therefore, he must have been aware, or had every opportunity of being aware, of the duties which the Indian Navy had to perform?—It would be presumptuous of me to question a definition of the Secretary of State; but at the same time I can find no evidence given by an expert in any record of the Government of India on the duties performed on the high seas for the protection of trade, and I believe from what officers who served in the Indian Navy have told me, that the duties on the high seas were comparatively, if not entirely, nil.

9270. On the other side, the Admiralty state that their ships kept on the Indian station before the abolition of the Indian Navy were very few, and were unable to perform such duties as you speak of?—The same answer might equally apply to Australia, where in those days I think only two ships comprised the Australian Squadron.

9271. But you observe that a very small number of ships was apparently thought necessary in those seas at all; and, if the Indian Navy had a few ships and the Admiralty had a few ships, they might divide those existing duties, so far as they were necessary, sufficiently well according to the requirements of that time?—The duties performed in Indian waters were almost entirely confined to action against savages; and therefore very inferior ships and small numbers sufficed.

9272. I think in your former evidence you mentioned certain services which had been rendered to the Imperial Government by ships of the Indian navy at the time of the New Zealand war and the first China wars?—Yes.

9273. That looks as if the ships of the Indian Navy were available and useful for services on the high seas?—Hardly so; take the Peiho and the coasts of China, they did no duty on the high seas.

9274. They had to cross the high seas to get to the coasts of China?—Yes.

9275. And to New Zealand?—Yes.

9276. And if they were useful there, I think you might say that they were useful on the high seas. And after all, the ships of the Indian Navy were as good as the ships of Her Majesty's Navy, were they not?—In 1863 the paddle-wheel steamers were practically dying out, and the only ships that had screws were the transports and the "Sir Hugh Rose" and the "Clive" gunboats.

9277. You mentioned just now, I think, that you could not find any record of the Indian Navy doing any service in the time of war; when was the Indian Navy instituted?—I think it was 1829; Sir Donald Stewart said so the other day.

9278. (*Sir Donald Stewart.*) Yes, in 1829.

9279. (*Chairman.*) Up to that time had the Indian Government no ships of their own?—They had the East Indian traders.

9280. Which were armed?—Which were armed for the protection of their own interests and to protect the cargoes which they had on board.

9281. (*Sir Donald Stewart.*) I want to bring out about the protection of trade. Are you aware that the Indian Navy ships' duties were confined practically to the coasts of India and Arabia, where Indian interests prevailed?—I believe that was so entirely.

9282–3. And therefore the protection of the coasting trade perhaps would be a more correct definition of the work devolving on the Indian Navy; the protection of the coasting trade would be considered to be one of the duties of the vessels to be provided for Indian general service, which are referred to in Despatch No. 3 of 1870, addressed by the Government of India to the Secretary of State?—I think so.

9284. (*Chairman.*) Then in answer to question 8243, which dealt with the suppression of piracy, Admiral Kennedy made some remarks; would you have anything to say upon that evidence?—No, no remarks.

9285. The Indian Marine as it exists now, though in the Act of 1884 the suppression of piracy is stated as one of its duties, does nothing in that direction?—It is powerless to do so, because the ships are not allowed to be armed.

9286. In answer to question 8253 there is a statement of the number of vessels of the Royal Navy kept upon the Indian station?—Yes.

9287. It is said to be eight, towards four of which India contributes, whilst the remaining four are kept entirely at the charge of the Imperial Government; do you agree with that statement?—Four ships are subsidised by India, but four ships are not kept in Indian waters, unless Aden is considered purely Indian, which I submit it is not.

9288–9. And what about the other four ships? You are aware that considerable stress is laid upon the fact of the amount of the contribution paid by India towards the Royal Navy and of the ships which are kept in those waters; and I want to know whether you agree with Admiral Kennedy in his description of the force kept in those waters, namely, a force of eight ships, to four of which India contributes in part, and for four of which the Imperial Treasury defrays the whole charge. It is only a question of fact?—That is perfectly correct.

9290. Then with regard to the ships not being kept within limits—is not that an old complaint which has been rectified by a recent arrangement made at the Foreign Office Conference, under which the Indian Government in concert with the Admiralty have laid down certain limits, outside which these four ships are not to be employed without the consent of the Indian Government?—Yes; but what I should wish to point out to the Commission is that the duty of one of these four subsidised ships lies at Aden, and the Home Government recognise the fact that Aden is not entirely an Indian port. Why, therefore, should India pay the whole subsidy for a ship stationed at Aden?

9291. Does Aden lie within those limits that have been agreed upon between the Indian Government and the Admiralty?—I do not think those limits have ever been defined.

9292. We have evidence before us that they have been defined?—I have never seen the definition.

9293. Then perhaps I may ask you this: if there are certain limits, which have been agreed upon between the Admiralty and the India Office, may we not consider that to be a settled question? If the Indian Government have agreed to that delimitation, is it necessary to open it up again? or are you desired by the Indian Government to reopen it?—I think it is my duty to place before the Commission anything tending to any reduction of the subsidy

9294. Quite so; the Commission are very glad to hear the evidence which you lay before them. What I want to be sure of is the extent to which this question has been already considered; and I think it is important to bear in mind whether the India Office have come to an agreement upon any of these points with the Admiralty, or whether they belong to that class of points which are still in dispute between the Admiralty and the India Office. You will see that if the Indian Government and the Admiralty have agreed on certain limits, outside which these ships are not to be employed without their leave, to a certain extent that question is a settled one, and so long as the Admiralty do not employ their ships outside those limits without the Indian Government's permission the bargain has been kept. It is no doubt quite reasonable for you to express a view on points connected with that agreement, but that is somewhat different from the position which the question would assume, if you were dealing with an unsettled point?—The last communication from India as to the number of ships required stated that only three were wanted; and it is a question whether Aden would not have to do without a subsidized ship. The Imperial Government pay towards the defences of Aden, and it is undoubtedly partially an Imperial business, and therefore, it seems unfair that India should pay the whole expense of the ship stationed at Aden.

9295. This is the point. A letter from the Admiralty, dated 24th October 1895, to the Commander-in-Chief in the East Indies, says:—"I am commanded by my Lords "Commissioners of the Admiralty to acquaint you "that the conditions of the arrangement"—that is, an arrangement arrived at between the Secretary of State and the Admiralty—"are as follows," (Then follow the five conditions). "These ships are not to be employed without the consent of the Indian Government "beyond the under-mentioned limits, viz.: Indian "waters as defined in Article IV. of your Standing "Orders of January, 1895, viz.: north of an imaginary "line drawn from Cape Guardafui to Point de Galle,

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"and thence south of the Nicobar Islands to Cape "Salang?"—It does not give the east or west boundaries.

9296. No; that is why I am anxious to know whether you hold that Aden is outside that arrangement?—I maintain that Aden ought to be considered outside those limits.

9297. I think you have some observations you wish to offer upon the answers given by Admiral Kennedy, beginning with that to question 8250 and going on to 8260. This evidence relates in the main to the method in which the contribution was estimated?—I have already pointed out that four ships are not kept always in Indian waters, unless Aden is counted as an Indian port.

9298-9. Perhaps you could find out in the India Office whether Aden is counted in Indian waters, because, if Aden is counted in Indian waters, it would be desirable that the answer should not be put in such a manner as to imply that the Admiralty is breaking the arrangement?—I think Aden is considered in Indian waters; I think there is not any question about that.

9300. Therefore, as far as it goes, you admit that the settlement which I have just read to you has not been broken?—It is a new bargain: it has hardly as yet been in force; it was only made in 1895.

9301. But is it in force now?—Yes.

9302. And you have no reason to believe that it has not been observed?—I believe that it has been perfectly observed.

9303. In that case it is quite fair evidence to put before us that you think that that definition made by the Secretary of State for India is faulty, in that he ought to have excluded Aden from Indian waters; that is really the position, is it not?—This correspondence does not show the basis upon which the four ships were required. In all the correspondence about the duties of the ships, the places they were desired to be stationed at were mentioned as the Persian Gulf, Aden, one ship in the Bay of Bengal, and one ship in reserve at Bombay; and the question seems to be now whether, in consequence of India wishing the ships to be reduced to three, the Aden ship should not be either partially paid for by both Governments or entirely by the Home Government.

9304. You have one Indian ship at Aden now, have you not?—Yes. She has just gone to Suakin.

9305. If India keeps one ship of her Indian Marine at Aden, does not that look as if she regarded Aden as within Indian waters?—The reason an Indian Marine ship is kept at Aden is that, when the Royal Navy undertook to do the duties performed by the Indian Navy, they could not do them; and the result was that the Government of India had to provide a ship for carrying the small reliefs to Perim and the Somali coasts.

9306. Then surely that implies that Aden is Indian?—Aden is manned by Indian troops.

9307. And therefore it surely comes within Indian waters?—But India always contends, or has contended for some time, that the Imperial Government have an equal interest in Aden.

9308. You observe that there is a force of eight ships on the Indian station, four of which the Imperial Government entirely maintains; and those ships are available for any services within the Indian seas that may be needed. But without dwelling on that point any further, I think you have some observations you wish to make upon the answers to those questions which I have mentioned, 8250 to 8260?—With regard to 8254, Mr. Cuming estimates the up-keep of the four ships at 117,000*l.* plus 4,000*l.* I should like to draw attention to the maintenance and repairs of the "Marathon" which are put down in the Admiralty estimate at 7,150*l.* per annum—the annual average of five years' repairs to the "Marathon" amounted to 8,352 rupees, and during that five years she was re-commissioned once. The "Brisk" is put down at 4,840*l.* for annual repairs. Her average for five years was 20,825 rupees per annum, and she was re-commissioned twice. With reference to the third ship, the "Pigeon," she is put down at 3,220*l.* for repairs. Her annual repairs actually came to 5,611 rupees, and she was re-commissioned twice. The Admiralty estimate for the three ships amounts to 15,210*l.*; the actuals amount to 34,778 rupees, which at the present rate of exchange amounts to 2,030*l.**

* *See* Appendix 62.

9309. Where do you draw your figures from?—I have got here a table of the repairs and stores of each of Her Majesty's ships.

9310. This comes from the Admiralty?—No; it comes from our dockyards.

9311. These are repairs in your dockyards?—All the repairs virtually are done in Bombay.

9312. Have you asked at the Admiralty if they can explain why their figures are so much higher than the actuals?—No.

9313. The item to which you are calling attention is renewals to hulls, I suppose, is it not?—No; it is maintenance and repairs.

9314. Maintenance and repairs?—Hulls, machinery, gun-mounting, masts and yards, and rigging. You see there are other things besides that, but I do not touch those at all.

9315. (*Mr. Mowbray.*) Those figures, which you have given us, are the actual cost of the labour and materials in Bombay Dockyard with 10 per cent. added; is that so?—Yes. I would point out that small repairs may have been executed to these ships at Trincomalee or others ports, but they must necessarily have been of a very minor character.

9316. (*Chairman.*) And your point is that, having before you the actual expenditure on the repairs and maintenance of these ships, it shows a sum spent over five years far less than that which the Admiralty put forward as the probable estimated amount for repairs, and therefore, of course, that the sum charged against India is too high?—I was simply commenting on Mr. Cuming's evidence.

9317. But that, I presume, was your purpose?—I spoke with the view which I always have in my mind, of getting the subsidy reduced in any shape or form whatever.

9318-21. Quite so, and the point here is that the actual facts show that the Admiralty estimated that item very much too high?—Just so.

9322. Do you make any comment on the statement by Lord Rosebery in his award, which view is supported by the Admiralty, that the fact of the Admiralty making no claim from 1863 to 1867 for any contribution, was at most a temporary waiver of their claim?—This certainly was not the view held by the Government of India, and no mention is made in any correspondence which I have ever seen, of a subsidy ever being in future intended to be claimed.

9323. You consider the position of the Indian Government to be this, that, inasmuch as the Admiralty consented to take over the duties, or the greater part of the duties, of the old Indian Navy without making at the time a distinct stipulation about the payment, that act is really equivalent to taking over for ever those duties without payment?—Yes, and I think if it were placed in any court of law it would be held that that was the intention. Moreover it was a case of the Imperial Government taking over their legitimate duties from the remains of a trading company.

9324. You say that a court of law would sustain that view. Do you think that, if a friend comes forward and helps a man in distress—undertakes some part of his household expenses—a court of law would hold that that act of charity on his part bound him to continue the boon without consideration for ever?—I do not find it anywhere stated that it was an act of charity.

9325. Clearly an act of charity in that case. I think it is agreed that it was done under the financial pressure that India had undergone in consequence of the mutiny?—Sir Charles Wood goes on to say in his despatch: "Her Majesty's Government, there-"fore, consider that, in the future, vessels of the "Royal Navy should be employed in those seas instead "of vessels of the Indian Navy, and that, as the "purposes for which they were employed were "Imperial, so their cost should be borne by the "Imperial Exchequer." There is no mention of charity there.

9326. Where is that quotation?—It follows the definition of the nature of the services which had been performed by vessels of both the Imperial and Indian Governments.

9327. We need not dwell on that point; only it is difficult for laymen to say what a court of law would do?

—Perhaps my reference to a "court of law" might be withdrawn.

9328. Then I think you have something to say about Question 8267. That is the question whether the necessities of the present time require that India should have the support of a larger fleet than between 1832 and 1867?—I would like to point out that the number of ships now is eight. You asked a question whether a larger fleet was required. The number of ships in 1887 was 10 and in 1890, 13. This seems to show that a reduction has been considered advisable in late years.

9329. On the Indian station?—The number of men-of-war on the Indian station, and therefore there is a reduction in the fleet.

9330. (*Mr. Mowbray.*) That answer which Captain Hext has given with regard to the number of ships in 1890 is hardly an answer to the question as to the requirements of India at the present time compared with the time between 1832 and 1867 to which the question referred?—No; but I think you will find further on there is another question bearing on the same thing.

9331. (*Chairman.*) You will make your answer quite complete if you will say what I anticipate you wish to say, that now more ships are required on the station; and I thought probably it was in illustration of that that you gave the greater number of ships that have been on the station within the last few years, 10, 13, and eight?—I do not think that more ships are required on the station.

9332. Than between 1832 and 1867?—I cannot go back so far as that; I was thinking of the period of the subsidy, from 1887.

9333. (*Mr. Buchanan.*) You would agree with Admiral Kennedy in what he says in answer to Question 8274?—Yes.

9334. Entirely?—Yes.

9335. (*Chairman.*) That is the answer which you would like to give to that question?—Yes. I agree with Admiral Kennedy.

9336. Then next you call attention to the answer to Question 8234, where Admiral Kennedy spoke of the fact that the financial disturbance caused by the mutiny made it an inopportune time for dealing with the financial question. Probably your previous answer about Lord Rosebery's award covers that, does it not?—The only thing I object to there is that Admiral Kennedy says no doubt the reason was that the executive part of the question pressed urgently. We do not find that anywhere in the evidence.

9337. You do not find it on record?—I do not find it on record.

9338. Therefore you demur to the assumption, unless it is clearly shown that it is an assumption?—Quite so.

9339. The next question that you mention is 8314, which called attention to the fact that Lord Cross in 1867 pressed upon the Admiralty the necessity for modern vessels of increased speed and with powerful armaments?—Yes, this is put forward by the Admiralty as pointing to the conclusion that India wanted ships of increased speed and more powerful armaments. If the despatch is read I think it will be seen that the remonstrance was made with regard to the condition of the ships subsidised by India, as they were in a disgraceful state.

9340. Would you read any part of the despatch which would bring that out?—This is an extract:—"Many of the vessels which have been attached to the "squadron were virtually worn out when coming on "the station, and cost a needlessly large sum in repairs "and refit; and, in some cases, their Indian commis-"sion has been their last. The "Philomel" was sold last "year at Bombay for Rs. 28,000, the "Woodlark" for "Rs. 27,000, and the "Briton" is now for sale." Both the "Philomel" and the "Woodlark" were subsidised ships in the Persian Gulf, and the reason that the Government of India complained of the condition of the ships was that the ships for which they paid were inefficient and rotten.

9341. You observe that in paragraph 8 of that report the Government of India invite the Secretary of States' attention to the following extract from a report made by Sir F. Roberts, when Commander-in-Chief of the Madras Army, regarding the defence of that Presidency, in which Sir F. Roberts says, "I need not, however, point "out how very desirable it is that any such attempt (to "land troops) should be made impossible by our "having a sufficient number of heavily-armed, fast-"steaming cruisers to guard our sea-board." The Indian Government adopt that quotation apparently, and send it forward to the Secretary of State,—do you not think that that justifies the Admiralty in saying that the Indian Government were anxious for vessels of increased speed and more powerful armaments?—Hardly. I think, if the whole of the despatch is read, the tendency is to show that the state of the whole squadron was bad. In fact I know the reason myself, because I was ordered by the Government to report on the ships. The "Woodlark" and the "Philomel" were both under my orders when I was senior officer in the Persian Gulf, and, when surveyed, were condemned by my officers.

9342. But, without any reference to these particular ships, here is the Indian Government quoting the Commander-in-Chief in Madras, and laying stress upon there being an insufficient number of heavily armed fast-steaming cruisers. I think that that would justify the Admiralty in saying that a demand was being made for ships of the most modern type?—In any case they were not sent at that time—not till long afterwards.

9343. Because, if you remember, at that time the Indian Government were only paying 40,000*l.* a year?—Quite so.

9344. As soon as the Indian Government showed a willingness to pay a larger subsidy, the Admiralty showed that they were willing to provide better ships?—I do not think you can take it in that light, because, if they had kept out the original ships, they would probably have sunk. They had to sell three, and in the course of events they were bound to replace them with new ships.

9345. I do not know whether you have any remark that you would like to make upon Admiral Kennedy's evidence as to the sufficiency of the rate of 70*l.* a man. If you look at Question 8290, you will see that in his answer he remonstrates against the idea of that 70*l.* per man, which had been the basis of the contribution at that time, being at all an adequate representation of the cost?—I think the Admiralty had a perfect right to ask for the readjustment, if they thought they had claims to it.

9346. Next you call my attention to the questions beginning at 8322 and going to 8327. They deal with the question of the definition of "Indian purposes," I think, do they not?—There is little to be said on this question that has not been said before. India maintains that the high seas are outside the sphere of their duty, and it is ruled at home that they are within it, and, in the face of Sir Charles Wood's despatch, which was quoted before, which says "Her Majesty's Government, "therefore, consider that in the future vessels of the "Royal Navy should be employed in those seas instead of "vessels of the Indian Navy, and that, as the purposes "for which they are employed are Imperial, so their "cost should be borne by the Imperial Exchequer," it is contended that India should bear a portion of the cost of the duty on the high seas.

9347. You observe the difference mentioned in Question 8330 between the Admiralty view of the tonnage required in Indian waters and the Indian view. It brings the point at issue before us in a very intelligible shape, because it shows the difference in tonnage. Is there anything in regard to that to which you would like to call our attention?—No more than to point out that the "Marathon" for Indian purposes is comparatively useless, and that the only reason she was introduced is for Imperial purposes in the high seas.

9348. (*Mr. Buchanan.*) Has she been there some time?—Never in the Persian Gulf.

9349. What use has been made of her?—To proceed to Mauritius, and for the work at Mozambique.

9350. But when she was in Indian waters what did she do there?—She lay at anchor at Bombay, and cruised about and exercised her men: there was nothing for her to do.

9351. You think that a smaller vessel would have been of much greater use in Indian waters; or you could have done without a vessel at all, is that what you contend?—We could have done without a vessel at all, as far as India is concerned.

9352. (*Chairman.*) In answer to Question 8524 you see what Admiral Kennedy says on that subject. I think you, Captain Hext, had in your original evidence

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remarked upon the comparative uselessness of the "Marathon," and made some comments upon her?—Yes, I did.

9353. And Admiral Kennedy says, with regard to your observations, that the "Marathon" would be perfectly useless in the Persian Gulf. "I think "Captain Hext a little exceeded the facts there. "The 'Marathon' as a matter of fact draws 19 feet "instead of 22, and, as to her usefulness in the "Persian Gulf, she is not at all suited for the Persian "Gulf. She can get up within 4 miles of Bushire, but, as "a matter of fact, she is not intended for the Gulf. *Q.* "And you do not use her in the Gulf?—No; we "never send her up there by any chance. She would "be useful at Muscat, for instance, where there is "very often trouble, but that is not in the Gulf, "and any ships can get there. *Q.* Did you "form a bad opinion of the behaviour of the "'Marathon' at sea?—No, she is a very good ship; "she is what sailors call 'lively,' but fast and "perfectly safe; a good ship." Then you mention *Q.* 8342. That relates to the places where ships are stationed, and Admiral Kennedy says that you must have been mistaken: "The others are all in Indian "waters. You must have a ship at Aden, that is in "Indian waters; you must have a ship at Bombay "to relieve the Gulf ship, and the other is in the Bay of "Bengal, with her headquarters at Trincomalee." I think that upon that and the two or three following questions you would probably like to make some observations?—The Admiral points out that you must have a ship in Bombay to relieve the Gulf ship, but the Government of India have already a ship of the Defence Flotilla lying in Bombay, the "Plassy," which can be sent to the Gulf, and has been sent to the Gulf, when the vessel which was supposed to have been in Bombay to relieve the Gulf ship was not there.

9354. That is all the comment you wish to offer upon those questions up to 8347, which deal with the stations of these ships?—Also upon question 8343. The Persian Gulf is ruled not to be Indian waters by the Admiralty, at all events as far as the survey is concerned.

9355. But you see the Admiral, who represents the Admiralty, takes another view?—I know that the Indian Marine survey ship is not allowed to go into the Persian Gulf, because it is not Indian waters. I got that from the Admiralty.

9356. Your ships are not allowed to go?—My surveying ship does not undertake work in the Persian Gulf, because it is not Indian waters.

9357. But at the same time you keep a ship there because you have a Resident up there, do you not—the "Lawrence"?—Yes, we do.

9358. And the Admiralty state that it is Indian waters. It may not be Indian waters for the purpose of survey, but that is hardly a complete answer, is it?—With reference to Question 8344, we keep the "Comet" at Bagdad, surely a portion of her duty is Imperial?

9359. (*Mr. Mowbray.*) Who does the surveying in the Persian gulf?—It never has been surveyed since I have been in India. I sent the "Investigator" to survey at Jask recently; but I got the permission of the Hydrographer to do it. That is only a very small portion of the Persian Gulf, just one little harbour.

9360. But it must have been surveyed at some time?—It was surveyed in the old days by the old Indian Navy, like most of the Indian seas were.

9361. (*Chairman.*) I do not quite understand the drift of your objection to this evidence of Admiral Kennedy. Are you arguing that the Persian Gulf is not Indian waters?—I am trying to point out that at all events a portion of the charge of the Persian gulf might be borne by the Imperial Government.

9262. Because they are not Indian waters?—Because they are not on the Indian coast.

9363. Is that the view of the India Office itself?—I think so, decidedly. In fact they objected, I believe, to paying for the legation in Persia.

9364. That is rather a different matter, is it not?—Is it? I think it goes to show there are Imperial interests in the Persian Gulf.

9365. I mean, a different class of questions may come in with regard to the legation.

9366. (*Mr. Buchanan.*) But your contention is, Captain Hext, that, just as the charges for the legation are shared by the Imperial Exchequer and the Indian Exchequer, so you give us the opinion of the Indian Government that the naval expenses of the Persian Gulf ought also fairly to be shared by the two exchequers?—Just so.

9367. And I gather that that was the substance of your contention about Aden, that, just as there had been a plea put in that military expenses at Aden should be shared between the Imperial and Indian Governments, so you think also that the naval expenses might fairly be shared by the Imperial and the Indian Governments on similar grounds?—Yes.

9368. (*Chairman.*) At present the Indian Government acquiesce in the Persian Gulf being Indian waters, do they not?—I cannot say that the point was ever raised.

9369. Surely it was raised in the discussion about the contribution?—Yes, as far as the actual subsidy to the ships goes. Sir Charles Wood says in his despatch that "for the present" the expenses in the Persian Gulf will be borne by India, thereby implying that a question might occur in future as to the re-adjustment.

9370. Then next you call attention to Question 8346?—The Admiral there says that the ship sent to the Gulf in consequence of an outbreak would probably be "one of those ships on the station to which India "does not contribute." I would point out that the duty would be done by the subsidized ship kept in reserve at Bombay, or, in the event of her absence, by the "Plassy," which is one of the Indian Defence Flotilla.

9371. But I suppose that, if it suited the Admiral, it might equally well be one of those four which the Imperial Government maintains?—Yes, of course it might; but still, if he did not send a subsidized ship when he had got one, he could not justly charge for the other one.

9372. I think the meaning of it is this: there are eight ships on the station, four of which are subsidized and four of which are kept at the sole charge of the Imperial Government. If there is not a second subsidized ship up there, the Admiral would send up one of the other ships?—In case of necessity doubtless he would send the whole squadron, but in answer to that question he apparently implies that he would have had to send one of the ships that were not subsidized, and thereby do us a favour.

9373. Then next you call attention to question 8363, the number and class of ships to be selected for Indian purposes?—I think we may omit this. The thing has been gone into over and over again; the whole Commission are thoroughly acquainted with the question. India takes one view and the Admiralty take another.

9374. Next you refer to Questions 8368 to 8370. They refer to the possibility of the opinion of the officer at the head of the Indian Marine being at variance, I think, with that of the Admiral on the station?—As far as Indian requirements are concerned, I humbly submit that my experience of three years in command of a man-of-war on the station and 13 years as Director of Marine would give me an equal, if not a greater experience than the Board of Admiralty, as regards Indian requirements.

9375. That would be rather an argument in favour of a separate Indian Navy, would it not?—No, I do not think so. It is a matter of no importance whatever, except that I maintain that I must know more of Indian requirements than Admiral Kennedy, a most able man, who has been only three years on the station, as I have been there 16 years.

9376. Unfortunately individual names are used, but the meaning of the question is, I think, rather this: can you expect a body like the Admiralty with full responsibility for everything that is done in Indian waters, and having their own naval officer out there, to accept a dual authority in the matter? That I take to be the meaning of the question. Of course they ought to take the advice and avail themselves of the experience of an experienced officer on the spot; but still, when you come finally to the deciding authority, do you not think that any profession would desire to keep that authority, for the exercise of which they are responsible, in their own hands, rather than submit to, or accept the directions of, another department, which has not the responsibility? Shall I pass on now to Questions 8379 to 8383?—I think we may omit those.

9377-8. The next questions, 8386 and the following questions, refer to the comparison between the Indian

ships and the Australian. Have you any remarks to make upon Admiral Kennedy's evidence there?—Only to point out what I have already pointed out, that Australia gets much better terms than India; and, moreover, in answer to Question 8379, Admiral Kennedy says that Australia has no power to requisition those ships like India has. I would point out that further on in his evidence he says—in answer to Question 8556, —" For instance, in Australia most likely the Admiral's " orders would be to support the Governor in anything " he may wish. If the Governor wished a ship sent " round to any place the Admiral would be most " happy to oblige him, but he would not be under his " orders." The cases are exactly the same, though the Admiralty have made a great point about the four ships being under the orders of the Government of India. The Australian Squadron are moved exactly in the same way—by requisitions of the Government to the Admiral—as the Indian Squadron is moved on the requisitions of the Viceroy.

9379. You mentioned just now that the Admiralty gave worse terms to the Indian Government than they do to the Australian Government. As far as the claim goes, it is true; the Admiralty claim 117,000*l*., when from the papers before us it appears that according to their calculation, if their claim had been based on the method adopted for Australia, it would have been 106,000*l*.?—Yes.

9380. But, whatever the value of those two calculations, are they not out of place at present, since the Admiralty, under the Rosebery Award, accepts 100,000*l*. 100,000*l*. is less than either calculation, and therefore need we trouble ourselves with the differences between 106,000*l*. and 117,000*l*.?—The difference is not so much in the actual amount of the money, as in the fact that Australia had a large number of ships added to the existing squadron, whereas India has herself added to the Royal Naval Squadron, and the Royal Navy have not increased the squadron by a single ship. That is where the great difference comes in.

9381. As far as I understand it, the Admiralty do keep four ships at the entire charge of the Imperial Government on the station, and four ships which are in part subsidised by the Indian Government?—Yes. But in Australia they also keep seven ships in addition to the subsidised squadron, and the original strength of the Australian squadron consisted of seven ships, in the same way as the original strength of the Indian squadron, if you may say so, consisted of eight.

9382. And what we learn is that, before the Indian Government gave up their Navy, and transferred it to the Imperial Government, the outside number of ships which the Admiralty had in those waters was three ships; now she has four, consequently the Admiralty has slightly increased its number?—I think you will find there were more than three ships in Indian waters. Do you think that, if any war occurred, they would keep any one of those subsidised ships on the coast of India; or, if there was any occasion for it, that they would not be taken as a matter of course? In fact, when the Russian war-scare took place, the "Sphinx" being a useless ship to fight, her crew were told off to man one of the turret ships in Bombay Harbour.

9383. All this is conjecture, is it not?—No, not at all conjecture.

9384. The Admiralty is responsible for the defence of the empire, and it would have, to the best of its power, to concentrate its ships where it could do so most usefully?—Of course, it is the Admiralty's province to do so; but at the same time they would then take the ships away from their Indian duties to do that work, as a matter of course. Nobody would cavil at it; the last people to cavil at it would be the Government of India.

9385. Are we not getting a little wide of the point? First of all, you say that the Admiralty keep as many ships on the Australian coasts as it did before it got this additional force, and, I presume, from that you imply that it does nothing of the same kind on the Indian coast?—I point out that the Admiralty keep four ships on the Indian coast against seven on the Australian coast, in addition to which the Australian Government for 126,000*l*. have a certain number of additional ships. Whereas, the Indian Government find the ways and means for a certain number of ships on the Indian coast, and have no ships added.

9385*a*. Is there any great difference between the two things?—I think that Australia and India were exactly on the same footing, or virtually on the same footing, as regards the number of ships in 1861 or 1862, inasmuch as both squadrons were of a very slight nature.

9386. Do you know how many ships there were on the Australian station in 1862?—I think I should be correct in saying that there were not more than four in 1861—I am speaking from memory.

9387. We have had it in evidence that the outside number of ships that the Admiralty could formerly divert for Indian purposes, because then there was no Indian station, was about three vessels?—Three or more.

9388. Mind you, they were diverted from the China Squadron?—The ships were on the India and China stations.

9389. Since then she has placed four ships on the Indian station permanently?—The Admiralty have increased the Australian squadron from time to time at their own cost, and increased the Indian squadron at their own cost, and relatively the numbers have kept about the same. Now Australia gets a large increase to the squadron without one of those ships being reduced, but we get no increase. That is the point I want to make.

9390. Formerly there were three ships that might be diverted from the China Squadron on to the Indian coast; now there are eight ships permanently stationed on the Indian coast, four only of them being subsidised; is that not an increase?—When the subsidy was 79,000*l*. there were 13 ships.

9391. Let us keep to the point of comparison of 1862 and the present time; you were saying that formerly, at a time about 1862, the Australian Squadron was less comparatively than it is now?—Yes.

9392. Well, I point out that this was part of the general squadron in those seas, three ships the Admiralty might have diverted. It did not station three on the Indian coast?—The stations for China and India were the same virtually.

9393. Now the Admiralty has established an Indian station, on which she permanently keeps four ships of her own and four to which India contributes. That is a very considerable increase of force, is it not?—It is not an increase in comparison with the increase in the foreign stations in general.

9294. At all events the Admiralty apparently considers that force sufficient. This is rather a new point. I understood that the India Office demur, not merely to the number of the ships, but to the way in which the subsidy was calculated. On that you do not want to make any observations now?—Except that the subsidy was calculated on larger ships, and the Government of India wished to have smaller ones—that is the only question.

9395. I want to bring this point out. Although the Australian Government contribution is calculated in a different form, and although, if the exact sums were worked out according to the Admiralty calculation, these ships, to which India contributes, would cost 117,000*l*., yet the Admiralty only claim to charge India 106,000*l*., or we will say 10,000*l*. or 11,000*l*. less than on the Australian basis; but, as a matter of fact, we need not really go into that, inasmuch as the Admiralty only receive 100,000*l*., which is less than either, need we?—I quite agree to that, except that the amount is based on larger ships than India requires.

9396. The next question upon which you desire to make an observation is 8391. All these questions really refer to the comparison with the Australian squadron. I do not know whether you think you have already mentioned these points?—I only wish to draw attention to the fact that the vessels enumerated on page 379 of the Navy List are under the Government of Australia; they are armed, their officers bear commissions, and they fly a pennant; and yet they are not under the Admiralty.

9397. The point of that is that you think the same terms ought to be given to the Indian Marine?—Just so; in fact all dependencies should be treated upon the same footing.

9398. Then perhaps you would look at Questions 8400 to 8405, and say which of them you would like

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to make a remark upon?—With regard to 8400, India provides a floating defence at her ports to a much greater extent than Australia does.

9399. Can you show to what extent the difference exists?—Yes. India has two turret ships, whereas Australia has one of the same class; the Indian ships have modern armaments on board, the Australians have not. In other respects, except that the Australian ships are older, the two Governments may be considered on an equality.

9400. Do the Australian Governments keep, like the Indian Government, any torpedo boats?—I do not think so.

9401. You do not know what the Australian force is?—Yes, I can give you the Australian force exactly. The Australian force is given in the Navy List. All the ships there shown are under the different Governments, not under the Navy. That to a certain extent answers 8403. Then we come to 8404 and 8405. Mr. Cuming says: "The Australians have paid a good deal towards "the surveys which they have had in Australia; they "have paid a contribution to several of them. *Q.* But "they do not pay any fixed annual contribution, do "they?—I think in some cases that they have paid half." In our case the Imperial Government have paid nothing, and India had to supply the ship at a cost of over 4 lakhs and keep up the survey yearly entirely without any contribution whatever from the Imperial Government.

9402. Of course you lay stress upon that as a charge undertaken by India, which Australia does not undertake?—Just so.

9403. Does the performance of this duty date from the time of the old Indian Navy, or is it one recently undertaken?—It was reorganized, and Sir Charles Wood ruled that it should go on as before for the time being.

9404. The old Indian Navy made their own surveys?—Not only so, but the whole of the surveys of the Red Sea, and did extraordinary work in the surveying way.

9405. Therefore that is a service which India has undertaken for a very long time?—Just so, but it is a service which no dependency of the Imperial Government undertakes, and therefore India thinks that some consideration might be shown for it.

9406. (*Mr. Buchanan.*) And it is a service from which the whole naval service profits?—The whole naval service and the whole trade of the world, we may say.

9407. (*Chairman.*) Then come Questions 8410 and 8411, which relate still to Australia?—There is little to be said on them, except that there is no doubt that India protected her own coast trade and her own coast; but it is hard that, because she did that, she should now be put on a different footing to any other dependency of the Crown.

9408. Then come Questions 8414 and 8415, relating to the question arising out of the duties which devolved upon the old Indian Navy?—India has carried out the protection of her main ports, and certainly thinks that the Imperial Government should do the work on the high seas.

9409. Then with regard to 8417; is there any proof that the Admiralty or the Treasury have ever accepted the principle of the permanent exemption of India from subsidy. The answer of Admiral Kennedy is, "we have never heard of it"?—I say that the Admiralty accepted it voluntarily; and what India feels as a hardship is that, having accepted the Admiralty protection and done away with their Navy, a subsidy should have been asked, when they were powerless to refuse it, which subsidy is now increased.

9410. The Admiralty undertook the duty practically upon the suggestion of the India Office, did it not? The Admiralty did not come forward and volunteer—it was in consequence of these despatches from Sir Charles Wood that the Admiralty entertained the idea?—I have never seen any correspondence showing who made the first offer; but Sir Charles Wood had been First Lord of the Admiralty, and therefore probably understood the views of that Board.

9411. We have not got the correspondence before us. Then next we come to Question 8425, as to the cost?—Yes. The Admiral says he certainly thinks that to keep pace with the times, and keep ships up to date, would require an enormous outlay compared with the old ships; but all that would be required to carry out the duties originally performed by the Indian Navy, would be the arming of three small ships, which India has already provided.

9412. I feel some difficulty in taking that view?—I am only commenting.

9413. It is difficult for me to take your view, restricted as it is, when I have Sir Charles Wood's definition before me?—I rely upon the paragraph I quoted just now, that the Admiralty were to do the duty on the high seas.

9414. My point is that here I find Sir Charles Wood, the representative of India, stating that these duties, which are extensive in their nature, were divided between the Indian Navy and the Imperial Navy, and it is difficult to see how five-and-thirty years afterwards a more restricted definition of the duties can reasonably be put forward. That definition by Sir Charles Wood at that time seems to me final as to the duties that the Indian navy performed.

9415. (*Mr. Buchanan.*) You would say that the duties at that time and the duties at the present time cannot be fairly compared?—I would say the duties at that time and the duties at the present time cannot be compared in the least. The same thing applies to every station in the world.

9416. (*Chairman.*) Sir Charles Wood defined the policy at that time; it might be entirely changed since?—Just so.

9417. But is it quite sufficient to say now that you could do certain very restricted duties at a small cost, when it has never been admitted by the Imperial Government that the duties ought to be so restricted? Before your view could be accepted the question would have to be answered, why should the duties formerly discharged by the Indian Navy be so much changed and restricted? That question has not been settled, because at the present moment the contribution, as agreed upon between the Indian Government and the Home Government, is based upon India contributing on the basis of very much the same sort of duties as she performed when she had a Navy?—All I object to in Admiral Kennedy's answer is that he talks of the enormous outlay required, whereas the outlay would be very small; it is a minor detail.

9418. Then we come to Q. 8428?—Yes. As I pointed out just now, the Indian Navy did not exist in the old days when the old East Indiamen were attacked by foreign powers, and the old East India Company armed their ships to defend themselves, in the same way as many other ships, the West India trade, for instance, were armed to defend themselves.

9419. Then so far you agree with those answers?—Yes; but in this respect, at present, the whole question is altered. The Government of India is directly under the Crown; the trade of India is virtually the trade of England, and therefore it becomes clearly the duty of the Imperial Government to protect its trade.

9420–1. That is your view?—That is my own view decidedly, and the view of the Government of India.

9422. The Government of India are making contributions for that purpose?—No; they are making those contributions for special services which they require, namely, the police of the Persian Gulf; they are not contributions for the protection of the high seas; that is what the Government of India object to throughout.

9423. But read the Rosebery award?—They objected to the Rosebery award.

9424. They accepted it?—They accepted it pending its being referred to the Royal Commission, and it is in your hands now. I am trying in my humble way to make every point I can to lessen the amount of the Rosebery award.

9425. Then Q. 8433?—The Admiral says we would require half a dozen ships of the "Bonaventure" class. Of course, he is assuming the defence of the seas again. The whole thing lies in the same point; there is nothing more to be said, I think, about it.

9426. Then Q. 8437?—With regard to Q. 8437 I had no idea of adding at all to the Indian Marine, only of placing the armaments already existing on board them.

9427. And that covers Q. 8438, I suppose, does it not?—Yes, that covers Q. 8438. Then with regard to Q. 8441, I would propose that the Indian Marine should do the duties of the Indian coast, releasing the Imperial Navy from that duty for its more legitimate one on the high seas.

9428. Then Q. 8444?—In Questions 8444, 8446, and 8447, the question of the cost of the "Sphinx" and the "Lawrence" comes up. The cost of keeping up the "Sphinx" is, according to the Admiralty calculations, including the repairs, 21,000*l.* The average of keeping up the "Lawrence" for three years is 8,500*l.*; so there is a vast difference between the up-keep of the two ships.

9429. But those questions there were rather directed to your view as to the Indian Marine?—I am trying to point out that the Indian Marine would be so very much cheaper. In your question 8446 you ask: "Supposing that idea were carried out, supposing those "Royal Navy ships were withdrawn and nothing paid "for them by India, and that India bought its own "three ships and kept them on the coast as part of "its Navy, do you think that they could do that "cheaper than 100,000*l.* a year," I put those figures in to prove that we could not only keep three vessels but that we could keep nearly seven, for that sum.

9430. (*Sir Ralph Knox.*) What is the main point of difference of the expense?—The crews principally.

9431. The Admiralty ships are manned by English crews and the others are manned by Indian crews?—Ours are Bombay Lascars; the provisions of course are cheaper.

9432. Then it is the pay and maintenance of the crew?—The pay and maintenance of the crew are the main items. I think too we work more economically in many other ways, in the way of repairs.

9433. (*Chairman.*) Then we come to Questions 8457, 8458, and 8459; they refer to the reconstitution of the Indian Marine?—I do not see how the Admiralty can reconcile the fact of Australia having armed vessels under a pennant, independent of the Admiralty, with their refusal to consider for a moment the question of Indian vessels.

9434. Then Q. 2466. It turns upon the vessels not being armed?—Yes, in that case the Admiral suggests that I rather exaggerated the case. Well, I submit that I did not exaggerate in the slightest degree. There were no less than 70 armed dhows with a large number of men, and, if those dhows had got alongside the "Lawrence" at anchor, it is a moral certainty that they must have carried her; the small crew of the Lawrence could not have defended themselves. It may be argued that the "Lawrence" ought not to have been there, but the Resident had to be there, and he proceeded there with the "Lawrence"; and it would be rather an extraordinary proceeding for an Indian Government ship, having landed the Resident, to immediately proceed to a port of safety at a distance.

9435. What is the reason the Admiralty object to your vessels being armed—because of the dual authority in the seas?—The dual authority exists in Australia. I know of no reason why India should be treated in this way except that she can be forced by a Secretary of State's Order, while Australia cannot, because Australia has independent governments.

9436. And therefore the Admiralty have no choice in the matter where the independent Government exists?—Just so; they are bound to do with the colonies exactly what the colonies are willing to do. I can hardly understand how a vessel can be sufficiently armed to defend herself (which Admiral Kennedy thinks would be right), and yet not be allowed to take on board the small number of guns which the Government of India wish to place in their ships. The "Minto," for instance, carries only six quick-firers, three pounders; she has just been sent to Suakin.

9437. Then the next question on which you would make a remark is 8486-7, is it not?—Yes: the Admiral says "with a reserve at Bombay." We have already a reserve, as I pointed out in a previous paragraph—the "Plassy," owned by India.

9438. Then Questions 8492 and 8493, with regard to the vessels fitted out for transport?—Yes; as I pointed out before, only three of these vessels are really troop ships, the remainder carry small bodies of troops when required.

9439. (*Mr. Buchanan.*) May I ask you a question about that? These troopers are on occasion valuable naval auxiliaries to the naval force of the country?—The Admiral recognised that in his evidence.

9440. Of course we have got visible evidence of this at the present moment in their being employed for transporting troops to Suakin?—Yes, quite so; but, I may say, they would be actually valuable in time of war when the Indian Marine came under the Naval Discipline Act, inasmuch as the "Warren Hastings" would make a most excellent cruiser. It is acknowledged by the Admiral in his evidence.

9441. (*Chairman.*) Then we come to Questions 8495 and 8496?—The Admiral says in answer to Questions 8495 and 8496, "that they are on much the same foot-"ing as the large Cunard and other steamship lines, "which are fitted by order of the Admiralty to carry "guns, and would do so in time of war." Well, on the contrary, the vessels are subsidised by the Admiralty to make auxiliary cruisers of in time of war to meet vessels of the same class fitted out to prey on our commerce; and for the "Arcadia" at the present moment they pay a retaining fee of 2,438*l.* a year. I submit that the "Warren Hastings" is an equal, if not a better, ship, and her armament is already provided for her at a cost to India of 12,000*l.*

9442-3. Then Question 8497?—I think I can show in recent correspondence that in building the "Minto" to replace the "Enterprise" the Government of India attached considerable importance to her being armed to enable her to protect or afford a refuge in case of a rising among the convicts in the Andamans.

9444. But, generally speaking, you have been advocating, have you not, the armament of all these ships?—Only a certain number, not all: I would only arm three.

9445. Then you pass on to Question 8511?—I think we may omit that. 8512 to 8515 relate to the flag we wear, and the question about the Resident using our ships.

9446. Have you not already put that before us in speaking of the Australian squadron?—I was going to point out that the Admiral says in his answer to Question 8515, "Directly you arm them they become "pirates; they have no status if they are fully armed." The question seems to me to be, whether the Admiralty have the power to override an Act of the English Parliament. The Act passed by Parliament distinctly says, "the suppression of piracy in Indian waters," and I fail to see how the Indian Marine ships can possibly become pirates as long as that Act exists.

9447. Your argument I suppose, would be that, if it is possible to keep these ships in Australian waters under the local authority, it could be done in the Indian waters?—That is one point in my argument, but my main argument is based on the Act. The Act distinctly enumerates our duties, and yet the Admiral in his evidence says that, if we try to perform those duties, we become pirates. The question is which is the superior authority, the Admiralty or the House of Commons, as far as I can see.

9448. I suppose the objection the Admiral puts forward is really to having two armed forces under separate commands?—Yes, and he refers afterwards to his making war in one portion of the station and my making war in another. But he forgets or overlooks one answer in my evidence (7127) in which I distinctly said that in all cases of offensive operations the vessels should be under the orders, or placed at the disposal of, the senior naval officer, so that there would be no question of authority clashing. But the Admiral omitted that answer altogether.

9449. (*Mr. Buchanan.*) Then would you limit the powers that the Director of Indian Marine should have over these ships, supposing they were armed?—We have had cases where the Indian Marine ships have been placed under the orders of the senior naval officer and have acted under him.

9450. But supposing you got your way and had them armed, would you be prepared to put them under the command of the senior naval officer for all purposes off the coast of India?—For all offensive purposes off the coast of India certainly.

9451. Of course they are so substantially?—Not for interior economy or for actual work on the coasts of India itself. We have had our ships actually under the command of naval officers, handed over to them, with our officers working under them in warlike operations, and no friction arose.

9452. (*Sir Ralph Knox.*) Your argument generally is that if your ships were armed, these armed ships which are supplied by the Admiralty might to a large extent be dispensed with?—You might certainly dispense

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with one or two of them, not altogether. You must have the "Sphinx." In my previous evidence I said so.

9453. But the other three might be dispensed with?—I should dispense probably with two, I would not say three.

9454. Still two of them might be dispensed with?—Two of them.

9455. And in time of war, or threatened war, you would be prepared to hand over those ships, to put them under the command of the English Admiral in command in those seas?—In time of war it is provided for by the Act. The Act provides that in time of war the Queen under her sign manual can place the whole of the Indian Marine under the Naval Discipline Act, and then they become part and parcel of Her Majesty's naval forces.

9456. And distinctly under the Admiral's command?—I believe those are the very words of the Act. They shall be "placed under the Discipline Act and become "part and parcel of Her Majesty's naval forces." That is in time of war.

9457. And you hold that your ships, if carrying the armament which you contemplate, would be able to meet the attack of an armed cruiser of any other nation?—Certainly not; not for a moment.

9458. What would they be able to do?—They would only be able to do the duty of the police on their own coasts, and the suppression of piracy on their coasts.

9459. They would not be able to perform the duty that these Imperial ships perform?—Certainly not. That is an Imperial question.

9460. Is not the "Marathon" capable of meeting the attack of an armed cruiser of any other nation?—The "Marathon" is only a third-class cruiser.

9461-2. (*Chairman.*) Admiral Kennedy was asked in Q. 8522: "Might there not be an advantage if those ships "were put under the Admiralty, so as to have only one "authority"? (A.) I do not know what the Admiralty "view would be as to that." What would you say to it?—I see no objection whatever to this, provided they are placed under the orders of the Admiral in the same way that Indian Navy ships were, when acting with the China squadron.

9463. And that brings us to Question 8531, does it not?—I should like to say something on 8528 if I might.

9464. Certainly?—The Admiral says: "She (the "'Lawrence') does not do any fighting; she is most "useful as a yacht." But if she was armed, he himself acknowledges in one of his answers (8529), she is as good, perhaps better, than the "Sphinx." Then he says, that if "there is any disturbance, they immediately telegraph to the Admiral, who sends a man-of-war; so that I do not see that she can be taken "into consideration as a force." The work of the Persian Gulf is very seldom of a very urgent nature. We generally have a week before it is decided, whether action will be taken or not, very often a great deal more, and in that time there is ample time to send a vessel from Bombay if required, which would prevent the "Lawrence" being left there single-handed, if the "Sphinx" were away, and therefore undertaking offensive operations on her own account.

9465. Then on that point, perhaps, you would just look forward to Q. 8537, which endeavours to sum up what might be the result of arming the "Lawrence," and putting her under Admiralty orders. It seemed to me too that the Admiral allows that there might be practically a gunboat saved?—Oh yes, I think there is no doubt whatever of that; in fact, a gunboat is saved now.

9466. But is that the amount of saving that you think might be effected by means of the "Lawrence" being armed?—I think so; but I go further than that. I think the "Lawrence" should be put as an offset to the "Sphinx." One should be held to do the Indian share of the duty, and the other should be held to do the Imperial share, unless the Persian Gulf is to be held to remain for ever under India.

9467. What have you to say about Q. 8538?—The Admiral says that it would be the best way for the Admiralty to buy the "Lawrence" right out; but, if they bought the "Lawrence" and manned her themselves, as I pointed out in a previous answer, the cost of the "Sphinx" being enormously greater than the cost of the "Lawrence," the only result would be that we should be asked to pay a subsidy for the "Lawrence" in the same proportion as for the "Sphinx."

9468. (*Mr. Mowbray.*) That is caused by the difference between a white crew and a lascar crew?—Yes; I could not give you all the details. I gave you the exact cost of the up-keep of the two ships; I got an average for the three years out of the Marine Estimates.

9469. (*Chairman.*) Then we go to Q. 8562:—"And "those limits are defined with the assent of the Indian "Government." Those are the limits outside which the vessels cannot be employed without the consent of the Indian Government?—They would certainly be removed at once in time of war.

9470. But that would be with the consent of the Indian Government?—Consent or no consent, the Admiralty would take the ships.

9471. Q. 8578 refers to the question of the Admiralty being the best judges?—I have nothing to say about that.

9472. Q. 8581 is about the power of the Indian Government to choose the ships?—I would like to point out with reference to that, that the Government of India had chosen the ships and named the class before the Rosebery award.

9473. Then with regard to Q. 8592?—The Admiral says here that in time of war the Defence Flotilla would be dispersed wherever the Indian Government thought fit. There is an apparent contradiction in this, inasmuch as the Admiral says the Government of India cannot give him any orders; it can only requisition, whereas according to this the vessels would be actually detailed for certain places to which he would be obliged to send them.

9474. Then we come to Q. 8608, which is about the large dockyard works at present in Bombay?—Yes, the deepening of the Duncan Dock originated entirely from a proposal of the Admiralty to build a gigantic dock in Bombay. This the Government of India refused to do, but deepened the Duncan Dock at their own cost to meet, as far as possible, Admiralty requirements.

9475. (*Mr. Buchanan.*) Did the Admiralty want the Indian Government to build this big dock at its own expense?—At first at its own expense, and afterwards they offered to subsidise it to a certain extent.

9476. (*Chairman.*) I think, if I remember rightly, they offered a considerable subsidy, did they not?—India altered the Duncan Dock at a cost of about five lakhs. It really was not altered primarily to meet the requirements of Indian troopships at all.

9477. (*Sir Ralph Knox.*) Was the alteration necessary to meet the requirements of these four ships that are subsidised?—It is before a vessel of the "Marathon's" size was ever mentioned. The Admiral quotes a letter of mine about the dredger's current work. We had an old dredger which could dredge to 16 feet, but when we deepened the docks to try to meet Admiralty requirements, we had to get a dredger which could dredge 24 feet. Then he says that "neither the "'Boadicea' nor the 'Bonaventure,' the past and "present flagships, have ever been into the Duncan "Dock, on account of the approach not being properly "dredged." A week after I left Bombay the "Bonaventure" was to have gone in, and there was ample water for her and two feet to spare.

9478-9. Is she much larger than those subsidised ships?—Considerably; I should think she is 300 feet long, and I think the "Marathon" is 260; the "Bonaventure" is a second-class cruiser.

9480. (*Chairman.*) Then you go on to Q. 8614. Are not these docks constructed for the repair and maintenance of ships that are required for Indian purposes?—I virtually answered that before; the dock was not increased for the benefit of the troopships, but to meet requirements of the Admiralty.

9481. Q. 8613 turns upon the question whether, if the Indian Navy had remained, large docks would not have been required?—No, I certainly think not; I think the present docks would have been amply sufficient.

9482. (*Mr. Buchanan.*) You would still maintain then that the alterations made by the Indian Government at its expense were largely to meet the requirements of the Royal Navy, and have been available for that purpose?—Certainly.

9483. (*Chairman.*) Then we come to Questions 8616 and 8617, regarding the convenience of the docks?—

Yes, the Admiral there talks of the vessels going to Colombo when the dock is made there. They might go there for cleaning purposes; but, if anything like extensive repairs were required, they would find a want of artificers and a want of material unless the Admiralty established a depôt.

9484. Then Q. 8620 as to whether there is a reciprocity?—I only wish to reiterate what Admiral Kennedy has already said, namely, that there is no reciprocity whatever now-a-days.

9485-6. Because there are no longer any troopships?—Because there are no longer any troopships. The arrangement is entirely one-sided.

9487. Now comes the question of the docking of the "Clive" at Portsmouth and Bombay?—Yes, Q. 8630, Mr. Cuming says, the low charge is supposed to be due to the low rate of exchange, and that, if the rupee were worth 2*s.* in sterling, the cost of the docking in Bombay would be 115*l.* as against 111*l.* at Portsmouth; but he does not say that out of the sum that it cost to dock the "Clive" in Bombay 1100 rupees had to be paid for material—for the paint to put on her bottom which had to be obtained from England—which if the rupee had been at par would have cost 630 rupees, so the consequence is that he is entirely wrong about that. The actual cost, if the rupee had been at par, would have been 630 rupees, plus 300 labour = 930.

9488. I suppose that labour is cheaper?—Labour is extraordinarily cheaper, but of course loss by exchange punishes us in the way of having to pay for the material from England.

9489. (*Sir Ralph Knox.*) Is the material obtainable on the spot?—We keep large stocks of it.

9490. But where do you get it from?—England.

9491. (*Chairman.*) We learn from your evidence given last time that the larger portion of your stores are bought in England?—Just so.

9492. 130,000*l.* to 150,000*l.* a year, was it not?—It is a very large amount.

9493. One year it was 130,000*l.*, and I think in another year you showed us it was 150,000*l.* Then we come to Q. 8632 about the retaining fee paid for P. and O. steamers as armed cruisers?—Well, I have already commented on that in my answer to Q. 9441.

9494. Then next are questions 8634, 8635, and 8636, upon the length of time that Admiralty ships have been in dock?—I only wish to point out that the "Briton" was not so very long ago; the "Briton" was in dock in 1887, and I could give you the cost of every ship docked within the last 10 years. The Admiral says it is a case of ancient history—it was in 1887.

9495. Would you like to put in any statement showing other cases of ships that have been in the dock for a long time?—I will put in a statement.*

9496. Does that finish all the questions to which you wish to call attention?—No, there is one question with reference to the repairs of the "Sphinx"; may I read this letter to me from the India Office?

9497. If you please. What is the point to which that letter refers?—The question of fixing an annual sum for the repairs of the "Sphinx" instead of the present existing arrangement: "India Office, White-"hall, London, 11th March, 1896, Sir, I am directed "by the Secretary of State for India in Council to "forward for your information a copy of a telegram "from the Government of India, requesting that when "the subject of India's contribution towards the cost "of Her Majesty's ships in Indian waters comes before "the Royal Commission, arrangements may be made "for the subsidy to include a fixed annual sum for "the repairs of the 'Sphinx', or her successor, "instead of being exclusive of this item, as already "arranged; and I am to say that you are authorised "to communicate the wishes of the Government of "India in this matter to the Commission, together with "a statement of the average cost of the repairs in the "past, which you are probably prepared to furnish. I "am to observe, however, that the decision will not rest, "as the telegram seems to imply, with the Commission, "but with the two departments, Admiralty and India "Office, after consideration of the views of the "Commission."

The telegram from the Viceroy, dated 28th February, 1896, is as follows:—"With reference to the corre-"spondence forwarded with paragraph 1 of your "military despatch of 23rd January last, we request "that when subject is before Royal Commission, "arrangements should be made for subsidy to in-"clude fixed annual amount for repairs of 'Sphinx,' "amount to be subject to revision when 'Sphinx' "is replaced by a new vessel. A despatch on "the subject will follow." I apprehend that the reason of this despatch was that the repairs of the "Sphinx" were settled under Lord Rosebery's award, and therefore could not be arranged between the two departments. At present India has to pay for the repairs to the "Sphinx" and the result is constant correspondence and unpleasantness as to what can fairly be charged to India.

9498. Would you prefer that the repairs to the "Sphinx" should be carried out as the repairs to the other ships are?—I should infinitely prefer it, and so would, I may say, the naval Commander-in-Chief, who has been in correspondence with me on the subject.

9499. (*Sir Ralph Knox.*) And that the 100,000*l.* be adhered to?—We should have to pay the estimated repairs of the "Sphinx," in addition to whatever subsidy is decided upon eventually.

9500. (*Chairman.*) At present it is paid separately? The present operation of the award is that 100,000*l.* is paid in money to England, and 4,000*l.* in India for repairs to the "Sphinx"?—It is not really 4,000*l.*; that is the estimate, but it does not amount to that as a rule.

9501. But that is what it really comes to, that India pays 100,000*l.*, and, in addition to that, she pays the bills of the "Sphinx" when she is repaired?—Just so.

9502. You would prefer to pay 103,000*l.*, or whatever the sum would be, and that the "Sphinx" be repaired as other vessels?—Just so, and that would follow the practice at present prevailing, that for the repairs of the whole of the Defence Squadron the Government of India pay a lump sum to the Admiralty, and the Admiralty spend it just as they please.

9503. (*Sir Ralph Knox.*) I thought that was one of the items that you complained of very considerably?—So it is. This letter refers to "a statement of the "average cost of the repairs in the past, which you "are probably prepared to furnish."

9504. (*Mr. Mowbray.*) Why was the "Sphinx" differently treated to the other ships?—I never could quite understand. When the Defence Squadron was placed on the lump sum basis, it seemed obvious that the "Sphinx" should be treated in the same way; but apparently it was not thought of.

9505. Have you got the actual figures of the repairs of the "Sphinx" at Bombay for the last five years?—Yes, so far as I can get them from my records.*

9506. (*Chairman.*) Have you any remarks you would wish to make upon the changes which have taken place lately in the transport service between England and India? a considerable change has taken place—the old Indian transports have been abolished, and at present the transports are hired, are they not?—Yes.

9507. I do not know whether you may wish to offer us any remarks upon the financial aspect of that change?—No.

9508. Lastly, I think you have a statement, which possibly you might like to put in, which will give some idea of what the cost of the Indian Navy was to India, while it existed?—You refer to Question 6911 of my examination?

9509-14. Would you wish to put that in?—Yes (*statement put in*).†

9515. Is there any other point to which you would wish to call our attention?—There is one small question with regard to the armament of the "Lawrence," which Sir Donald Stewart raised in the course of Admiral Kennedy's evidence. I want to draw some small attention to that—with regard to Q. 8531—Sir Donald Stewart read a letter, which is dated 1881, which distinctly points out that the "Lawrence" was not intended to be an armed ship; but the "Lawrence" did not go up to the Persian Gulf till 1887, and the Government of India in a despatch, written in 1892, says: "It was "originally intended that the 'Lawrence' "should be a purely non-combatant vessel and not "armed, but the Indian Marine Act, passed in 1887" —that was a subsequent Act to 1884—"seems to "warrant the arming of a Royal Indian Marine vessel "for particular service such as the 'Lawrence' is "employed on, and we accordingly took the necessary "steps to place her guns on board, and informed your

* *See* Appendix 62.

† *See* Appendix 61.

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"Lordship of our action in the statement attached to "paragraph 19 of our military despatch No. 4 of the "14th January 1891." The "Lawrence" being unarmed, of course, was the original idea, but on the Act being passed for the suppression of piracy, &c., the Government of India thought it within their power to arm her, and they did so accordingly. I only point that out as a sequel to the other letter.

9516. (*Mr. Naoroji.*) Now, it is generally stated that the Imperial conditions have very much changed, and that therefore, all the interests of the British Empire having increased, the Indian Empire must contribute to all those increased interests. Now would Britain hold that all the interests that have arisen from change of time and circumstances have not arisen from the interests of Britain herself; that is to say, her rule in the Indian Empire and her position in Europe and her own condition?—I am afraid I am not a politician; I can give no answer to a question of that sort.

9517. We are often told about the common interests of the Empire in which India is interested, but, where India and England both are interested, is it not proper that England should take a share instead of putting the whole burden upon India?—I should say most assuredly.

9518. In all the common interests, yes. This is a question based upon the award, and the award is before us, so I will put the question now. Is not the whole award based one-sidedly on the fallacious assumption that India is an independent country, master of itself, of its own resources, and having her own benefits at her own command, instead of being kept down in helpless subjection by Britain, and Britain having most vital interests of her own at stake, as well?—I do not quite follow you.

9519. I am taking the whole award. Is not the whole award based on a one-sided fallacious assumption, namely, that India is an independent country, master of itself, of its own resources, and having her own benefits at her own command, when in reality she is kept down in helpless subjection to Britain, Britain having most vital interests of her own at stake, and Britain having the whole power to do what it likes with the resources of India? The fallacy lies in this, that India is considered as if it were negotiating independently on her own strength with an equal power. That is the whole drift of the whole award, and therefore she is made to pay the whole cost of the armament and of the naval supply with which we are now dealing?—If you ask me if I think the award a strictly fair one to India, I should say no.

9520. If India is asked to take a share in all Imperial burdens, is it not right and just, therefore, also that India should have all Imperial rights in all the services, Army, Navy, Civil, of the Empire, because she is often told that she is a part of the Empire and she must contribute to the defence, and the words there are "general defence of the Empire"?—I think that is a question I can hardly answer. As I said before, I am not a politician, and I do not study these questions.

9521. Then the same remark I may apply to the Conference, whose decision has been constantly appealed to in the whole controversy, that the Conference has gone entirely on the assumption that India was, as it were, an independent power to negotiate with, and that India therefore has certain responsibilities as one who has its own resources at its own command. If that is not accepted, if that is not correct, then the whole decision of the Conference goes for nothing?—There were members of the Conference representing the Government of India, though no one was actually sent from India in the same way as from Australia.

9522. But then the Government of India, or the Secretary of State for India, are a department of the British rule, and they do not represent, as Mr. Gladstone himself admitted, the interest of the Indians, as an independent Indian nation altogether; it is all subservient to the British rule and British power and British interests?—They are governed by England.

9523. Without any voice in the disposal of its resources?—Except that the Government of India watch the interests of India as closely as possible in every possible way.

9524. Yes, all the departments that have been discussing this question have been all acting upon that principle of getting what they can out of India, but they have never recognised the principle that whatever is done in India for the interests of both—that is to say, both for the British rule and for India itself—that the British exchequer also should contribute. That point has not been touched upon by any one of the controversialists; can that be fair?—I have never sat on any board of the sort; therefore I cannot give an opinion.

9525. I am only talking about the correspondence as it is here. This correspondence does not show in the slightest degree that either the Government of India or the other parties have taken that view of it. Well, then it is said here that India has to pay the whole cost, effective and non-effective, of this armament. Now, is not this the same one-sidedness upon which the whole of this controversy is carried on, ignoring all along the interest which Britain also has, even more vitally than India, in all the interests for which those services are required, small or large?—I do not think I am capable of giving any opinion except on the matters which have already been placed before the Commission, where I have endeavoured to show the Indian point of view.

9526. From the Government of India point of view, not the Indian's point of view?—Yes, and also the interests of the people of India.

9527. Yes, but the interests of the people of India have had no expression whatever, either in the Conference or on the representation for the award or in any way whatever, so you can hardly know what the interests of the people of India were. I am talking more of the Government of India in that respect. Then in a Treasury letter to India Office, these words occur, "securing to India an effective voice in "its control." "The principle that India ought to pay "for the whole cost of the squadron was admitted at "the Conference, with the proviso that its composition "was to be revised, and that arrangements were to be "made for securing to India an effective voice in its "control." Now, is not this expression and the whole reasoning in fact utterly misleading—"securing to "India an effective voice in its control"; is it not simply the voice of the British by means of its own agents, servants, and departments? There is no voice of India itself in the matter at all, while the British public understands it to be the voice of India, when it is very well known that the whole resources of India are entirely at the disposal of the British authorities, and to say the Government of India echoes the voice of India is what Mr. Gladstone has called a paradox. Now with regard to comparisons made with Australia; constant comparisons are made, and arguments are based upon them; but should not this be borne in mind, that Australia is its own master; whatever she does is within her own power, will, and voice; she can do whatever she considers for her own interest. Also an Australian has access to every and any service of the empire. Well, have the Indians any such power, will, or voice? Has India any command of her own resources? are they not entirely at the mercy of the British, to be disposed of at their own sweet will, and, as far as possible, to their own interests? and the Indians also have no access to all the Imperial services of the empire. Now, is not this fact a contrast between the two? If India were in the same position as Australia to speak her mind and to act according to her own interest, the case would be quite analogous and right; but as it is at present, to treat India as Australia for British purposes, and then to treat India as it is actually treated for Indian purposes, is it not altogether unfair? Then the words "Indian purposes" are constantly used here, on which the Conference and the award are based, and what does this "Indian purposes" mean? does it mean that in all those purposes Britain has no share whatever in its own interest? should it not be called "British and Indian purposes," and, instead of putting the whole cost of the squadron upon India alone, should it be divided between the two in some fair ratio according to the capacities of each and according to the interests of each? The word "Indian purposes" is entirely misleading?—The word "Indian purposes" has been the rock upon which the whole controversy has set in.

9528. And it is wrongly interpreted all along, and upon that fallacy is the whole award and the whole conference based. Now taking the past instances of the East India Company spending a certain amount of money, the contention that we ought therefore to be prepared to spend the same amount of money now. I will just take one instance in the last century—the British Administration was the most oppres-

sive and the most plundering that has ever existed in the world (those are the words of the report of the Directors, not mine). Now, would the present Royal Lady Empress follow such an example? Certainly not. Then in the same way, supposing the East India Company of their own free will and of their despotic power, which they possessed, had done certain injustice to India before in compelling her to find everything for their own interest; would it be right for the Victorian rule to follow the same precedent, and say to us that, as we spent so much before, we must spend the same amount now?—I think the whole of my evidence before the Commission goes to show that I wish to see fair play between both; I hope so.

9529. I do not know whether it is said in the award, or not, that the arrangements made in 1861–62 were not binding on the British Government; however, on the same ground shall I say that referring or appealing to past evidence, whether right or wrong, just or unjust, in order to strengthen the position which the Admiralty takes up here, is not fair. Well now, with regard to Australia again. Here are a few words, which I will just quote, which explain the whole position. Mode of calculating the cost, paragraph 3, page 53. "Under "the agreement arrived at in March 1890, the charge "against India is to take the form of the whole cost, "effective and non-effective, of certain ships. My "Lords remark that the maximum calculation by the "Admiralty of this cost seems very moderate." These sentences need not be quoted; what I want is the following part. "To compare it with the charge made "to the Australasian colonies for the increase of the "Australian squadron is irrelevant, because that "charge does not pretend to represent the whole cost "of the ships, but is what the Australian colonies were "willing to pay and Parliament thought it expedient "to accept." Now is not that a comment upon the position of Australia and India, that from Australia the Government here can only get what they will give, and from India they may take whatever they like. They cannot make Australia pay whatever they like. Well, I think I will stop here.

9530. (*Sir Donald Stewart.*) I have only one question to put. Can you furnish a general statement showing how the vessels of the late Indian navy were usually employed between the years 1830 and 1860. My object in asking the question is this: I think there has been some misconception as to the meaning of a sentence in Sir Charles Wood's despatch of 1860; I think it has not been quite clearly understood. The paragraph to which I refer will be found at page of the papers relating to Lord Rosebery's arbitration statement. The Secretary of State said, "as regards India, the general defence, "the protection to trade generally, and the measures "for putting down the slave trade on the eastern "coast of Africa, which have hitherto been performed "partly by Her Majesty's Navy and partly by the "Indian Navy, should be undertaken altogether by "Her Majesty's Navy." I think that this has been read as if all these duties had been performed partly by Her Majesty's Navy and partly by the Indian Navy, but that is clearly not the interpretation of that sentence. The duty that was performed partly by Her Majesty's Navy and partly by the Indian Navy was the suppression of the slave trade, and that alone, if you read the paragraph carefully.

(*Chairman.*) It reads both ways, does it not?

(*Sir Donald Stewart.*) Well, I do not see how it can, as the whole tenor of the correspondence leading up to Sir C. Wood's despatch supports my interpretation of the sentence.

(*Chairman.*) "The general defence, the protection to trade generally, and the measures for putting down the slave trade, which have hitherto——"

(*Sir Donald Stewart.*) The "which," clearly applies to the measures for the suppression of the slave trade.

(*Chairman.*) When you join three duties together in that way, followed by a "which," the "which" may refer grammatically to all, may it not?

(*Sir Donald Stewart.*) I do not think so, because, if you read the rest of the despatch, it is clear that this interpretation was not in the mind of the Secretary of State. If you look at page 19 you will find the Secretary of State's definition of the duties which the Royal Navy would be required to undertake on the abolition of the Indian Navy. "The Indian Navy "was abolished by an Order dated 22nd April 1863. "The Admiralty having inquired what force had "hitherto been maintained for such duties as the "Royal Navy would henceforward be required to "take 'for the protection of the Indian Seas,' "'the India Office, on the 7th November 1862, "replied, 'At all times there have been several vessels "'of Her Majesty's Navy in the Indian Seas for the "'general protection of trade,'" there is the very phrase, "'and to be at the same time available for any "'general service which might be required by the "'Government of India. A considerable squadron of "'the Royal Navy has always been maintained on "'what is called the East India and China station, "'and the number of ships and vessels on the coast "'of India has varied from time to time according to "'the known or anticipated requirements of the "'various posts of that extensive naval station.'" There is nothing here to show that the vessels of the Indian Navy were ever employed in the protection of trade generally on the high seas; and it is to establish this point that I ask for this statement?—I will do my best.

9531–2. It will be a very useful statement, if it can be obtained?—I think I can get something from the history of the Indian Navy, and I think I might get some other records here. As far as my experience goes, and conversation with Indian naval officers, who are now quite old men, the duties performed were not on the high seas, but were simply the local duties as you point out, and in reading this paragraph from the Secretary of State's despatch I have in reading it never understood "the protection of trade generally," and thought, until you put this light upon it, that it applied more or less to the protection of the actual coasting trade of India; but, now you have pointed out this interpretation, I have no doubt whatever that the last paragraph is intended only to apply to the slave trade as being jointly performed by the two; but the protection of the trade generally was always the duty of the Royal Navy. I will do my best to work that out if I can. I think it is a most important question.

9533. (*Sir Ralph Knox.*) Do you think there is really any reason for so restricting it?—I think there is every reason for restricting it, because, as I said before, the trade on the high seas was not protected by the Indian Navy, as far as my knowledge goes, in any way.

9534. But, so far as Indian interests are concerned, do you not think that India should bear a share in such protection? The trade of India is very extensive; it belongs to India and it belongs to Britain very largely?—No, it belongs to Britain, not India.

9535. Not India?—No.

9536. You do not think that the trade of India is of any advantage to India?—I mean to say, that the actual sea-borne trade is owned by England, and the ships are owned by England, and the cargoes are owned by England. I do not say that the bales of cargo belong to England, but, the ships having once sailed, they are the property of English merchants, and the cargo is the same.

9537. But the cargo generally consists of the produce of India, does it not?—It is the produce of England sent to India.

9538. But I mean the other way?—It is bought by English money.

9539. Yes, but produced by India?—Produced by India, but the actual protection of it ceases to be an interest of India after it leaves Bombay or an Indian port.

9540. But do you think that that trade would exist, if it was not protected?—Certainly; it has existed all those years perfectly well. There has been no war.

9541. Yes, but the existence of a fleet is for protection against war and war risk, is it not? That is the only reason for it?—The principle is a free trade one, and would be acknowledged, I think, by every Englishman; but until it is applied in its entirety to Australia and to all the great dependencies of the Crown, I do not see how you can make India do one thing and let the others do nothing.

9542. (*Mr. Naoroji.*) But while this trade which we are now considering is under protection, is it not entirely the British interest of the East India banks and the insurance offices—the whole cargo is entirely a British interest while it is floating, and while it is under this protection?—I think that is going a little too far, there is no doubt India has an interest in the cargo if they have sold it; otherwise it would not produce it.

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9543. That is true, but that is not the question. The question is, while under this protection, is it British interest or Indian interest, that is the question; while under this protection it is entirely British interest.

(*Chairman.*) Well, Mr. Naoroji, you see there is a difference of opinion; I should say exactly the contrary.

(*Mr. Naoroji.*) I only say what my opinion is, as matter of fact.

(*Chairman.*) It is entirely in the interest of India that it comes over here. India is interested in selling her corn and cotton, which add immensely to her wealth; and as much as any country in the world she is interested in her foreign trade.

(*Mr. Naoroji.*) I will admit all that, but the question is simply this, that with regard to this protection of trade, at the time this protection is given to the trade, it is entirely British. It is with that point that we have to deal.

9544. (*Sir Ralph Knox.*) As regards the charge that is made of 100,000*l.* a year, is your argument that this should be divided, or should be abolished altogether?—Oh, I think I cannot hope to have it abolished altogether; I should like to see it very much reduced.

9545. On what grounds do you think it should be reduced?—On the ground that the services of India to the Navy have not been taken into consideration, and that the words "Indian purposes" have been misinterpreted.

9546. What services of India to the British Navy?—I mean to say, as I said in my evidence before, that without our dockyards and harbour defences, &c., &c., the English squadron could not exist out there.

9547. But those dockyards exist really for the maintenance of ships in Indian waters, mainly for the protection of Indian interests, do they not?—No, they were originally for the old Indian Navy, and then they also worked for the Royal Navy by building wooden line of battle ships in the old days for the British navy.

9548. But the ships that are repaired in the dockyard are the ships that are exclusively employed in Indian waters, are they not?—Those ships and any other men-of-war that pass by.

9549. But do many men-of-war pass by?—I think I can give you a considerable list in the last 10 years. The "Garnet" was only temporarily on the station, coming home from China, that is one; and the "Blanche" only temporarily on the station, two.

9550-1. Well, there were some ships coming from the China station?—Homeward bound from the China station, and also ships going out; and we had one or two ships under considerable repair. Still you see the dockyards are available for all men-of-war that happen to require to go there, not only at Bombay but at Calcutta.

9552. I see that the proposal is to charge 100,000*l.* a year as against a calculated actual expenditure of 117,000*l.* a year, that is to say, a reduction of 15 per cent. That, of course, is a considerable sum; it is a considerable percentage upon the calculated charge. Assuming it to be an approximation to the real charge, I find that the 17,000*l.* in fact represents the whole cost of the "Pigeon;" or, taking it in another way, it nearly represents the whole cost of the hulls of the ships?—Not the hulls of the ships; repairs to the hulls of the ships.

9553. No, the hulls of the ships, the entire charge of the hulls of the ships is put at 19,555*l.*?—That is to keep them in order, surely, is it not?

9554. No, the annual charge?—That is the 5 per cent. on the original cost.

9555. Yes, for paying off the first cost of the ships, with 3 per cent. interest for replacements?—Oh, yes.

9556. The rebate or the discount of 17,000*l.* amounts to very little short of the total cost of building the ships?—Surely not the building of the ships, the building of the "Marathon" alone cost 160,000*l.*

9557. No, 123,000*l.*?—And for armament.

9558. Yes, her armament 39,000*l.*, yes, well it is on those figures that the calculation is made?—Therefore you cannot say that 17,000*l.* is paid for the hulls of the ships.

9559. That 19,555*l.* is put down for the total annual cost of those ships, and India is to be remitted 17,736*l.* per annum. It is a sum which represents, whatever way you may put it, either practically the cost of the hulls of the ships, or the cost of the maintenance of the ships, or the total cost of the one ship "Pigeon:" they are all approximate to that amount?—Yes.

9560. I find also in the comparison that has been made, that the cost of the Australian fleet has been worked out at so much per ton, but this table here shows that that seems to be rather a fallacious method of making a comparison. I find for instance that the "Marathon" costs 16*l.* a ton, whereas the "Brisk" costs 20*l.*, the "Pigeon" 20*l.*, and the "Sphinx" 20*l.*; in point of fact the smaller the ship the greater the cost per ton. Is that the general experience?—I think it holds good, except where you bring in armour-clad ships, and then again the price increases, I think.

9561. The ships that form part of the Australian fleet are larger ships than the "Brisk,' the "Pigeon," and the "Sphinx," are they not?—No, there are one or two smaller, two smaller I think, and I will give you the tonnage of the others. The "Mildura" is a twin-screw cruiser, third class, 2475 tons, and the "Marathon" is 2950, therefore they get five ships of the "Mildura" class, I think, and two of the "Karakata;" the "Karakata" is 735 tons; she is a gunboat.

9562. That is like the "Pigeon"?—Yes, well she is not quite like the "Pigeon;" she is more like the "Plassy" and the "Assaye."

9563. Yes, about the same tonnage?—About the same tonnage. I took the tonnage because, as they were all more or less of the same class, I thought it was a fair way of taking them. But, when you are on the question of the calculations about the subsidy, I should like to point out one thing. There is a great variation in the calculation of the cost in calculating the subsidy. The annual cost for maintaining the four undermentioned vessels in Indian waters, the 'Turquoise,' the 'Mariner,' the 'Algerine,' and the 'Sphinx,' is taken in a letter dated the 1st of February 1890, at only 76,079*l.* We then have a further calculation on the same four ships. I think in the second calculation they make it 103,000*l.*, and in the third calculation based on the "Marathon" class they make it 117,000*l.*

9564. (*Sir James Peile.*) Adding the renewals, it comes out at a higher sum?—Yes, and all those three calculations are made within a very short time of each other.

9565. (*Sir Ralph Knox.*) Yes, but in one case the capital charge was not included?—I see that.

9566. The main difference is the interest on first cost at three per cent.; then there is the item for hulls at six per cent., and waste on armaments, and so on; those are not included in the first statement—all those were added subsequently; in fact if you take the figure 30,296*l.* which is pay and allowances, it agrees with the other calculations?—But I might point out the calculations of the Admiralty are rather one-sided. They put down, if you notice, waste on armaments. Well now, every one of those ships, the "Turquoise," the "Mariner," the "Algerine," were all obsolete ships, and the principal portion of their arnament was 64-pounder muzzle-loaders, The proof of my contention is that they all came home, and they were never commissioned again.

9567. I think the idea of the Admiralty was to get at some sum which they could charge India for some series of years, was it not?—The agreement was for ten years.

9568. Which would fairly represent the cost of what the fleet might be, although it might be changed. They did not bind themselves to keep these particular ships there?—Oh, no; it would be very unfair to India if they did; you would have to re-commission them, and every time you re-commissioned them, it would cost some more money.

9569. (*Mr. Mowbray.*) What class of vessel is your ship that you have at Aden?—The vessel there at present is a despatch boat.

9570. She would not, even if she were armed, be capable of taking the place of the Royal Navy ship that is maintained there?—I should say yes, considering all the work that the Royal Navy ship does on the Somali coast. Certainly she is only armed with three six-pounder quick firing guns—that is the armament arranged for her—and she was built entirely as a despatch boat, but I think she can carry about 100 troops at the outside; she is very fast, the "Minto."

9571. She is the "Minto." Is that part of your idea, that she would be able, if armed, to relieve the Royal Navy of the expense of keeping their ship at Aden?—My whole object in putting forward the question of arming the Indian Marine ships has been to try and show that we could actually do the police work on our coasts independently of the Royal Navy, and that therefore we should not be heavily charged for doing work which we could perform ourselves. For all purposes that I have seen at Aden for the last 10 or 12 years that I have been connected with the Government of India, I think that the "Minto" would do the work admirably well. But you will understand that I am only putting this forward, not because I wish to arm them, but in order to point out that we could do the work, and that therefore our not being allowed to do it ought to be considered in the question of the subsidy.

9572. But I also understand that you wish to have Aden removed from the category of Indian waters, and that you think that the Imperial Government ought to contribute more largely to the expense in connexion with Aden?—I think that every man who gives the question one moment's thought must agree with me that Aden is on the high way to Australia and China and is equally important to them; why should India pay and England not pay?

9573. Do you think that the development of the Australian trade has altered the position of Aden in that respect?—To a great extent, and, moreover, if it is fair that England should bear, as she does, half the cost of fortifying Aden, it seems to me that in any case on the same basis she should bear half the cost of the ship that is kept there.

9574. (*Chairman.*) Surely Aden is of primary importance to India, is it not? As I understand, Aden is the very key of the Red Sea, is it not, and it is at that point that any irruption of ships from the Mediterranean could be stopped?—I should think they would stop them at the other side; I should think that would be the naval policy.

9575. That is, the Imperial Government would render this enormous service to India, unpaid by India, on the other side?—Just so, yes.

9576. I should have thought that the position of Aden at that point was one that gave India very great power of arrest?—There is no doubt it is a great strategic point, but I think the principal part of the work would be done on the other side.

9577. (*Sir James Peile.*) You look upon the interests protected by the naval vessel at Aden as not being peculiarly Indian; they are just as much those of other British settlements, Australia, China, and so on?—I think there can be no doubt whatever about it.

9578. Aden is our naval base for operating on the Red Sea?—No; the Red Sea now is on the Mediterranean Station.

9579. Yes, I was aware of that; but still that is the purpose that Aden would fulfil in time of war?—Of course it would, and for that reason it was fortified, and also, I suppose, the harbour deepened to allow the big ships to go in and coal under the protection of the batteries, all of which has been done by India.

9580. With regard to your general view of the subject, you point out that from 1863 to 1869 India paid nothing for the services of naval vessels?—That is so.

9581. And in 1869 she began to pay for the pay and victuals but not for other charges, that is, she paid 70,000*l.*?—79,000*l.* I think it was.

9582. That was for pay and victuals only, not for other charges?—Yes, and the head money, 7*l.* per head.

9583. Since that, we have got on to the payment by India of all charges?—That is so.

9584. And in the meantime a settlement has been made with Australia on a different basis?—A settlement has been made with Australia on a different basis.

9585. I say in the meantime, during the course of these alterations in the settlement with India, a settlement has been made with Australia on a different basis?—Yes.

9586. Different in regard to two points; in the first place the payment Australia makes is for a definite additional force of ships?—Yes.

9587. And secondly she does not pay the whole cost, but, as it is expressed by the Treasury, "what the Aus-"tralian Colonies were willing to pay and Parliament "thought it expedient to accept." That was the basis of what Australia paid?—That is exactly the case.

9588. We have the statement before us that as the Indian payment has now been fixed at 100,000*l.*, India does not pay the full cost?—So the Admiralty say.

9589. In 1895-96, however, she paid 117,000*l.*, did she not, plus 4,000*l.* for the "Sphinx"?—I am not quite sure of that, but you must recollect that the 4,000*l.* for the "Sphinx" is a sum estimated by the Admiralty; in reality the "Sphinx's" repairs have not come to anything like that amount.

9590. I was just going on to that. You have pointed out that in the 117,000*l.* there are sums for maintenance and repairs, and also this payment for the "Sphinx" of 4,000*l.*, which are a great deal more than the actuals?—I have.

9591. So that it is not quite clear that the 100,000*l.* is less than the actual cost?—I should be very glad to take a contract to run the ships for 100,000*l.*

9592. The question will revive in 1901, I think; the 100,000*l.* settlement is up to 1901?—Yes.

9593. The question of the amount will then be revived; it will have to be reconsidered?—Yes, but if it is reconsidered on the same basis, namely, that India is to contribute to Imperial purposes, there is no doubt that it will be considerably increased.

9594. That is if the total cost is taken?—Yes.

9595. But I suppose there is a certain advantage in having got the principle recognised up to 1901 that India should not pay the whole cost? It is considered that the 100,000*l.* is not the whole cost; that principle is to be recognised now up to 1901, is it not?—But that is only because India wished to have smaller vessels, and it is a kind of compromise.

9596. But the Admiralty case is that the 100,000*l.* does not represent the whole cost?—It does not represent the whole cost of the four ships which the Admiralty say are required, but which India does not agree to.

9597. Well, they admit that they have accepted a smaller amount than the whole cost?—For the four ships which they say are required.

9598. The principle is admitted that they will accept up to 1901 something under the whole cost?—Apparently so.

9599. Will you kindly look at a letter from the India office to the Admiralty dated 25th February 1869—that is the occasion on which a payment was first required from the Indian Government for ships—and see what the object there mentioned is, for which the ships are required. "Their Lordships are aware that the Govern-"ment of India have recently invited the serious "attention of the Secretary of State for India in "Council to the want (especially for service in the "Persian Gulf, where complications are frequently "arising which demand our intervention for the main-"tenance of the maritime police of these waters) of an "adequate naval force, under the control of the Indian "Governments and their representatives, for the "support of British authority on the seaboard." That is the object, the support of British authority on the seaboard. Then it goes on to say that a proposal had been made to have a special force organised for this purpose, but that Her Majesty's Government had objected; "it then remained to be considered in "what manner the required service might be per-"formed by Her Majesty's vessels on the East India "station. The Lords Commissioners of the Admiralty "now suggest that, whilst the entire expense on that "part of the squadron employed in the suppression of "the slave trade on the coast of Africa should be "provided out of Imperial funds, the cost of the "maintenance of the ships employed in the Bay of "Bengal, the Arabian Gulf, the Persian Gulf, and "Red Sea, should be charged upon the revenues of "India, the number of vessels so employed and paid "for by India being six." That was actually carried out; six vessels were so employed and 70,000*l.* was fixed as the payment?—Yes, that was actually carried out.

9600. Now you see the object of the whole arrangement was to provide for the support of British authority on the seaboard. There was nothing said about protection of trade or general defence of India?—I have never seen the protection of trade mentioned.

Captain J. Hext, R.N., C.I.E.

19 May 1896.

9601. That seems to have been a new arrangement entirely; is it not distinct from that made in 1863?—My interpretation of it is that the Admiralty, wishing to get as much money as they could, when the Foreign Office Convention sat and decided that India was to pay the whole cost, added bigger ships, and for the first time made a complete *volte face* and brought in Imperial purposes; and it is the first time since the Indian subsidy or the Indian Navy was done away with, that that thing was mentioned.

9602. Then you would hold that in 1863 the British Government, the Admiralty, took over the duties which are specified there, the general protection of trade and so on, without payment?—Entirely so.

9603. But in 1869 a payment for six ships began for the specific purpose of the support of British authority on the seaboard?—In 1869, for the first time, they asked for a subsidy.

9604. For that specific object?—Yes, and this letter which I do not see anywhere printed among these records, and I think a most important one, actually suggested that the Government of India were so disgusted with the idea of a subsidy, that they wished, as I said before, to get their own ships and do the work, but I have not seen the despatch in any compilation yet. It is a most important letter to the Duke of Argyll when Lord Mayo was the Viceroy.

9605. (*Mr. Mowbray.*) In 1869?—The date of this letter is 22nd February 1870, in which the Government of India object to the whole award and ask to overrule it. They objected to the subsidy and wished to establish their own vessels again. I think it is a very important despatch.

9606. (*Mr. Naoroji.*) With regard to dividing, should not the amount be divided, because all those interests are not merely Indian interests, but joint British and Indian interests?—I think, whenever they were joint interests, that the cost should be borne by both sides.

9607. Then, if we are asked to take a share in the expenditure for the protection of trade, must we not then have a fair and full share in the service which protects, and to which we are asked to contribute?—I do not quite follow you.

9608. The Navy is to protect the trade, as it is said?—Yes.

9609. And we are asked to contribute to that protection; then should we not have a share in the service itself, which is to protect, that is, in the Navy?—A share in what?

9610. In the employment in the service as officers, as crew, in every way, fully; if we are asked to contribute, we ought to have a share of the profits also of its employment?—The natives of India, as a rule, are not at all suited to a sea life.

9611. That is not the question; supposing that they want, is it open to them—should it not be open to them, they must have a fair share?—If they were thoroughly efficient there is no doubt they would have, yes.

9612. That is just the thing that they are not at present. Very well, then is not everything that is important to India as important to Britain, just as long as it has its own rule and power in its great Empire of India?—I should say the interests of the one were bound up in the interests of the other.

9613. Indissolubly bound up, as Lord Roberts said?—Quite right.

The witness withdrew.

Adjourned till Wednesday the 3rd June next, at 11 a.m.

(For the 20th–25th Days' Evidence, *see* page 284 *et seq.*)

At the India Office.

TWENTY-SIXTH DAY.

Wednesday, 8th July 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. LEONARD COURTNEY, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Sir H. Waterfield, K.C.S.I., C.B.

8 July 1896.

Sir HENRY WATERFIELD, K.C.S.I., C.B., recalled and further examined.

12,269. (*Chairman.*) I propose to ask you a few questions on the subject of the apportionment between the Imperial Government and the Indian Government of postal expenses. Some gentlemen from the Post Office are in attendance, and I propose to ask you whether there are any points to which you would draw our attention. The Post Office payments, I suppose, are confined to the contract with the Peninsular and Oriental Steam Navigation Company, are they not?—The present contract is with that company. The tenders for the new contract have lately been issued and are about to be received by the Post Office.

12,270. There has been some controversy between the Imperial and the Indian Governments as to the apportionment of the charge of that contract, and the principle of payment was settled by an award of the late Lord Halifax, was it not?—That is so; in the year 1876.

12,271. Would you tell us what the principles of that award were?—The questions at issue then between the two Governments were mainly as to the proportion in which the subsidy for the Mediterranean section was attributable to India, and to other countries. In the last contract the service was limited to India and countries further East, China and Ceylon, and the Straits; and the Australian service was conducted under a separate contract, so that that part of the question passed away; but the division of the Mediterranean and other sections under the Indian contract is still made under the award of Lord Halifax in 1876; and one of the points I have to put before the Commission is that the proportions of the correspondence have probably changed; that the correspondence with Egypt and with East Africa has assumed much larger dimensions, although I am not able to say until the statistics are taken how that would affect it, but we

hardly think that the award based on correspondence of more than 20 years ago is applicable to the present contract.

12,272. Can you tell us what Lord Halifax actually laid down as the principle? Was it simply that of apportionment according to correspondence?—Apportionment according to correspondence in such a manner that so many per-centages of the Mediterranean section were chargeable to India, and so much to England. The section from Port Said to Bombay was equally divided between the two Governments. I have worked it out; I think the per-centages roughly were these——

12,273. Before you tell us the per-centages, may I ask if you happen to have Lord Halifax's award with you?—I have not got it with me, because it is not in a very intelligible shape. The award was given in this way: Question A, so much, Question B, so much; and it would require a perusal of a long correspondence to see what Question A and Question B were.*

12,274. The answers to Question A and Question B are the several per-centages?—The per-centages were subsequently slightly modified, and the Post Office, when the last contract was under consideration furnished figures which bring out these per-centages. Of the Mediterranean section, India would bear 37·114; the Port Said and Bombay section was equally divided, India would bear 50 per cent.; on the Port Said and Colombo, India was not charged at all; Colombo and Singapore, India paid 3·039 per cent.; Singapore and Hong Kong, India paid 2·799 per cent.; Hong Kong and Shanghai, India paid 1·988 per cent.; adding the incidental expenses, the gross amount payable was divided so that India bore 24·941 per cent.—you may call it 25 per cent.—and then from that was deducted the sea postage. The net amount payable left a charge on India of 21½ per cent.

12,275. When you say that the sea postage was deducted, what was the principle upon which sea postage was brought to account? Did England and India each retain the sea postage levied in India and England respectively, or was it apportioned upon the same principle as the award as to payment?—Under the award and the calculations made under it the sea postage was rendered to the General Post Office and deducted in the gross; but latterly there has been a re-arrangement, and now India retains its share of the sea postage and pays a larger proportion to the Post Office in consideration of that.

12,276. That is only a method of account?—It is merely a method of account.

12,277. The principle underlying the arrangement being that from the gross charge of the contract sea postage is deducted, and that then the remaining charge is divided, upon the per-centages which you have described, between the Imperial Government and the Indian?—Yes.

12,278. Was there any provision under Lord Halifax's award for re-adjustment, or for a re-inquiry, after a certain lapse of time?—No; his award was given on the existing state of things, but by consent there was a slight modification made afterwards with reference to one or two sections. It did not affect the per-centages materially.

12,279. What I mean is this: you gave us one section, the Mediterranean, I think, in which India paid 37 per cent.?—37 per cent.

12,280. But you mentioned that you thought the other countries, such as the east coast of Africa and Egypt, had probably been taking a much larger share of the correspondence. If a fresh arbitration on Lord Halifax's principles were set on foot now, you contend that perhaps that per-centage, instead of being 37 per cent., might now be 25 or 30?—Yes, possibly.

12,281. And you would contend for the principle, I presume, that from time to time there should be a reassessment?—I think so.

12,282. It is not that you are authorised to remonstrate to us against Lord Halifax's award; you only remonstrate against that award as having laid down the per-centage in perpetuity?—Yes; the award was based on the statistics, and I think a similar award should be based on fresh statistics.

12,283. On what principle would you provide for such re-adjustment? That it should take place every 10 years or something of that kind?—It should be left entirely to the Postmaster-General to make it after some reasonable interval of time. I think it is a matter in which the Indian Government would not wish to be unduly severe in its criticisms, but we do think statistics of 1874 are hardly applicable to the present time.

12,284. (*Sir Ralph Knox.*) The Indian Government would be equally anxious for a change, supposing it was likely to tell the other way, I suppose?—We wish to have it fairly assessed. I do not know whether it would go for us, or against us. It is a very difficult matter with regard to audit, because we cannot say how it will turn out, so long as it is based on a condition of affairs of more than 20 years old.

12,285. I only ask that question because that is not quite the view they take with regard to army charges.

12,286. (*Chairman.*) What has been the effect on Indian finance of the postal union? Has the result of that been to make the net charge on Indian Revenues for the conveyance of mails heavier than it was?—According to the estimate it was considerably heavier, but I think the accounts are working out better than the estimate. At the same time I think we can hardly judge yet what is the effect of the last reduction of postage; the question is so much mixed up with the returns in India that, until we get five years' returns of the working of the Post Office in India, I could not give a confident opinion.

12,287-8. When did India join the Union?—In 1876. Just about the time of the award being given.

12,289. Then you have had 20 years' experience of the postal union?—I beg your pardon. I thought you were asking about the reduction of the rates lately made.

12,290-1. At a certain time—I thought it had been six or seven years ago—India entered the Postal Union?—No. India entered the Postal Union in 1876. But I thought you were asking me what had been the effect of the great reduction of letter postage that had taken place in recent years on Indian finance.

12,292. I was coming to that; when was the last reduction made?—It was agreed upon in 1890, and took effect from the beginning of 1891.

12,293. It was then reduced to 2½*d.*?—The letter rate; the newspaper rate was reduced in 1892; the reduction of the letter rates took effect previously.

12,294. And how did that turn out financially, so far as you have been able to ascertain at present?—It was certainly expected that there would be a very heavy charge, but I have not been able to make out clearly to what extent the Indian finances have been affected by it; certainly not to so great an extent as had been expected.

12,295. That is to say, I suppose, the increase of letters carried went some way, to compensate for loss caused by the reduction?—Yes, and to a greater extent, I think, than had been expected.

12,296. How long will it be before you will be able to arrive at some definite conclusion upon the effect of the reduction on Indian finances?—From an examination of the reports on the Indian Post Office, I have obtained the following statistics:—

ESTIMATED NUMBER OF ARTICLES TRANSMITTED BETWEEN INDIA AND THE UNITED KINGDOM.

Letters.

Years.	Despatched from India.		Received in India.	
	Number.	Increase Per Cent.	Number.	Increase Per Cent.
1890-1 - - -	2,467,371	—	2,575,489	—
1891-2 - - -	2,535,884	4·8	2,836,848	10·1
1892-3 - - -	2,885,220	10·4	3,081,754	8·6
1893-4 - - -	2,920,744	2·3	3,151,357	2·3
1894-5 - - -	3,030,941	3·8	3,208,899	1·8
Increase in 4 years -		22·8	633,410	24·6

* *See* Appendix 63.

Sir H. Waterfield, K.C.S.I., C.B.

8 July 1896.

Newspapers and Book-packets.

Years.	Despatched from India.		Received in India.	
	Number.	Increase per Cent.	Number.	Increase Per Cent.
1891-2 - - -	658,425	—	3,056,461	—
1892-3 - - -	807,521	22·6	4,091,291	33·9
1893-4 - - -	892,752	10·6	4,653,456	13·7
1894-5 - - -	912,209	2·2	5,328,183	14·5
Increase in 3 years -		38·5	2,271,722	74·3

The reduction in the postage of letters to India from 5*d.* to 2½*d.* per half oz. was 50 per cent.; the increase in correspondence is 24·6. The reduction in the postage of letters from India from 4½ to 2½ annas per half oz. was 44½ per cent.; the increase in correspondence is 22·8. The Government of India anticipated an annual loss of Rx. 38,000; I cannot say how nearly the estimate has been realised.

On newspapers the rates were reduced by 33⅓ per cent., and on book-packets by 66⅔ per cent.; the increase in the number of these articles is 74·3 per cent. going to India, and 38·5 per cent. coming from India. It would appear, therefore, that the anticipated reduction of 16,000*l.* a year may have been to a great extent covered by the development of this class of correspondence.

The Director-General remarks, in the report for 1894–5, that the immediate effect of the reduction of the letter rates of postage in 1891 in the way of stimulating correspondence has passed away, and the actual increase from year to year has now become normal.

12,297. Then as the result of your evidence on this point, so far as it bears on the question of apportionment, we understand that the Indian Government are desirous that there should be periodical re-adjustments and re-assessments?—That is one point. There is another point which I should like to mention, though I believe it has been provided for in the recent tenders. We think that by the division of the subsidy on the *pro ratâ* principle, as it is called, the Indian section, which is the more lucrative to the company, has to bear a larger portion of the subsidy than it would if the contracting parties allotted a share of the subsidy to each section, and, therefore, is burdened with the dead weight of the eastern portions, which are less lucrative.

12,298. Could you explain that to us a little more fully?—The China section involves a much longer sea voyage, and relatively it is not so profitable to the company as the Bombay and Aden section; and on the last occasion the company tendering put in its contract for the whole of the eastern section in one lump sum. The consequence was that we could not say what portion was due to India and what to China. The Post Office asked the Peninsular and Oriental Company to make a division, but they said that they were unable to do it accurately. We were not satisfied with the result, and we thought that, if the tender were made for the Aden and Bombay section separately from the Aden and Ceylon and China section, it would give a fairer view of the amount which India ought to bear. I rather think that that has been provided for; that the tenders have been called for separately, and, therefore, the point is not being overlooked; but we have not that officially before us.

12,299. When you speak of the section of the passage between India and Egypt being more profitable to the company than the section to the far East, in what sense, do you mean, is that more profitable?—On the passenger traffic.

12,300. You mean that the company derive a greater profit from that section, as a whole, and therefore could afford better terms for postal carriage than it can in the more distant part of its route, which does not pay so well?—That is my meaning.

12,301. Are there any other points to which you would call our attention, on behalf of the India Office, connected with the postal arrangements?—I think not.

12,302. There are some Telegraph questions upon which, possibly, the Post Office witnesses may have something to say, after hearing any remarks you may have to make upon them. The questions to which I refer, are the Red Sea and Indian telegraph, the Zanzibar and Mauritius cable?—Those are the only two. I have nothing to say more than I have put on the paper. The Red Sea and India telegraph is an old line which is doing no duty now. In the case of the Zanzibar and Mauritius cable a division has been agreed to, and I have nothing to say about it. The Government of India were obliged to pay rather more than they expected, but it could not be avoided. When they offered to divide the balance, after deducting the payment which the Mauritius Government were ready to make, they thought there would be 16,000*l.* to be divided, and that 8,000*l.* was the maximum that they would have to pay. In the end it was found necessary to pay 10,000*l.*; but I have nothing to put before the Commission on that point.

12,303. The whole service turned out more expensive than the Indian Government and the Mauritius Government together had anticipated?—Yes.

12,304. I do not think those questions came before what is called the Foreign Office conference, did they?—No.

12,305. You give certain subsidies to the Euphrates and Tigris Steam Navigation Company, as to which you raise a question, but I do not quite understand whether you raise that question on postal grounds?—No, it is on political grounds rather than on postal grounds, I think.

12,306. (*Mr. Buchanan.*) With reference to the Mauritius cable, I see your statement says that a departmental committee recommended, in the interests of India, and mainly on strategic grounds, that a cable should be laid. Was that a departmental committee of the India Office?—Of many offices; the Foreign Office, the Colonial Office, the India Office, the War Office, and the Admiralty, I think.

12,307. But is this cable connected with the Indian system of cables?—India is connected with Aden, and there is a line from Aden to Zanzibar, but this particular line is from Zanzibar to the Seychelles Islands, and thence to the Mauritius.

12,308. It has really connected Mauritius and the Seychelles with the telegraphic system of the world, has it not?—Quite so.

12,309. Giving them telegraphic facilities?—Yes.

12,310. Then what is the particular interest of India, that it should pay 10,000*l.* out of 28,000*l.* for connecting the Mauritius and Seychelles with the telegraphic system of the world?—The subject was taken up at the instance of the Goverment of India. They were very anxious to have telegraphic communication with the Cape of Good Hope, and at first they proposed to have a cable laid from India to the Mauritius, the line being thence carried on to the Cape; but that was found to be too expensive and difficult, and, as a more easy plan, it was decided to connect the Mauritius with the African lines: the original proposal came from the Government of India.

12,311. Then the interest of India was that, for the purpose of military or naval defence, it was desirable that there should be telegraphic communication with the Seychelles and the Mauritius?—With the Cape of Good Hope, I think, primarily.

12,312. But you rather demur to the amount of the subsidy that India had to pay?—I only wished to say that, when the Government of India made the proposal, they thought they were not incurring a greater expense than 8,000*l.* a year. It proved that they had to pay 10,000*l.*, because the total cost was 28,000*l.* and the proportion that the Mauritius and the Seychelles Islands would take was 8,000*l.*, which left 20,000*l.* to be divided between the two Governments.

12,313. The Indian Government did not stipulate in advance as to the maximum proportion they were to be called upon to pay?—The India Office, or rather the Government of India, had agreed to pay one half the balance, after deducting Mauritius's portion. When they made that agreement they thought they were only pledging themselves to 8,000*l.* a year; but it was found impracticable to make the arrangement except with a balance of 20,000*l.*, which left them 10,000*l.* to pay.

12,314. With regard to the Red Sea and India Telegraph Company, that company never really transmitted messages at all, did it?—I think they did for a day or so, but no more; the line broke almost immediately.

12,315. The Treasury gave a guarantee for 50 years to make up 4½ per cent. return on the capital; that was a guarantee, I suppose, made on the part of the Home

Government on its own responsibility altogether?—With the consent of the Secretary of State in Council.

12,316. But did the Secretary of State join in any way in the guarantee?—I am not certain whether it was the Secretary of State or the East India Company, but one or the other did join; it was done in 1858; I am not sure whether it was before or after the 2nd September, but it was by agreement between the two parties that they should jointly give the guarantee.

12,317. (*Chairman.*) It was, perhaps, rather a hasty act, due to the great desire of the two Governments to get into prompt communication at the time of the Mutiny?—Yes.

12,318. (*Mr. Buchanan.*) But the bad bargain was really made jointly by the Indian Government and the Home Government?—Yes, it was.

12,319. (*Mr. Caine.*) How long has the 10,000*l.* for the Mauritius cable to be paid?—For 20 years from the 24th November 1893.

12,320. Is it always subject to the dividends of the Eastern Telegraph Company, because they pay very handsome dividends?—No; the subsidy has in any case to be paid for 20 years from the 24th November 1893.

12,321. And you consider that is a fair apportionment for India?—I think so, under the circumstances, considering how largely the Government of India were responsible for the transaction.

12,322. Has it ever been of any use to the Indian Government?—I do not know that I can say that it has. Happily we have not had a European war and hostile cruisers in the South Seas; but that, I believe, is the great object, to put India in immediate communication with England in the event of the Suez Canal being blocked and hostile cruisers threatening the coasts of India. A ship could very readily go to Mauritius and send a message thence. *Sir H. Waterfield, K.C.S.I., C.B.* 8 July 1896.

12,323. (*Sir Ralph Knox.*) The object of the telegraphic communication with the Mauritius then is, practically, to summon the fleet of the empire to the assistance of India in the case of general confusion?—To summon the forces whether naval or military; but probably the fleet on the Cape of Good Hope station would be the first to be called on for assistance.

12,324. But there is telegraphic communication between the Mauritius and the Cape of Good Hope, is there not?—I think not direct; I think only to Zanzibar.

12,325. But this telegraphic communication was intended to complete the line to the Mauritius and the Cape, was it not?—Yes.

12,326. In order that the Indian Government might summon to the defence of India such forces as were available?—Yes. With the permission of the Commission, I hand in a memorandum by Mr. Jacob, representing at greater length the view of the Government of India on the subject of the Mauritius-Zanzibar cable. (*Paper handed in.*)*

The witness withdrew.

Mr. H. Buxton Forman, Assistant Secretary and Controller of the packet services of the General Post Office, and Mr. James J. Cardin, Receiver and Accountant-General of the General Post Office, called in and examined. *Mr. H. B. Forman and Mr. J. J. Cardin.*

12,327. (*Chairman.*) We are directed to inquire into the apportionment of charge between the Governments of the United Kingdom and of India for purposes in which both are interested; and we have had some evidence tendered to us on the subject of the postal relations. While not objecting to the principle of Lord Halifax's award at the time it was given, Sir Henry Waterfield has pointed out that there is no provision for re-adjustment of per-centages. There may be grounds for thinking that other correspondence for other countries along the route has increased, which would naturally tend to a diminution of India's quota, and we should like to hear from you what you would say to that suggestion on the part of the India Office?—(*Mr. Cardin.*) The apportionment of the cost of the Eastern Mail Service was made after Lord Halifax's award, and it was made upon figures which were ascertained after that award was given.

12,328. That was in 1876?—Yes, the date of the award is the 25th February 1876, and the decision, No. 2, inserted by Lord Halifax was to this effect: "These decisions will enable the Post Office to make "up the account for 1874–5 in accordance with those "decisions; and I was assured by the gentlemen "whom I saw that there could be no difficulty in "doing so, with the concurrence of both parties." After that we compiled accounts and came to an agreement with the India Office as to the amount that they should pay. That process would be repeated upon any new contract, that is to say, the latest figures available would be used. That course was followed when the present contract was entered into in March 1887. The figures that were then acted upon were those of the mails of 1886–7, so that the figures of 20 years ago will not be used in any case.

12,329. That is to say, that at the present time you are going on the figures of 10 years ago?—At the present time the India Office is paying an agreed sum, which was fixed, with the concurrence of the Treasury, without prejudice to any question whatever; a lump sum was agreed to be paid, and we were guided to that lump sum by the mails carried in 1886–7; and the arrangement was, by agreement, to continue to the end of the present contract.

12,330. The present contract terminates in 1898?—It terminates in 1898.

12,331. When you make a fresh tender, would you naturally re-adjust the proportions and ascertain that proportion of postage which fairly belongs to India as compared with the English portion and the portion due to countries along the route?—That is the course we should propose to adopt.

12,332. And therefore you consider, so far as that goes, that you are practically doing that which the India Office think ought to be done?—Quite so.

12,333. That being so, there would be no difference between you?—I do not foresee any difficulty; as regards the weights of correspondence there would be no difficulty, because we should be dealing with actual figures.

12,334. And the only question then would arise whether there ought to be opportunity for revision between the commencement and the termination of the contract?—Yes, that would be a matter for discussion.

12,335. Probably not a very practical one, because it is not likely that the Imperial Government and the Indian Government would agree for a fixed proportion during the currency of a long contract?—Quite so. I may mention that several alterations have taken place since the payment under the present contract has been in operation. The reduction, for instance, of the postage to 2½*d.* altered the payments; and there was a further alteration made when the Australian service was altered from once a fortnight to once a week. We should anticipate that any important alteration would be followed by some re-adjustment of the sum agreed upon on either side.

12,336. That is to say, the Post Office is quite ready to meet the India Office on questions of adjustment of this kind?—Yes, in the future, as in the past.

12,337. I do not think there has been, since the time of Lord Halifax's award, any great difference of opinion between the two Offices, has there?—There was a considerable discussion about a payment of 10,000*l.* a year for increased speed on the Suez and Bombay section. The speed was increased on that section in the interests of India, and the Post Office thought that it would not be right to charge all the other sections of the service with any portion of the increased cost, but that question was never settled.

12,338. You have not had any need to go to arbitration, I suppose?—No; the India Office agreed with the Treasury to pay a lump sum; but that lump sum was without prejudice to any point of principle.

12,339. And will that question come before the two Offices when the new contract is made?—I am not acquainted with the new contracts. Mr. Forman is connected with the new contracts. (*Mr. Forman.*) Perhaps I ought to have explained, before handing over the last question to Mr. Cardin, that he is intimately acquainted with the whole history of this question, and that he probably would have been sent alone to give evidence upon it; but it was thought that you might

* *See* Appendix 64.

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have questions to ask about the future as well as the past, so I was sent with him to answer anything that was answerable about the future.

12,340. Well, can you tell us whether this question of 10,000*l.* for increased speed, which has been at issue between the two Governments, will be taken into consideration further in making the new contract?—I think I may say for certain that every question of that sort will be taken into consideration, because I believe it to be the intention of the Postmaster-General to advise the Treasury to refer the whole question of the apportionment of expenses to an inter-departmental committee, which has advised him and the Treasury upon the subject of the tenders that are now on the point of being answered and acted upon; so that, if that point were referred to the inter-departmental committee, there would *ipso facto* be a discussion of the whole matter between the India Office, the Colonial Office, the Post Office, and the Treasury, the four departments concerned.

12,341. In the case of a departmental committee of that kind, the Imperial Government being more represented than the Indian Government, is there any danger of the Indian view being over-ruled in consequence?—I should not think so; I should not think that danger would arise out of the composition of the committee. The India Office has its one representative, the Colonial Office only one, the Post Office only one, the Treasury only one. The Chairman is the Right Honourable W. L. Jackson, who gives to the Committee an essentially non-parochial character. I do not think there would be any chance of India being borne upon hardly in such a committee.

12,342. Of course, the Treasury and the Post Office might be supposed to work together; India in such an event having only one representative?—I should not anticipate a combination of that sort.

12,343. You do not think there is any real danger to India?—I am sure the Post Office has an open mind on the subject; there would be just as much probability of a combination between India and the Colonies, I think.

12,344. (*Mr. Courtney.*) Is not the inter-departmental committee meant to supersede Lord Halifax's adjudication?—I do not think there is the slightest intention of such a thing. I have not heard it mooted on any side.

12,345. What would be the relation of their labours to his investigation?—If the Committee decided that the principles of Lord Halifax's award were still good, it would be merely a question of applying those principles to the new circumstances.

12,346. And they are to re-examine the principles of his adjudication?—I take it they would do so; there is no reference on the subject yet.

12,347. (*Chairman.*) I suppose the principle of Lord Halifax's adjudication was this. Taking, we will say, four or five contributories to the charges of the contract, the respective per-centages of those contributories were determined by Lord Halifax?—(*Mr. Cardin.*) No; might I explain? Lord Halifax examined all the conditions under which the division was being made. For instance, the first was the mileage. The annual number of miles for each section was ascertained, and the subsidy was divided by the total to see the cost per mile; and then the United Kingdom was charged with 50 per cent. of the cost of each section, and the remaining moiety was divided between the colonies and countries using the section in proportion to the use they made of it.

12,348. After that, a separate contract was made for the Australian mails, was it not?—Yes, but the Australian mails were always separate from the others from Colombo.

12,349. But, when it was a perfectly separate contract, I suppose it was necessary to re-adjust the figures?—The figures were re-adjusted, but that did not affect the principle. Lord Halifax settled the principles of division, the main point being that the services should be treated as a whole, because of advantages to be gained by it.

12,350. You still treat it as a whole?—Yes, the Eastern Mail Service. India gets advantages from being associated with the Colonies in the other sections; for instance, over the Mediterranean and Port Said to Bombay sections there was a speed of 12·54 knots, but over the other sections only 11·2 knots.

12,351. What do you call the other sections?—They would be Colombo to Singapore, Singapore to Hong Kong, Hong Kong to Shanghai. Then with regard to the transmission of the mails across the continent of Europe by the special trains, it was owing to the aggregate bulk of the correspondence that France and Italy were induced to reduce the rates per kilogramme for those mails; the rates were at one time 25 francs 52 centimes per kilogramme; they are now reduced to six francs.

12,352-3. And India would not have had that advantage, had it not been for the association of her mails with a great number of other mails?—And it would not have had that advantage, but for association with the other mails.

12,354. Then, I think, Sir Henry Waterfield called attention to another point, namely, the division of the subsidy on the *pro ratâ* principle?—Yes.

12,355. He was pointing out that the Indian portion is the more lucrative to the company, and, therefore, as I understood, he thought that India was entitled to better terms than those arranged for the portion of the route to the far East?—That strikes at the principle of the Halifax award, viz., that the service should be treated as a whole. The Post Office would contend that the Halifax award would settle that point, and that, if we prepare an account, the sectional arrangements should continue. As I was just saying, there are distinct advantages to India arising out of that system.

12,356. (*Mr. Courtney.*) That would bring us back to the question I was asking just now, whether this inter-departmental committee will re-examine that question?—It would be competent, I presume, for them to do so, but it is not contemplated; it is not the object of the committee to in any way question the Halifax award.

12,357. (*Chairman.*) If the India Office chose, at the inter-departmental committee, to bring forward this point, would the committee say, "This is contrary to the "Halifax award, and we cannot consider it," or do you think they would take it into consideration, and examine the grounds upon which the India Office contention is based?—I, of course, can only express an individual opinion upon that; but I think the Postmaster-General would decline to re-open any question settled by the Halifax award. The Marquis of Salisbury himself, in consenting to accept the Halifax award, thanked Lord Halifax for it, and said, "I have no doubt that "your Lordship's award will have the excellent effect "of preventing any renewal of discussions in connec-"tion with the contract for the mail service between "England and India."

12,358-9. (*Sir James Peile.*) Do I understand that the per-centages of the award by Lord Halifax are really adjusted from time to time according to the amount of correspondence passing over each section?—Yes. To be correct, I should say that Lord Halifax did not settle the per-centage. Lord Halifax settled the principles upon which the accounts should be prepared, and they were prepared upon those principles; they were re-cast in 1886-7, and, if a new contract were made now, and we were to prepare accounts, we should take the latest figures available.

12,360. The figures of the weight of correspondence?—Yes, of all the correspondence, as in the two previous cases.

12,361. And that would regulate the per-centage paid on each section?—We worked out the cost of each section and the per-centage of each section to the total. The Indian section was a per-centage of the total. She continued to pay that per-centage.

12,362-3. (*Mr. Courtney.*) You proceed upon the principle of the Halifax award. Is that principle that the cost of conveying a certain weight of letters a certain distance is the same from end to end of the service?—No, I would put it this way, that the total cost of the service is divided by the total mileage, and then the cost of each section is worked out at that rate.

12,364. Well, is not that the point? I said that the cost of conveying a certain weight of postage a certain distance is the same from end to end of the service?—It is under this arrangement.

12,365. That is the principle?—That is the principle; but India gets a benefit, because over the Mediterranean

and Port Said sections on which the bulk of her letters go, there is a speed of 12·54 knots, as compared with 11·2 knots over all the other sections.

12,366. Although India contributes to what is really the higher payment in the further East, it gains by the lower payment in the West?—I do not know that they would quite equalise one another, but those are the two conditions.

12,367. That is the principle?—That is the principle.

12,368. (*Chairman.*) But in respect of that speed as far as India, has there not been a question raised between India and the Imperial Post Office? Does not India pay 10,000*l.* a year, to which she rather demurs, or at all events a part?—We raised the question; we estimated that the additional speed cost 10,000*l.* a year on that section; but, as I have said, that point was never settled.

12,369. (*Sir James Peile.*) You would not charge it wholly on India, would you?—No.

12,370. (*Chairman.*) Would you explain a little more fully? What I understood Sir Henry Waterfield to say, was that one of the few questions that had been raised for some time past between the two Governments was one which arose out of an extra payment for increased speed?—Yes. I am not aware of any discussion existing about the increased speed.

12,371. We understood the payment of 10,000*l.* was in dispute. Sir Henry Waterfield, we might ask you a question here. I do not know whether you heard what Mr. Cardin was saying?—(*Sir Henry Waterfield.*) Yes, I was listening.

12,372. Perhaps you could give us an explanation that would make it clear to us what the point at issue between the two Governments at that time was?—(*Sir Henry Waterfield.*) I think I did not mention the extra charge for the increased speed as a specific sum of 10,000*l.* I did not go into that point because, as Mr. Cardin says, it was not eventually taken into consideration. But my point is this: if the Peninsular and Oriental Company can undertake to carry on the whole contracts for the Eastern mails at a certain rate, and that is divided out by mileage, then the charge per mile is the same on the Bombay and Port Said section as on the China and Port Said section; and, if the contract was made in sections, owing to the more lucrative character of the passenger traffic between Port Said and Bombay, the company would very likely tender for a less subsidy on the Bombay and Port Said section. Therefore, by adopting the mileage instead of the sectional division of the total subsidy, the Government of India is charged with a heavier charge for mails than might otherwise be the case.

12,373. I understood that ground of objection to the present arrangement, but I thought, Sir Henry, you had brought forward another case. If I remember right, I asked you whether it was not the case that there had been no great difficulty between the two Post Offices for some time past; and I thought you mentioned that there had been a controversy on the subject of a sum required for increased speed as far as India?—Yes, it is true that there was a controversy, but it passed away. I did not bring it forward as a point of complaint at all. It was a discussion of whether India should pay more on account of that extra speed, but eventually it was merged in the general payment. I think the point I put before your Lordship was this: that we asked the Post Office what was the extra payment on account of that scheme; when the Post Office desired to find that out, they made an estimate, through the information that they derived from the Peninsular and Oriental Company, that 10,000*l.* might have been charged; but it was impossible to say what was the real charge of the extra speed, because the service had not been dealt with by sections.

12,374. And, therefore, the point at issue between the Indian Government and the Post Office at present might simply be restricted to that question which you have just explained, that, if the line were divided into sections, the section to India, inasmuch as it is the most paying section on the line, might afford to carry the mails at a less cost than the sections beyond India?—Yes.

12,375. And that we might take really as the only point at issue between the two departments, always apart from the question of re-adjustment from time to time?—Yes.

12,376. What has been the general effect, Mr. Cardin, of the reduction of postage to 2½*d.*? The Indian Government appear not to have fully made up their mind as to the financial result, but they think that the result has not been such a loss as you and they anticipated at the time when the reduction was decided upon. May I ask what the view of the Post Office is upon that point?—(*Mr. Cardin.*) I have not the figures with me, but I am not of opinion that the loss is less than we anticipated.

12,377. The increase of letters carried has not gone beyond what you anticipated?—No, and as we have a loss upon all the correspondence, the increase of business is not satisfactory. (*Mr. Forman.*) The increase of business might be said to make the loss larger than was anticipated.

12,378. Do you carry at an actual loss now?—Oh, yes.

12,379. At that rate the more the correspondence, the greater the loss?—Certainly.

12,380. Then it is to be hoped that only one letter would go?—(*Mr. Cardin.*) From the Post Office revenue point of view only.

12,381. I do not know whether there is any other point connected with the postal arrangements with India, which you would like to mention?—No, I think nothing further.

12,382. Well, I do not know whether you are much concerned in these telegraphic questions, are you?—No, the Post Office is not concerned with them.

12,383–4. You have nothing to do with the Zanzibar and Mauritius cable?—No, the Post Office is not concerned with it.

12,385. You have some arrangements, I suppose, about the cost of the messages?—Yes; if we send any messages over the wires; we are not interested in the cables.

12,386. (*Mr. Courtney.*) Have you any reason to believe that the increase of postal communications along the east coast of Africa, which we may assume to have occurred, has altered the relative amount of work done for India and done for Egypt?—Do you mean now, speaking of the present service?

12,387–8. I mean work under your new adjustment; it is suggested that you will have to take more seriously into account the work done, say, between Aden and Zanzibar and the Mauritius, in connexion with the apportionment. That would not make any difference in the relative change?—No, I should say not; it is not expected.

(*Mr. Buchanan.*) Egypt might; the increase of correspondence to Egypt.

12,389. (*Mr. Courtney.*) Do you think the Egyptian correspondence has increased so as to alter the proportion?—No. I think not seriously to alter it. It is not the English Post Office alone that conveys letters to Egypt.

12,390. (*Mr. Buchanan.*) But the bulk of the letters go by the Peninsular and Oriental mails?—The English mails, yes.

12,391. It is a very large item in carriage of mails by the Peninsular and Oriental Company from Brindisi to Port Said?—I should not expect the increase would make any material difference.

12,392–3. Have you any figures to show the amount of correspondence which is carried to Egypt within recent years?—We should take the latest figures, in the event of any re-arrangement, for all places.

12,394. (*Chairman.*) That question, I understand, would come under the consideration of the Departmental Committee in the course of its inquiries relative to a new contract?—I doubt it.

12,395. (*Mr. Buchanan.*) Did you say just now the terms of reference to this Departmental Committee had not yet been settled?—(*Mr. Forman.*) They have not; but I think I ought to say, on behalf of that committee, that, as far as I know the style in which things are done there, unless it was expressly told that anything contrary to Lord Halifax's award was not to be considered, it would consider anything put forward and come to its own conclusions upon it.

The witnesses withdrew.

Sir H. Waterfield, K.C.S.I., C.B.

8 July 1896.

SIR HENRY WATERFIELD, K.C.S.I., C.B., recalled and further examined.

12,396. (*Chairman.*) I think the next point that we will take up, Sir Henry, is the Persian Mission. On that, I think, there has been a certain difference of opinion between the Imperial and Indian Governments, has there not?—There has.

12,397. And that was one of the points that came before the Foreign Office Conference, was it not?—It was.

12,398. Perhaps you could tell us the point upon which the India Office considered they had ground for remonstrance?—It was the question of the proportion in which the share of the expenses of the legation should be divided between the two Governments. I have stated the facts in the printed paper:—"In 1835 the East "India Company agreed to contribute 12,000*l.* a year "to the maintenance of the Persian Mission. In 1858, "when the Mission was for a time placed under the "Government of India, the Imperial Government "agreed to contribute 5,000*l.* On the Mission being "in 1859 again transferred to the Foreign Office, Lord "John Russell refused to revise the agreement; and "thus it became recognised that India should pay "$\frac{1}{17}$ths of the cost, subject to a maximum of 12,000*l.* a "year. In 1871, the Select Committee on Diplomatic "and Consular Services recommended that the pro-"portion paid by India should be reduced, as it had "been found that, out of an average of 15,122*l.* a "year, the Imperial Government had paid only 3,122*l.* "Correspondence ensued; and at length the annual "charge against India was reduced in 1880 to 10,000*l.*, "and in 1891 to 7,000*l.* till the 31st March, 1901." That was the award of the Foreign Office Conference.

12,399. A ten years' agreement under which India contributes 7,000*l.* a year?—That is the present arrangement.

12,400. (*Mr. Courtney.*) What is the total cost?—I am not able to say positively. I have tried to make a calculation, and I think that even 7,000*l.* a year is too much relatively. The division in 1886-7, which is the last for which we have actual figures prepared by the Government of India, showed that the total payments made by the Home Government and by the Government of India amounted to 37,609*l.*; out of that India was paying 29,609*l.*, and England 8,000*l.*

12,401. (*Chairman.*) What does that 37,000*l.* include?—It included the charges for the Khorassan frontier, and generally for the diplomatic and consular establishments in Persia, and also those for Turkish Arabia.

12,402–4. I have a paper before me, compiled by the Treasury, which takes Persia as a whole, and which, I think, will answer Mr. Courtney's question. "In-"cluding consulates as well as the Mission, the "expenditure of India may be estimated as follows, "on data given to the Treasury in 1891." I am now going to take first of all only the Persian Mission, and I am going to take the Consulates afterwards. "The Persian Mission: Direct, for telegraph estab-"lishment, &c., 3,350*l.* Indirect, being contribution "paid to United Kingdom, 7,000*l.*, making a total "of 10,350*l.*" The expenditure on the other hand of the United Kingdom may be estimated thus: "Persian "Mission: Direct, for salaries, pensions, buildings, "stationery, and miscellaneous, 18,500*l.* Less Indian "contribution, 7,000*l.*, making a total of 11,500*l.*, and "telegrams 2,000*l.*" I suppose at that rate we might take the Persian Mission alone as costing India 10,350*l.*, and the United Kingdom between 13,000*l.* and 14,000*l.*?—I suppose on those figures it is so, but I cannot check them.

12,405. Well, then we come to the Consulates, and India according to this paper pays for the Khorassan agency, the Bushire agency, and miscellaneous, respectively 3,750*l.*, 6,900*l.*, and 3,600*l.*, making over 14,000*l.* On the other hand, the United Kingdom contribution to the Persian consulates is 2,900*l.*?—My figures do not at all agree with those. I am unable to say what the accurate figures of the British Government are. I tried to take them out of the estimates, but I was not satisfied that I had them complete. But the statements sent by the Government of India showed that they were paying the following sums in rupees in the year 1886–7; for the Persian Legation 44,810 rupees; for Khorassan, 24,000; for Bushire, 104,250; for Turkish Arabia, 88,400; making a total of 261,460 rupees, which, at the rate of exchange at that time, gave 19,609*l.*; to which was added 10,000*l.* paid by the Government of India in this country; and the Government of India set that against 8,000*l.* paid by England, so that they considered that out of a total of 37,609*l.* they were paying 29,609*l.*

12,406. I am afraid that from these two accounts we shall get into rather a barren controversy; do you not think it would be possible for us to come to some agreement upon them?—I ought to point out to you that these figures, as given by the Treasury, were for 1891, whereas you are dealing with 1886. I gathered from the figures you gave that it was at a time when India was paying 10,000*l.*?—That is so. I have the figures for India for a later period; but it is the English part that I feel so uncertain about. The Indian figures have risen largely under Khorassan; otherwise they are much the same, and India is now paying Rupees 3,94,696—that is to say, she was in 1893–4. It has again increased since that. Converting that at the rate of exchange of 1*s.* 2$\frac{3}{4}$*d.* which was the official rate of that year, India was paying in English money 24,257*l.*, to which must be added the English payment of 7,000*l.*, which would bring her payments up to 31,257*l.*; and, as far as I can judge from the English estimates, the total charge for the Legation was 12,170*l.*, of which India contributed 7,000*l.*, so that the net charge on the United Kingdom would be 5,170*l.* No doubt that must be increased by an estimate for non-effective charges, and very possibly there may be something to add for establishment; that I suppose the Foreign Office would be able to tell us. I should have to apply to them to know what they consider the cost; but on the figures that I made out, I think that India is paying more than 85 per cent., whereas under the proportion of 12 to 5 she ought only to be paying 70$\frac{1}{2}$ per cent.

12,407. This account which I have before me, which comes from the Treasury, comes to a very different result, because it gives three-fifths to India and two-fifths to the United Kingdom, whereas your account gives four-fifths to India and one-fifth to the United Kingdom?—Yes, it is very different.

12,408. You have given me a paper which I think states shortly what the point is to which the Indian Government would wish to draw the attention of the Commission, in order that we may express our opinion as to the figure of apportionment?—Yes. It is simply whether or not the 7,000*l.* is an unduly large proportion of the total charges.

12,409. (*Mr. Courtney.*) Do you submit any basis of division?—I am not authorised to recast the proportion of 12 to 5 that has existed now for a great number of years; and I really am hardly competent to say what the relative interests of the two Governments are.

12,410. (*Chairman.*) The paper you have given me gives a ratio slightly different to that. You give 7 to 3 as the ratio of India?—You will observe that in the calculation which I gave you I said "supposing the payments of India to be as before"—that is in 1886–7—but I was able afterwards to find the actual payments for 1893–4.

12,411. With the 7,000*l.*?—Yes.

12,412. That represents the ratio payment according to your view?—It has increased recently because the charges for Khorassan have very largely increased.

12,413–4. So much depends upon the figures representing the respective charges of the two countries being agreed upon, that it would, perhaps, be better that you should formulate the point to which you desire to call our attention, after you have ascertained the actual payments made by the Imperial Treasury?—I have obtained from the Foreign Office a statement of its payments from 1893–4 to 1895–6;* and I now hand it in with the statement of the payments by the Government of India during the same period. The total paid by the British Government in the three years was 52642*l.*, towards which India contributed 21,000*l.*, leaving the net charge borne by the United Kingdom, 31,642*l.* According to the accounts and revised estimates India's payments during the same three years, including the 21,000*l.* paid in England, were 91,568*l.*; so that India contributed 74·32 per cent. of the total charges, or about 4 per cent. more than even the proportion of $\frac{12}{17}$ths, by which the payments are professedly regulated.†

12,415. Then, I think, the next point is the question of the payment for the consular establishments in China?—Yes. In 1834, when the cost of the establishments of the British Superintendents of Trade in

* *See* Appendix 65.

† These figures have since been revised, with the result that the totals now shown are in the ratio of 58·3 for India and 41·7 for the United Kingdom. *See* Appendix 65.

China was accepted as a charge on the Imperial revenues, it was agreed that one-third should be defrayed by India. Owing to the great increase in the total cost of the establishments, the amount falling on India rose from an average of 4,676*l.* between 1835–6 and 1842–3, to 22,000*l.* or 23,000*l.* from 1867–8 to 1871–2. From 1859 onwards the Secretary of State in Council constantly protested against the charge, and especially against the claims for 1872–3 and subsequent years. In 1876 the Government of India proposed an annual payment of 10,000*l.* In 1877–8 a payment was made by the India Office of 58,327*l.* in satisfaction of all arrears to March 31st, 1876, thus making the average annual payment 20,962*l.* from April 1st, 1867, to that date. The Treasury, however, demurred to so great a reduction as was implied by agreeing to 10,000*l.* a year from India; and at length 15,000*l.* a year was accepted with effect from April 1st, 1876. This arrangement, in spite of protests that the charge was too heavy, lasted till 1890, when a further reduction to 12,500*l.* was accepted, as a mean between 15,000*l.* and 10,000*l.*, the agreement to be in force till March 31st, 1900.

12,416. And that was under the award of what is called the Foreign Office Conference?—Yes. The only further point that I wish to put before the Commission is that the Government of India agreed to the plan to have a fixed payment so that they may know really what they have to pay; and, unfortunately, a payment fixed in sterling is by no means so fixed if payable in rupees. When the present amount was adopted in 1890–1, exchange was at 1*s.* 5*d.* per rupee; it is now about 1*s.* 2*d.*, and has been as low as 1*s.* 0½*d.* In 1876–7, when exchange was at 1*s.* 8½*d.*, a payment of 15,000*l.* cost Rx. 17,561. In 1890–1, when exchange was at 1*s.* 5*d.*, a payment of 12,000*l.* cost nearly the same amount—Rx. 17,447. In 1896–7, when exchange was at 1*s.* 2*d.*, a payment of 10,000*l.* cost Rx. 17,143, so that, though nominally a fixed payment, the burden on India through the fall in exchange has risen by 50 per cent., and in 1894–5 it was nearly 57 per cent. over the charge in 1876–7. In paying 12,500*l.* now we are really paying Rx. 21,428, whereas if it was reduced to 10,000*l.* we should be practically paying about the same as was fixed in 1876–7 and again in 1890–1.

12,417. That is a complaint directed against the inconvenience of the fall in exchange?—It is so.

12,418. Of course the Imperial Government paid the sum in sterling, and, put into plain language, you are asking the Imperial Government to bear the loss of exchange instead of the Indian Government. Is it not so?—If their payments in sterling remain the same, that would be so; I do not know whether that is so.

12,419 (*Mr. Courtney.*) What is the currency of China?—It is a silver currency, dollars and haikwan taels are the coins.

12,420. (*Chairman.*) That is the case. At first sight one would say that the establishment in China would be paid in silver, but I think I am right in saying they are all fixed in sterling?—I believe so.

12,421. And we have to pay in sterling or the equivalent of sterling; and, therefore, of course your share must be in the equivalent of sterling?—The salaries of the legation are in sterling. The charges for buildings, maintenance, and so forth, would be in silver.

12,422. And the wages of natives are in silver?—Yes; establishments generally.

12,423. Apart from the burden inflicted upon India by the fall in exchange, do you remonstrate on general grounds against the present partition?—No, excepting that I have to represent to the Commission that the Government of India have for 20 years been contending that 10,000*l.* a year in sterling was the utmost they ought to be called upon to pay.

12,424. Apart from any exchange question, on what do you base that contention?—It was not on any exact arithmetical calculation, I think; but many years ago the East India Company entered into an agreement which was to involve them in a charge of about 4,000*l.* a year; and, the establishments having been enormously increased, the Government of India said that they could not afford to pay at a rate which had then risen to about 20,000*l.* a year or more than that, and they considered that 10,000*l.* was the utmost they ought to be required to pay. They have no means themselves of checking the expenditure there, and they do not approve of having their contribution increased by measures over which they had no control; but I do not think that the 10,000*l.* was based on any particular calculation.

12,425. (*Sir Donald Stewart.*) Was it not on the ground that we had very little interest now in China apart from the opium traffic?—That was the reason why the Government of India declined to keep on adding and adding to their contribution.

12,426. That is the point.

12,427. (*Mr. Buchanan.*) The commercial connection was much closer in 1834 than later?—Yes, in those days the East India Company had a direct monopoly of the trade.

12,428. Quite so.

12,429. (*Chairman.*) And up to 1834 the East India Company paid the whole charge of the few consulates that existed in China, I think?—Yes, I believe it was so.

12,430. (*Mr. Buchanan.*) You would contend that the increase in the establishments in China has been due to Imperial interests rather than to Indian interests?—I know of no Indian interests that should have led to such an increase.

12,431. (*Chairman.*) Well, I suppose the Treasury maintain that the equitable way of measuring the charge on India is to compare our trade to China, with that of India to China. Now it is an argument on the part of the Imperial Government that India's share of the trade cannot be put at less than 25 per cent., and, putting the divisible charge at about 60,000*l.* a year, this proportion would give a charge of about 15,000*l.* a year against India, and the Treasury have been contending for that contribution. Do you consider that an unfair basis upon which to fix the contribution?—I do not think it is fair to charge India with a proportion of the establishments based simply on the trade. I do not think it is reasonable that the whole of the trade between India and China should be treated as if it were solely Indian, and the United Kingdom had nothing to do with it. The shipping is largely in the hands of British owners. No doubt the opium trade is largely carried on by natives of India.

12,432. But you observe that that is only an estimate of what India's share in the total trade is?—Yes.

12,433. Supposing that these figures are correct, and that 25 per cent. represents India's share in the trade of the Empire with China, would you say then that 15,000*l.* a year, being 25 per cent. of the total cost, is unfair?—My point is that the trade between India and China is not exclusively Indian; it is largely in the hands of British owners; and I do not think it is fair to say that India should be debited with a proportion relative to the volume of trade between India and China, as compared with that between England and the other colonies and China.

12,434. If you are going to make any arrangement between India and England as two partners, is not that the basis upon which the arrangements must be made. Can we go into such details as you mention, and meet with any success? Must we not be contented in the long run with some such rough method of calculation as is afforded by a comparison of the trade of the countries?—I think, if it were accepted, you would have to press it much further, because India would have to take a share in the establishments at the Cape or in Australia or many other places.

12,435. No, hardly so, because in this case the United Kingdom is taking the whole of the charge of the Colonial trade with China, as I understand it?—Yes, the United Kingdom takes the whole of that charge, on the ground that she is interested in the maintenance of the diplomatic and consular establishments in China.

12,436. But she debits India with a certain proportion based on India's trade?—Yes, but she does not debit it to other colonies.

12,437. No, but, as far as that goes, it has always been the case as between England and India, but it has not been the case with the Colonies, that any adjustment of that kind has taken place?—I do not know why India should be charged on such a principle as that.

12,438. Formerly, India, while she had a monopoly, bore the whole charge, and the United Kingdom paid nothing?—Quite so, but the English Government took that monopoly away from her.

12,438*a*. And then reduced the charge to India proportionately; and since that time the ruling idea has

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been that the apportionment should bear some relation to the trade?—I do not think the Government of India has ever accepted that as a principle.

12,439. You allow that you may rightly contribute something?—Yes, I do.

12,440. What is your measure of the something?—I am afraid that I can only say that the Government of India measure it at 10,000*l.* as the maximum.

12,441. Why?—I do not know why.

12,442. Why not 5,000*l.*?

12,443. (*Sir Ralph Knox.*) Is it because 15,000*l.* is the sum named and 10,000*l.* is 5,000*l.* less than 15,000*l.*?—Because they think that an increase from 4,000*l.* to 10,000*l.* is quite sufficient.

12,444. (*Sir Donald Stewart.*) But I presume that, if it were not for India's direct interest in the opium trade, India would decline to pay anything?—Yes; the charge has grown up from India's trade with China—not only the opium trade, but trade with China generally.

12,445. That is the only remnant?—And the only ground, I suppose, for submitting to it still is the great interest which India has in the opium trade, or rather the opium revenue, I should say.

12,446. (*Chairman.*) Of course we get into very difficult questions if we go into a more minute division than that. For instance, I suppose the Imperial Government would argue that at present, at all events, India is much more interested than England in the trade, because something like one-eleventh or one-twelfth of her revenue is derived from opium, which is sold in China?—The proportion has fallen greatly in recent years.

12,447. It is falling, it is true; but still it occupies that relation at present, does it not?—About 7 to 9 per cent. of the net revenue is now derived from opium sent to China.

12,448. It is not desirable to minimise India's interest in having officers to look after such a material interest to India as that?—Oh no, I do not think that the Government of India would at all wish to disclaim all interest in keeping the establishments effective.

12,449. But is not the Indian way of dealing with this somewhat like Oriental bargaining in a bazaar. England puts in this claim for 15,000*l.*, and India says "Make it 10,000*l.*; we will give 10,000*l.*"?—India never agreed to give more than 10,000*l.* except after a long controversy which went on for more than five years; and, in order to close a very troublesome correspondence, they said that they would pay the arrears, which amounted to 20,000*l.* or 21,000*l.* a year, but they would not agree any longer to pay any more than 10,000*l.* The 12,500*l.* at which it is now fixed was merely agreed upon as a mean between the two proposals.

12,450. Is that an unfair result? Let me put this case. (I do not ask you to accept my figures); the Indian trade is 25 per cent. of the Imperial trade; 25 per cent. of the Consular charge amounts to 15,000*l.* a year; that, therefore, is not a very unjust demand on the part of England. Then India, I think you say, without any special ground upon which to base the reduction, says, "On the whole, it is not convenient "for us to pay more than 10,000*l.*" That, practically, goes before the Prime Minister at the Foreign Office, and he settled 12,500*l.*; is that a very unfair result?—I am not at all disputing the award. I only mention that the payment of 10,000*l.* a year, which India has accepted as the maximum, is now really as heavy a burden to her as 15,000*l.* a year was.

12,451. Yes, unluckily that is the result of the fall in exchange?—Yes, it is now as heavy as it was without that fall, which is the great cause of India's difficulties.

12,452. You are in hopes that the rupee may rise, are you not?—Yes.

12,453. (*Mr. Courtney.*) It may point to a revision in the diplomatic salaries in China?—Yes. I should not like to base our contribution on the prospect of the rupee rising.

12,454. Or on the prospect of the revision of salaries?—Or on the prospect of the revision of salaries over which India has no control.

12,455. (*Mr. Buchanan.*) At the Foreign Office Conference, when this subsidy was fixed, was it argued out at all on the proportion of Indian trade?—I think it was taken simply as the mean. The grounds for the two charges were not investigated. It was merely that a long controversy was closed by striking a mean between the two.

12,456. You are not prepared, on behalf of the Indian Government, to accept the principle of taking the apportionment on the basis of the proportions of the trade?—No, the Government of India have never accepted that as a ground for varying the subsidy.

12,457. Nor do you accept the Chairman's definition of Indian trade with China?—I have not investigated that; I should not like to accept it without looking into it.

12,458. (*Chairman.*) I am only putting this forward purely as the Treasury view. I do not wish to commit you in any shape or kind to the accuracy of the figures?—One reason why I should not like to take it is that the figures of the trade are reduced in the United Kingdom tables at a sterling rate calculated on the fall in silver. I think that they would be very different if they were rendered in silver prices, for past years at any rate.

12,459. (*Mr. Buchanan.*) Have you ever tried to make any of these bargains in rupees, and not in sterling?—The British Government never will accept the payment made here in rupees, that is to say, they will not accept the fall in exchange. Some of the payments are made in Eastern countries, and then they are settled in silver.

12,460. There has been no pressure put upon the Home Government by the Indian Government, since the great fall in exchange, to get the Home Government, if not to accept the whole, at least to accept part of the loss by exchange?—In particular cases the Government of India have made great endeavours to do so; and they have repeatedly said that they must limit their payment to so many rupees; but it has never been found possible to enforce that, unless we could arrange at the same time that the payment should be made in the East. For instance, the cost of the Chiengmai Vice-Consulate is settled in rupees, because it is paid there by bills drawn on Calcutta.

12,461. But I understand that a good many of the payments in China are paid in silver. Would not that give a sort of claim to you on behalf of the Indian Government?—The claim on us is prepared here by the Treasury.

12,462. And you simply pay in sterling over here?—Yes.

12,463. (*Chairman.*) Mr. Buchanan will recollect that, when he debits the China Consulate, he does not see so many pounds for the salaries of the superior officers, and so many taels for the current expenses and for the wages of native servants. All that is turned into sterling, and the Indian contribution is fixed on the result, which you bear in sterling?—Yes.

12,464. (*Mr. Courtney.*) Has the Indian Government ever pressed upon the Imperial Government the propriety of re-considering the payments in China in consequence of the change in the value of silver?—I think not, because the controversy which was carried on with, I may almost say, acrimony for some years, was at the time when exchange had not fallen so much, and the ground of complaint then was the great increase of the charges in China.

12,465. (*Sir Andrew Scoble.*) I should like to ask one question of Sir Henry Waterfield. These contributions to the missions in China and Persia are survivals from the old East India Company times, are they not?—Yes.

12,466. And the East India Company had diplomatic arrangements of their own with these countries in the first instance, I believe?—Diplomatic arrangements in Persia, consular establishments in China. I think there was no legation at that time.

12,467. (*Chairman.*) Was there not a Minister previous to 1834?—Was it so old as that? I did not know that there had been a resident Minister. Of course one knows the celebrated Macartney mission.

12,468. But was not Sir George Staunton before that time?—Yes, but I think he was not Minister.

12,469. (*Sir Andrew Scoble.*) What I wanted to bring out was this, that the British Government now takes over the diplomatic arrangements with both those countries?—Yes.

12,470. And claims this payment rather as a survival from old times than on any other ground?—I think so.

Of course this claim is based on services rendered to India at present, but it is the result of what passed in former years.

12,471. But the ministers in Persia and in China are under the Foreign Office, and not in any way under the Government of India?—That is so now.

12,472. (*Chairman.*) Well, we will pass on to the Jeddah Consulate?—"In view of the number of Indian "pilgrims passing through Jeddah to Mecca, India "agreed to pay half the net cost of the consulate. "The amount is revised triennially, on the actual "charge in the three preceding years. The triennial "payments have been fixed at 475*l.*, 500*l.*, 410*l.*, 458*l.*, "and now 426*l.*"

12,473. Do you make any remonstrance on that?—No.

12,474. You agree that that is a fair division?—I think it is a fair division.

12,475. Then the Chiengmai Consulate; what is the history of that?—It is a vice-consulate, which has been founded in consequence of the interests of India in Siam, and India has agreed to pay its cost. The contribution was assessed in 1891 at Rs. 12,022, and, allowing for non-effective charges and expenses of all kinds, buildings and furniture, the total was estimated at Rs. 15,020, and India has agreed to pay that sum up to the present time. There has not yet been any revision of the amount. I suppose it will be very shortly revised.

12,476. In that case also, I understand you are not making any remonstrance, are you?—No. This is a case in which the rupees are paid by bills drawn on the Comptroller General in Calcutta, and there is no difficulty in the matter of exchange.

12,477. (*Mr. Buchanan.*) Is that the only contribution towards the expenses in Siam?—That is the only one.

12,478. Is that the only contribution that the Imperial Government has asked from the Indian Government towards the diplomatic or consular establishments outside its area, with the exception of Persia and China?—The only payment of a permanent character, besides that for Jeddah, which I have already mentioned. In the case of what was called the Mekong Buffer State Commission, India shared the expense of Mr. Scott's mission and his party. That was a temporary arrangement which has passed away.

12,479. (*Chairman.*) Then we come to the subsidies to the Euphrates and Tigris Steam Navigation Company for the mail service between Bussorah and Baghdad, and in aid of the steamship service on the Karun river?—The subject divides itself into two parts. There is a subsidy for the navigation of the Tigris which dates from 1863. That is paid in India, and a new contract has recently been made for 10 years—at least it has been agreed to, but I believe the contract is not yet signed; it is a reduction from 36,000 rupees to 24,000 rupees a year. The other part of the question is in relation to the navigation of the Karun river, for which a subsidy has been granted here by the British Government since 1890. At first they gave 3,000*l.* a year, which has been now reduced to 2,000*l.* for a time. The Indian Government shared that subsidy; but they have lately protested against making any payment, and, as I understand the point, they say that they are willing, in consideration of the interests of the large native Indian community which there is at Baghdad, to pay the subsidy for carrying on the navigation of the Tigris; but they do not think that Indian interests are to an equal degree promoted by the navigation of the Karun. If they are called on to share in the subsidy for the Karun, they think the British Government should share in the subsidy for the Tigris; or they are content to pay the subsidy for the Tigris and leave the British Government to pay the subsidy for the Karun.

12,480. That is the position which the Indian Government wish to bring before the Commission?—Yes.

12,481. And the contention, I suppose, will be that the English Government should take the Karun subsidy, the Indian Government having to pay that for the Tigris?—That I understand to be the point which they wish to bring before the Commission.

12,482. (*Sir Donald Stewart.*) I think the payment now is entirely dependent upon the report of this Commission.

12,483. (*Chairman.*) If that be so, we should hear both sides of the case?—Yes, the Indian Government have agreed to pay temporarily, pending the opinion of the Commission on this subject.

12,484. Can you tell us what is the origin of the subsidy for the Karun navigation? Was it undertaken for political reasons, or under what circumstances?—I think it was for both commercial and political reasons. It was thought that any company carrying on trade on that river would necessarily do so at a loss for some time, and, therefore, might require a subsidy; but that the interests of trade generally would be promoted by having vessels constantly up the river as far as Ahwaz, and trade going on with Shuster, and that it was politically desirable thus to keep open the navigation for British vessels.

12,485. Do you happen to recollect how that proposal was brought before the Indian Government?—The first letter relating to the subsidy was one from the Foreign Office, dated 20 May 1890, which inclosed an application from Messrs. Lynch, the proprietors of the Tigris and Euprates Steam Navigation Company, to the Foreign Office and the India Office, to grant to them a subsidy for the navigation of the river Karun.

12,486. I suppose the Imperial Government put to the Indian Government, as a reason why they should contribute, that both countries are interested in Persia?—That was the ground on which India was brought into it. I see in the first letter I have of Mr. Lynch he says: "In November 1888, my company, acting in concert "with Her Majesty's Government, took immediate "advantage of the opening of the Karun River, by "sending their steamers to navigate it, and to establish "the right of navigation urged by Her Majesty's "Government. It was felt that the occasional visit of "a steamer would be of little avail to open up this "important trade route, and from November 1888 to "the present day a fortnightly service has been main-"tained, and the mails have been carried free of "charge."

12,487. That was all done in communication with the Foreign Office?—Yes, the two offices were in constant communication at that time on the subject.

12,488. (*Sir Donald Stewart.*) But is it not a fact that this line is the shortest route to Ispahan and Teheran?—It is, certainly, to Ispahan. I suppose it would be to Teheran also, but certainly to Ispahan.

(*Sir Donald Stewart.*) If there was a good road from Karun to the capital it would stimulate trade enormously.

12,489. (*Chairman.*) It will be difficult for the Commission to make the separation of interests between England and India in the case of the Karun. If in other cases the interest of India is admitted, what answer would you make to that?—I am hardly competent to speak of the political interests. I am afraid I can only refer to the Political Secretary for that information; but, as regards the trade, I do not think that India has any such interest in the trade up the river Karun as she has in the trade on the river Tigris. There is a very large Indian community at Baghdad, and undoubtedly communication between India and Baghdad is of importance to India. I do not think there is any such direct communication with Shuster or Ahwaz, or Ispahan, although, no doubt, some Indian traffic might go that way.

12,490. Up the Karun river is not by any means a populous country, and there is very little trade?—I believe so.

12,491–2. We should have to hear from the Foreign Office if they have got any special ground on which they can defend the charge?—Yes, I think from the Foreign Office and from Mr. Lee Warner, the Political Secretary of this office, if necessary.

12,493. Then there is the Mekong Commission?—The Mekong Commission I referred to in reply to a question by Mr. Buchanan. India's share in the expenses was a moiety of the cost of the temporary expedition of Mr. Scott and his party. There is no permanent charge in connection with it.

12,494. There is nothing that you call attention to on that point?—No.

(*Mr. Buchanan.*) India only bore a part of it.

12,495. (*Chairman.*) You mentioned two or three other cases in which payments are made by the two Governments for joint services; for instance, payments for emigrants?—Yes; certain payments by India; 300*l.* a year paid to the consul at Réunion for house

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allowance and other incidental expenses; and an outlay not exceeding 200*l.* a year for two interpreters.

12,496. Do you demur to that?—No. Those are in the interests of the Indian emigrants, and I think very proper charges; and in 1884 India agreed to pay 100*l.* a year to the Consul at Surinam, which was raised in 1886 to 150*l.*, on the same ground.

12,497. Then there is a payment made on account of the International Tariffs Bureau at Brussels?—Yes, that is a charge which is divided among many nations, and India's share is 4,970 francs. I have no comment to make on that.

12,498. India, I suppose, is free not to join that?—She voluntarily joined and took her rateable share.

12,499. Imperial Institute?—It is stated in the printed note that India contributes 1,000*l.* a year, which was the case when that paper was written; but the payment now is 750*l.* a year, besides which India bears the charge of the salary of the Curator of the Indian section, which is 500*l.* a year, and incidental expenses for fittings and so forth which are estimated to come to about 600*l.* a year.

12,500. That I take it is a voluntary charge?—A voluntary charge; it is under the management of a special committee.

12,500*a*. That, I think, leaves only one other question, namely, Aden?—Yes.

12,501. First of all, perhaps you will tell us what the relations between England and India are with regard to Aden, and next what is the point upon which you would think the Commission might make a recommendation?—Yes; it is important that the Commission should have this paper on Aden before them. I do not know whether you would take it as you have it put in or wish me to read it in evidence. That statement has been carefully prepared.

12,502. (*Sir Ralph Knox.*) It is included in your memorandum?—Yes. I have nothing to add to that statement. It has been prepared by the Political Committee of this Office. The whole charge for Aden is borne by the Government of India, excepting that connected with the special defences, in which the British Government has shared equally with the Government of India; and the point that is put before the Commission is that the interests of the United Kingdom, both directly and in respect to its great dependencies, Australia and the Cape, and also its foreign trade, are so very large that it is thought that a contribution should be made by the Government of the United Kingdom to the payments for Aden, and that India should not be left to bear the whole cost.

12,503. Having obtained a considerable concession as regards fortifications, you want to drive that home?—I have no objection to drive it home in that way, but it is not on that ground that the claim is preferred.

12,504. (*Mr. Buchanan.*) The Home Government share of the expense of fortification is limited, is it not?—The charge for those special defences is divided in the following manner: the cost of the works is equally shared, the payment by the British Government being limited to a fixed sum; the cost of the armaments is also shared, the payment by India being limited to a specified amount. That is to say, in each case the Government which was carrying on the work was to bear any excess over the original estimate.

12,505. (*Chairman.*) And as far as the works go, were the works completed within the estimates?—The works were estimated to cost about 213,000*l.*; the United Kingdom agreed to pay a moiety, or 106,573*l.*, and she has paid that. The accounts are being received from India, and rather fairly bear out the estimate, although it is possible that it may be somewhat exceeded; but the share of the British Government is limited. On the other hand the cost of the armaments was to be borne by India to the extent of 52,655*l.*, and for that accounts have practically been rendered, though I think it is still subject to some adjustment.

12,506. But is it not the case that the armaments cost a great deal more than was expected?—I do not think that the armament has cost more than the estimate. I am speaking of the revised estimate which the British Government accepted.

12,507. At one time there was a bargain made between the Indian Government and the British Government; the Indian Government were to complete the works on a certain estimate of which, we will say, the British Government were to take one half, but it was not to exceed a certain sum?—Yes.

12,508. As I understand you, those works have been completed for something very like that sum?—Yes.

12,509. Therefore the limit which was imposed upon England has not been a source of heavy charge to India, who, of course, would have to pay any overplus. But on the other side my recollection is that the armament estimate was very much exceeded?—The original estimate was exceeded.

12,510. And if so, does it not follow that England had to pay a great deal more than she ever expected to have to pay for armaments?—I think you are referring to the original estimate which was completely thrown aside. The works were altered and another estimate for the armament prepared; but the revised estimates have been practically adhered to in both cases, as far as I know. In regard to the cost of the armaments, you rather imply that it was the fault of India that the estimate was exceeded, but that was prepared at the War Office.

12,511. It has been a great source of contention, but without the figures before me I should not like to rely upon my memory. I think Sir Ralph Knox will confirm me that in a number of colonial ports there was a division made between the armament and the works. The works, I think, often were carried out for the sum originally stipulated; the armaments which England undertook—I am not speaking now of India alone but of different colonies—exceeded very much the estimate, and, therefore, what was intended originally to be a the half-and-half charge as between the dependency and the mother country resulted in a larger proportion being paid by the mother country, and a less proportion by the dependency. Whether that applies to Aden I do not like to say, because I have not got the figures?—I believe there is no doubt that the eventual payment by India will be more than was estimated as her half share of the charge; but that is because armament has been required beyond the original or revised estimate. As regards such armament as was included in the revised estimate, I have no reason to think that that has been materially exceeded; if it has, no doubt the War Office will have to pay the excess.

12,512. I ask you the question. I am not in the least demurring to what you say?—I believe that certain improvements have been demanded which were not in the revised estimate, and of these India will have to pay the whole cost.

(*Sir Donald Stewart.*) The charge for the guns and the emplacements was enormously increased owing to the change in the nature of the guns.

12,513. (*Chairman.*) Then, perhaps, you could tell us shortly, out of your memorandum, what is the ground upon which the Indian Government base their view that England ought to contribute towards Aden; I suppose it chiefly turns upon trade?—To some extent it turns on trade:—

"Of recent years the trade of Aden has grown to a position of considerable importance. In 1894–5 it was valued at Rs. 86,802,214; of this trade India's share was nearly 19 per cent., and the share of the United Kingdom nearly 9 per cent. Suakim, Zanzibar, Mauritius, the Straits Settlements, and Hong Kong, also enjoyed appreciable shares in this trade. In these figures are not directly included the trade of the Somali Coast, which amounted to Rs. 9,437,966. The following statistics of shipping entered and cleared at the port of Aden (Perim is not included) in 1894–5 will show the enormous value of Aden as a port of call, and the relative shares of this value accruing to (*a*) the United Kingdom, Colonies, and British Possessions other than India (with Burma), (*b*) India (with Burma), (*c*) Foreign countries (including Zanzibar)":—

	(*a*) United Kingdom, &c.	(*b*) India.	(*c*) Foreign Countries.
Tonnage entered	685,024	695,510	899,945
„ cleared	819,615	530,888	931,715
Total	1,504,639	1,226,398	1,831,660
Per-centage	33	27	40

"The tonnage totals do not include the ships calling at Perim only. In numbers, the Perim shipping is about 37 per cent. of that at Aden; the above figures might, therefore, be increased to that extent, to include Perim, which, for the purpose of this note, must be considered a part of Aden. In estimating these relative proportions, it must be remembered that ships entering from, or clearing for, India may have originally come from, or may be subsequently proceeding to, ports in the further east, and in most cases to ports belonging to the British Empire. Of the shipping passing through the Suez Canal, 57 per cent. called at Aden, and about 20 per cent. at Perim *en route*. The total shipping using the canal exceeded 8,000,000 tons, of which nearly three-fourths were British. The actual number of merchant vessels that passed through the Suez Canal in 1894–5 was 3,255; of these, 2,462 passed the port of Aden; of this number, 1,309 called at Aden, and 486 at Perim, and 667 at neither station. As to the nationality of ships calling at Aden, out of 1,309 merchant steamers, 837 carried the British flag. The port was also used in 1894–5 by 33 vessels of the Royal Navy, 10 British Government troopships, and 30 vessels of the royal Indian marine. In times of peace almost the whole of the trade between Europe and the coasts of Asia and of eastern Africa passes by Aden. As a naval fortress and coaling station for ships of war, Aden is a place of great importance, and its value has been so far recognised by the British Government that a moiety of the cost of the permanent Aden defence works has been borne by British revenues. The British Government has also borne a share of the charges for the Red Sea telegraph. In one other respect Aden has been of very appreciable value to the United Kingdom. It has assisted, and at the same time diminished the cost of, the operations undertaken in pursuit of the British policy of suppressing the slave trade on the Red Sea and East African coasts. So long ago as 1836 the Government of India urged the propriety of the expenses of Aden being divided between Great Britain and India, and its transfer to Imperial control under certain conditions was, at a later date, seriously discussed."

12,514. You would not agree, so far as keeping the route between Great Britain and India is concerned, that a fair division is that England should keep the route upon one side of the canal and India the route upon the other?—No, I do not think that would be a fair division, because that would throw upon India the whole of the Eastern route.

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12,515. I am only speaking of the route as far as India. I am not speaking of the route beyond India. What I mean is this, that just as we keep Gibraltar you should keep Aden?—No, I should not agree to that parallel. So far as it is a question merely of the division between England and India, I think it is fair to say that England should take one half and India the other; but, if you say that the United Kingdom is to take Gibraltar, and, as a set off against that, that India is to take Aden, that throws on India the whole of the burden of the Eastern seas.

12,515*a*. The importance of Aden as a post, then, constitutes the ground upon which you think that England should contribute towards the expenses of Aden?—Yes. That she should make some contribution towards it.

12,516. (*Mr. Buchanan.*) You would say that Aden is an Imperial fortress and not merely an Indian one; and protects an Imperial route to the East, and not merely an Indian route to the East?—That is so.

12,517. Besides that, you ground your claim upon the political interests of this country in Africa and elsewhere in the East; and also on commercial grounds, upon the value of the trade?—On both.

12,518. (*Sir Andrew Scoble.*) The recent partition of Africa has increased very much the importance of Aden as an Imperial fortress, has it not?—I think it must have very largely.

12,519. And as far as the Suez Canal and the Red Sea route are concerned, that route is now, if possible, more important to Australasia and the further East than it is to India, is it not; I mean as to the amount of traffic and the tonnage employed?—Yes, I should think a larger proportion is concerned with Australia and China and other countries than with India alone.

The witness withdrew.

Adjourned to Wednesday next at 11 a.m.

At the India Office.

TWENTY-SEVENTH DAY.

Wednesday, 15th July 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Sir RALPH KNOX, K.C.B., Accountant-General of the Crown, examined.

Sir R. Knox, K.C.B.

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12,520. (*Chairman.*) Would you define what you consider to be the actual cost to the British Exchequer of maintaining a force in India?—According to my view, the actual cost consists of every expense incurred at home which would not be incurred if it was not necessary to send the reliefs and drafts to India.

12,521. That would include the cost in the wide sense, I presume, of raising, paying, and maintaining the force existing at any time in India?—Yes, quite so.

12,522-3. But what is now included in the charge represented by the capitation payment of 7*l*. 10*s*.?—In the first place, there is the calculated charge for training the individual soldier according to the arm of service to which he belongs. In addition to that there is the charge of the officers and non-commissioned officers who train him. Inasmuch as the charge per man is calculated upon the definite individual despatched, there is also a charge which may be represented as being for waste in the production of these men, in the form of a charge for those who, on an average, desert or die during the first year of service. In addition to that there is a charge for the pay of young officers who are appointed to the Indian regiments as vacancies

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occur in those regiments, and who are awaiting their orders to be despatched to India. In former times that used to be paid directly by India; but, to meet the convenience of the two departments, it was arranged that the War Office should make these payments and charge India through the medium of this capitation sum. There is also the cost of the young officers who are appointed to the Royal Engineers, and who are under a lengthened training—unlike the infantry officers—at the School of Military Training at Chatham, which lasts between two and three years; there are, forther, some minor charges in connexion with the training of veterinary surgeons and the examination of candidates for the Indian Medical Service; that, of course, might have been made a direct charge against India, but it was thought advisable to sweep into this account as many constant charges as was possible. The next item is a charge for the expense of what I should call the educational establishments, where the officers undergo a certain amount of elementary education and training.

12,524. (*Sir James Peile.*) Is that still in the 7*l.* 10*s.*?—That is in the 7*l.* 10*s.* That includes the Royal Military College, the Royal Military Academy, the Staff College, the Army Medical School, the School of Gunnery, the School of Engineering, and the Artillery College. Formerly, before India had established a school of musketry herself, there was a charge for the School of Musketry at Hythe; but since the schools of musketry have been developed in India, no charge is made on account of the school of musketry at home. Then there is a charge for the advance of pay to drafts proceeding to India; every man gets an advance of from 18 to 25 days' pay, it varies, and has been altered from time to time. Then there are the expenses of the men sent home from India, either as invalids or time expired men awaiting discharge, and that includes their pay while on the passage home. Then a claim is made for the expenses of the Indian invalids at Netley Hospital, so long as they remain as invalids there, and at Woolwich Hospital. A portion also of the expense of the discharge depôt, which was established in order to avoid the expense of sending the men home to their individual depôts all over the country to be discharged. At Gosport, near where they land, a depôt is established which receives them and takes the necessary steps to wind up their accounts and, to send them away to their different homes. This, of course, is distinctly an economical arrangement as compared with sending the men all over the country in the first instance.

12,525. (*Chairman.*) Are you coming to deductions now?—Yes.

12,526-7. Would you let me interpose a question there. The total cost of these services that you have been enumerating has been calculated, I think, at 677,000*l.*, has it not?—Well, whenever a calculation has been made, we have found always that the numbers vary, and therefore the charge. We gave the advantage to India; if there had been a reduction in the price of provisions, or if the price had gone up for forage, and so on, the charge would be varied, so that none of the calculations which have been made from time to time exactly agree; but I can quite understand that in that year, for which you may have the figures before you, it did amount to that sum. I have a year before me in which it does not amount to quite so much.

12,528. Would that sum of 677,000*l.* include all the services which, we will say, Colonel Tulloch's Commission had before them when they fixed on 10*l.* a year?—No, it would not; and that gives rise to a very considerable difficulty in making comparisons from time to time of the different systems which have been in operation. Two or three very important charges were covered by Colonel Tulloch's arrangement, so to speak, which are omitted from this in consequence of changes of system which have been introduced. The money which India paid under Colonel Tulloch's recommendation included the furlough pay given to officers who might from time to time come home from India. I should like to make a remark as regards that presently. It included also a charge for the pay of the honorary colonels, for India's share of the 1,000*l.* a year which they used to receive. Of course, that is properly a retired pay charge, and, since Colonel Tulloch's time, it has become a non-effective charge, and that is omitted from the present claim, as compared with Colonel Tulloch's arrangement. As regards the furlough pay, there was a considerable, I will not say miscalculation, but want of foresight in what happened as regards the furlough pay. When Colonel Tulloch's calculation was made, it was thought, that, judging by past experience, the charge for furlough pay would amount to, I think, between 60,000*l.* and 70,000*l.* a year; but when the 10*l.* capitation was agreed upon, whether it was in consequence of the increase of the army, or of the fact that 10*l.* covered all the charges, we found that the furlough pay charge went up from that estimate to something like 150,000*l.* a year. The men came home very freely from India, and we paid for them; that is now terminated.

12,529. The calculation in the 10*l.* being only intended to cover 60,000*l.* or 70,000*l.*?—Quite so, a small sum. We found that before we terminated this arrangement we were paying 150,000*l.* a year for furlough pay. The Indian Government has now taken that over, and they pay direct. We thought that it was far better that they should make a direct payment for that charge. Those, with the educational establishments, are the principal items omitted from the charges covered by the 10*l.* rate.

12,530. Could you say what the charge for the honorary colonels was?—I think it came to about 67,000*l.* a year.

12,531. Had you finished with the definition of the exceptions?—I think you may take it that those are practically the sums which should be struck out of the Tulloch arrangement.

12,532. I am anxious that the Commission should get into their minds the services included in the various rates so that, when we are speaking of the various sums which India paid first of all before the Mutiny, then under the 10*l.* a head arrangement after the Mutiny, up to the time when the 7*l.* 10*s.*, which is the present rate, was decided upon, we might know to what extent those charges are comparable?—Yes.

12,533. Now, going back to the earlier time, would you describe the European force kept in India before 1860, which was the date, I believe, of the abolition of the local European force?—I assume you mean what we call the Royal troops, that is to say, those forming an integral part of the British forces. There were four regiments of cavalry—of course they varied from time to time; they had five regiments at one time, but that arose, I think, from the frontier wars that had taken place. At the time of the outbreak of the Mutiny the number of regiments was, of cavalry, as I have said, four, and of infantry 24. The total force numbered from 28,000 to 24,000; in 1844 there were 28,000 of all ranks; and in 1857 there were 24,000.

12,534. The India Office give it thus: The effective strength of the British regiments in India from 1834 to 1857 averaged 24,133. The payments made for the depôts and recruiting districts, and for expenditure by regimental agents, from 1834 to 1857 averaged 195,171*l.*, or about 8*l.* per man serving in India?—Quite so.

12,535. With regard to that, do you consider that the average of 8*l.* per man is a fair standard, or was it higher, do you suppose, in the later years? You see, the number of years from 1834 to 1857 is a long period for a service like that of the army, and we know that after the year 1852 or 1853 the expenditure on the army increased very considerably?—Yes, very considerably. Well, there a correction is required to make anything like a comparison, for in the charges represented by that 195,000*l.*, there were included these charges, which I have previously referred to as covered by the 10*l.*, that is to say, the pay of the honorary colonels, although a smaller number, for a smaller force, and also the furlough pay of the officers.

12,536. The furlough pay would probably have approximated to the 60,000*l.* which formed the basis of Colonel Tulloch's computation, would it not?—Yes, but I have not the exact figures. We have only really the agents' accounts of payments, and those it is impossible to analyse.

12,537-9. Therefore, if we compare the 8*l.* per man with the 7*l.* 10*s.*, you have, on one side, to bear in mind that the 8*l.* comprised two very heavy charges, namely, the furlough pay and the pay of the honorary colonels; and, on the other hand, that the 7*l.* 10*s.* includes the enormously increased cost of army administration. And, further, does it not also include the deferred pay, which did not exist in those days?—No; the 7*l.* 10*s.* does not include the deferred pay; that is an extra charge. But there was another element as regards the 10*l.* The history of it is very extraordinary; elaborate

calculations were made which seem, some of them, to have been *à propos*, and others not *à propos;* and the War Office representatives and the India Office representatives, seem to have had many meetings and consultations, and made efforts to come to a conclusion; but the only conclusion they could come to at the last was to make a shot with very little reference to the actual calculations they had gone through, and they said, "Well, for the present, and for peace and "quietness' sake, let us take 10*l*." But I wanted to say that that 10*l*. was exclusive, and deliberately exclusive — as stated in the Minutes of the Committee and by the Treasury—of what we call the educational charges; that is to say, the charges for the Military Academy and the Military College. "It will "not include transport, passage money, clothing, arms, "accoutrements, or other stores, nor any expenses "chargeable to the revenues of India on account of "the instruction of officers of the Royal Artillery, "Royal Engineers, or medical service, nor any other "charges which were not taken into consideration by "the Committee in arriving at the average rate which "they have recommended." So those were all charged for outside the 10*l*., but the present 7*l*. 10*s*. covers them.

12,540. In that year, of which the analysis is before me now, the educational establishments would amount to about 37,000*l*. a year?—About that, yes.

12,541. Under what head would clothing and stores, which, I think, you mentioned as excluded, come?—Direct charges were made against the Indian Government for stores actually supplied at a price.

12,542. But are these charges included in this cost of an infantry recruit, we will say, of 21*l*. 5*s*. 2*d*.?—The clothing and the arms, and so forth, that were used at the depôts were formerly charged separately against India; but now there is a calculated amount included in the charge, covered by the 7*l*. 10*s*.

12,543. And that would account, I suppose, to a certain extent, for this somewhat curious result, that Colonel Tulloch's Committee, it is stated, on the basis of the previous ordinary charges, recommended 11*l*. 1*s*. 6*d*. per annum for each infantry soldier sent out in the year, whereas, under the calculations which preceded the 7*l*. 10*s*. arrangement, the cost of an infantry recruit embarked for India was 21*l*. 5*s*. 2*d*.; the 21*l*. 5*s*. 2*d*. includes clothes and arms used at the depôt, whereas the 11*l*. 1*s*. 6*d*., though it led up to a bigger charge, namely, 10*l*., than the 7*l*. 10*s*., did not include those items?—Quite so.

12,544–5. Without pressing you further, Sir Ralph, upon that point, I think what you say establishes for the Commission this fact, that we must be very careful in comparing, without very great reservations, the 8*l*. per man payable before the Mutiny, before the abolition of the local force, the 10*l*. under Colonel Tulloch's Commission, and the 7*l*. 10*s*. which is now payable?—Quite so. They are all calculated on different bases.

12,546. Will you describe shortly the methods of charging India for the cost of recruiting up to the date of the Mutiny?—The main cost was, of course, the depôt charge. At that time there was no distinction between what was called the training establishment and the men trained, a distinction which we have sought to make in later years. The depôt of each battalion that was serving in India consisted of some three officers and the regular number of non-commissioned officers and so on, together with the private soldiers under instruction and training—they formed the depôt, which was looked to to supply all the wants of the battalion that was serving in India. It was also the receptacle of all men who came home from India for any reason, those who came home to await discharge, the invalids, who came home, were kept there until they completed their time for discharge; the necessary men for properly carrying on the training of the young soldiers who joined and so forth—all those were brought together into this home, as it were, of the battalion that was serving in India. Well, the actual pay lists kept by the paymaster of the cost of that depôt were made up and sent in, just as the pay lists of a home regiment would have been sent in, to the War Office; the War Office examined them and sent them then for a general audit to the India Office, and the actual disbursements on those pay lists formed the claim for these expenses against India, and India paid the whole of those charges.

12,547. That was up to the time of the Mutiny?—That was up to the time of the Mutiny.

12,548. At that time, when, as I understand, the precise bill was sent in, did the War Office agree pretty well with the India Office, or was there the same disagreement and delay that took place after the Mutiny under the present system?—I cannot say that I find that there were any disputes during those quiet times between the India Office and the War Office in this matter; and it appears that the system went on continuously from 1834 to 1857. But searching, as a matter of curiosity, into some old documents the other day, I found that this dispute between the Home Government and India was of very old date indeed, and that there is a very interesting Blue Book of 1805 and 1807 in which you will find exactly the same arguments being advanced and refuted as are being advanced and refuted to-day, not only as regards claims of this kind, but also as to the cost of expeditions to Egypt.

12,549. Sir David Baird's expedition?—Yes.

12,550–3. With reference to the recruiting for the Queen's regiments, or, as they were called, the Royal Regiments?—Yes. A claim was also made for a proportion of what was called the staff of the recruiting districts throughout the country. There were then in existence certain recruiting centres which followed more or less the more populous towns, as they grew up during that period, and there were some seven to ten of those; and a portion of the cost of the staff of those centres was charged against India. Then a calculated amount was also charged on account of barrack accommodation. There was a charge for forage, which represented practically the issues of forage to the cavalry depôt, which was at that time at Maidstone. I believe the actual contractor's bills for the forage supplied to this depôt were sent in to the Indian Government. Then they also paid the charges included in the Agent's account of the regiment: that would include the pay of the officers serving at the depôt, as all pay of officers is issued through the Army Agents, and also the pay of the officers who were on leave, and in that way the furlough pay to which I have alluded, became a charge covered by this arrangement for the home charge. There were other contingent expenses, but of a small kind, which the agents also incurred on behalf of the regiments. Then there was the charge for the pay of men on passage, both out and home; that was made up as a separate item, which was called, passage pay list, and that pay list, just like the depôt pay list, was sent in as a claim against the Indian Government. That has been described from time to time as the actual charge system, and to a very great extent it did represent the actual bills, as it were, and pay lists, which were presented to the War Office as representing the expenditure under those particular heads on account of the regiments in India. That covers the period before the Mutiny, and for the Royal regiments.

12,554. But besides that, do you know anything about the regulations, under which the recruiting for the local European force in India was carried on?—That was referred to in the earlier minutes of Mr. Seccombe's Committee, which considered this question in the year 1869, and they described at some length the system which was in existence at Warley, Warley being the depôt at which the recruits for the infantry, artillery, and engineers in India for the local forces were raised. They show *in extenso* in that report what they represented as the recruiting charges for the year 1854–5, and they give as totals what the expenditure was at the depôt at Warley for other earlier years. Warley, as it has been described by many persons—I have gathered my information from reports of Royal Commissions, especially the Sanitary Commission on the army in India—was merely a receiving depôt. They had in the earlier years, 1850, 1851, 1852, a comparatively small number of men to raise, something like 1,000 a year.

12,555. Was that about the average number of men sent out in that day?—In 1850, 1851, and 1852, before there was any disturbance at all, that was the number of men sent out; 1,215 in 1850, 858 in 1851, and 1,017 in 1852; in the later years they increased in number. That was due to the Crimean War in 1853, 1854, and 1855. The European regiments of the Royal army were being withdrawn from India, and the Indian Government decided to raise three additional European regiments of their own; then the recruiting was very brisk, and this same establishment recruited practically and despatched the numbers that were required in those years; but those were abnormal years, and really do not fairly represent what the cost of the training of a recruit was but rather the catching of a recruit at

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Warley. The Indian Government and the Committee in dealing with these charges threw in the subsequent years, and also the years 1857, 1858, and 1859, which were the years of the Mutiny, when every man that could possibly be caught, was caught, and was sent out; and then they recruited 3,800, 6,000, and 4,000. Those were the recruits in that period, and they did not fairly represent the normal condition of the working of the Warley establishment. I find, first, taking the first three years, that the average charge per man despatched, taking these figures, was 30*l.* In one year, which is an unfair year to take, because an abnormally low number was sent out during that year—but still the Indian Government and the India Office do not mind using such arguments against the War Office—the cost was 40*l.*, and in the year 1852 the cost was 37*l.* a man. But a note which heads this column should specially be noticed, as it states that the cost of clothing, the cost of arms, and the cost of accoutrements were excluded. And in examining the detailed charges, which are given in the paper which I have referred to, for the years 1855 and 1856, they seem also to have left out the man's house, which is rather an important item of charge, even with a soldier. There is no charge whatever for barrack accommodation, so that the figures that are given as really representing the Warley charge are practically useless for the purpose of comparison; they do not represent anything like the proper charge; and further, as I have insisted before, the fact should be borne in mind that it was not a training depôt in any sense, it was simply a receiving depôt for recruits. It took some time, of course, to accumulate a thousand men, and, while the men were there, they did the goose step, no doubt, and some other elementary practice of that kind, but they were not trained; it was not supposed that they were trained; they did not go out as trained men, but men were shipped, some of them, the same week that they were recruited, so that really the expenditure at Warley and the expenditure under the old system that took place at the English depôts, are in no way comparable. In the first place, the same items are not included, very important ones being omitted; and further, the system of recruiting and training was absolutely different.

12,556. Do you know how long it usually took to make up a draft of a thousand men or whatever the number might be?—It seems to have been something like from three to four months.

12.557. And, therefore, if three to four months was the whole time, the average time of training that a man was undergoing, while he was there, would not be even one-half that time, I suppose? What I mean is this; they were collecting men during those three to four months, and the draft would comprise both the men who arrived three months previously and the men who arrived the day before it started?—Quite so.

12,558. So that that only gives an average training of much less than three or four months?—Yes. Still I cannot be quoted as an authority upon that; I am only re-stating descriptions of the Warley training, which I have read in papers.

(*Sir Donald Stewart.*) I can endorse generally the accuracy of what Sir Ralph Knox says.

12,559. (*Chairman.*) Quite so. And then you give 30*l.* as your calculation of the cost of each recruit sent out to India from Warley?—Sent out to India from Warley.

12,560. Then I find that, in this paper handed in by the Financial Secretary of the India Office, it is stated that, omitting the exceptional years of the Mutiny, the number of recruits sent from their depôt at Warley between 1850 and 1859 amounted to 24,783, at an average cost per recruit of 19*l.* 14*s.* 10½*d.* per man, or, omitting the exceptional years of the Mutiny, 26*l.* 7*s.* 5*d.* That 26*l.* 7*s.* 5*d.* is, I suppose, a rather minute estimate of that service which, according to your view, amounts to 30*l.*?—Well, no; I propose to omit from their calculation the years in which there was a special pressure—the years in which they raised the three additional regiments; they more than doubled the number of men that they had sent out in that short time.

12,561. You say that that estimate of 30*l.* excluded clothing, arms, and accoutrements; and, so far, it corresponds with the basis, does it not, on which Colonel Tulloch calculated his cost of a recruit, because I think I understood from you that he excluded clothing, arms, and accoutrements?—No, I do not think I stated that Colonel Tulloch omitted those in his calculation; in the prices that he proposed to to charge he did not omit clothing, arms, and accoutrements; but they built up the charges for the men, and having built up that charge, what it would amount to for each class of individual, they said "Let us take 10*l.* a head"; so that you cannot say that Colonel Tulloch had included any particular thing, or what particular thing he had included in his calculation of the cost of an infantry man; the first calculation which he made included everything except transport, passage money, clothing, arms, accoutrements, or other stores.

12,562. That was the 11*l.* 1*s.* 6*d.*?—Yes.

12,563. Therefore, should I be right in supposing that the method in which the Warley charge is made up, really excluded those same items which Colonel Tulloch excluded?—Yes, you can, certainly.

12,564. Then if that is the case, 30*l.* per head per recruit is not a very cheap charge, is it?—No; considering that the men were not trained for any length of time, that there was no pretence of really training the men as soldiers, the charge is a fairly respectable charge.

12,565. And does not compare so very badly with the charge, as now made?—No.

12,566. Even though the force of the army at present is much greater than it was then?—Quite so.

12,567. I think the Indian Government have relied very much upon the cheapness, as they hold it, of the Warley system as compared with the British army system?—Quite so. That is a point that I am very anxious to bring out too; and there is no doubt that in these earlier years, which I have mentioned, in the ordinary time the charge came out at over 30*l.*, varying from 30*l.* to 40*l.*; one year it was exactly 40*l.*, another year it was 30*l.*, and another year it was 37*l.*; that was the charge for the Warley recruit, and that with the very small period of training that he had.

12,568. No doubt the 30*l.* included, did it not, a considerable number of charges, which you have stated separately, but which, when Lord Northbrook's Committee was making up its calculation, upon which the 7*l.* 10*s.* was founded, and of which you have given us the heads, were outside the capitation rate?—Yes, there would be some miscellaneous charges of small amounts. For rewards for apprehending deserters, 82*l.* is included; for the payments made to the Roman Catholic minister and the Presbyterian minister, the clerk, and so on, 60*l.* is included. There is 20*l.* for the schoolmistress at the depôt school; 61*l.* for repairs of arms (that is what the local armourer would do), and expenses of that kind are included in this, which India had to pay under her own system, but for which no charge whatever is made. For instance, for these chaplains, and for any expenses of that kind, no charge whatever is made in the cost of the soldier, as now built up and claimed from India.

12,569–70. Then, on the whole, you would think that the 30*l.* which the recruit cost at Warley compares tolerably fairly with the sum which you calculated on the Northbrook Committee?—Well, they practically approximate for the infantry soldier; and that is practically what these were—infantry soldiers and artillery; these men were not trained as mounted artillery in any way; they were caught in the same way, only they wore perhaps a different coloured coat, and were sent off to India to be trained. But what we now calculate as the cost to be charged to India for an infantry recruit very much corresponds with what the charge was at Warley at these early dates.

12,571–2. In the time that you have been describing to us, before the Mutiny, did the War Office make any charge upon India for central administration?—No. Perhaps I ought to say that the present charge, as calculated, includes all the increase that has been made in the expenses of the soldier—in his pay and all other charges included—since those times.

12,573. I have said to you that we must bear in mind that the soldier is a more expensive person now than he was in the time before the Mutiny?—Oh, he gets distinctly something like fourpence a day more in pay, apart from deferred pay.

12,574. (*Mr. Jackson.*) When you say that the charge now made includes those items, it does not mean that it covers them?—The charge now made works out, I think, at something like 32*l.* or 33*l.*, and it includes the charge for the rate of pay now given to the soldier.

12,575. That is to say, that is all the payment you get for all these services?—Yes; that is all the payment we get for all these increased charges.

12,576-7. (*Chairman.*) As far as the Warley charge goes, you would have to add a considerable sum to the 30*l.*, if you included the clothes, arms and accoutrements, and barrack accommodation?—Oh, a considerable sum, certainly.

12,578-9. Have you any idea what that addition would be?—Well, I cannot say. I may say that we calculate that the barrack accommodation alone for a soldier costs about 7*l.* 14*s.* a year.

12,580. And you include that in the capitation rate as calculated by the Northbrook Committee?—We charge only a portion of it.

12,581. Then, if you were to add an allowance for clothing, arms, and accoutrements, it would come to a very considerable addition?—Certainly it would.

12,582. What was the period of service given by the soldier under the old system before the Mutiny? I am now speaking of the Queen's regiments?—There were two systems running side by side, as there very often have been. There was the old system of enlistment, which was practically an enlistment for life, and the new system, which had come into effect from the year 1847, which was a system of 10 years' enlistment with every encouragement to extend the service beyond 10 years; and a great number of men did extend their service, but a very fair proportion of them left the army after completing their 10 years. But, as that commenced in 1847 only, of course it could hardly have had any effect upon the army, or any effect in increasing the number of recruits, until the year 1857, practically when the Indian Mutiny broke out; but I mention that, because in those years that we were calculating, the demand for recruits was very small, because really the life system of enlistment was in existence. But very soon after that, the 10 years' enlistment of course began to tell, having commenced in 1847. From 1857 onwards there was a large number of what are called casualties, men who leave the service with the colours, and the number of recruits required to keep up the army everywhere considerably increased.

12,583. (*Mr. Jackson.*) Has the short service system increased the cost of the soldier furnished to India?—Well, we have made every endeavour to keep the cost down as far as possible; and I think it is shown by the fact that in these calculations we make a charge of something like 31*l.* or 32*l.* against India for every recruit sent out, and give a rebate—to which I very much object, by the way—for every soldier that comes back as well, and that 30*l.* a year was the charge set down under the Warley system, which excluded the charges for accoutrements and clothing and so forth and barrack accommodation. This shows that, so far as our charge against India is concerned, we have very much diminished the charge I am speaking mainly of the infantry soldier. Warley, of course, provided no mounted services at all. The mounted services represent a very heavy charge, although the infantry is the most numerous. The mounted services represent a very heavy charge for raising and training men; a longer period of training is required, far longer than is charged against India, and the cost of keeping horses and providing them and foraging them and so on is a very considerable item, there is also the keep of the men to look after those horses. But, as regards the infantry charge, I think it can be shown that we are charging India less than was charged before under the old system *per caput* for each man we supply, and that the charge compares favourably with the system which was in existence at Warley.

12,584. (*Chairman.*) Can you tell us what was the period of enlistment of the local European force?—I believe that they were enlisted for life. It was a very popular service, so from reading I gather. The local force there was small—12,000 men. The number of recruits required was about 1,000, and the Indian Government got very good men for this small army, because they were able to offer, in proportion to this number of men, a very good number of berths of various kinds in the way of civil appointments, or appointments connected with the army, in which a man might easily end his life in a very comfortable position; and these were no doubt a very considerable inducement, which India was able to offer to that small number of men that they recruited; but practically the men went for life, and a great number of those who survived the earlier years died in India.

12,585. Well, that of course would tend to diminish the number of recruits required every year, would it not?—Yes; the longer, of course, a man served, in that way the less number of recruits were required. Of course, that is the great change of the short service system, a larger number of men have to be enlisted; but *per caput* for the men enlisted, so far as our charge is concerned, our charge compares very favourably indeed with all the systems of charge in the previous years.

12,586. Now you say that to keep up a force of 11,000 men or 12,000 men, 1,000 recruits were required. You would multiply that by about six, if the present force of 72,000 to 73,000 men were to be recruited at the same rate?—Yes.

12,587. That would be 6,000?—6,000.

12,588. Whereas you reckon the present annual recruitment at about 12,000?—Yes; under the short service system we reckon about 12,000.

12,589. We are right, therefore, in coming to the conclusion that under the old Indian system the number of recruits required each year for the local force was very much smaller than the proportion now required?—Very much smaller.

12,590. I am asking these questions to lead up to an understanding upon an important point. The Government of India have relied upon the fact that, if you partition out the cost of the recruits at Warley per man on the establishment in India, whereas your royal recruits cost 8*l.* per man up to the time of the Mutiny, whereas Colonel Tulloch estimated them at 11*l.* or 10*l.* per man of the whole force, and Lord Northbrook's Committee at 7*l.* 10*s.*; the Indian recruiting expenses per man for the whole establishment only amounted to 2*l.* 8*s.* 11*d.*?—I thought it was 3*l.* 3*s.* 9*d.*

12,591. 3*l.* 3*s.* 9*d.* if it includes the Mutiny service?—Yes.

12,592. They put it in this way: the East India Company's European force from 1818 to 1857 averaged in number 11,758; we will call it 12,000; the number of recruits sent from their depôt at Warley between 1850 and 1859 amounted to 24,783, at an average cost per recruit of 19*l.* 14*s.* 10½*d.* per man; or, omitting the exceptional years of the Mutiny, of 26*l.* 7*s.* 5*d.*, giving 2*l.* 8*s.* 1*d.* per man on the establishment in India?—Well, that may be.

12,593. The reason why that charge is so small when it is reckoned out per man on the establishment was the smaller number of recruits that was required under the life system?—Quite so.

12,594. But when we turn it back again to find what each recruit cost, it by no means represents a very small sum, as compared with the sum that had been worked out by the different Imperial officers?—Quite so.

15,595. And therefore, if we wanted to find out the real cost of Warley as compared with the present cost, we must take the cost per recruit, not dividing it out by the number of men on the establishment?—Quite so.

12,596. The cost of Warley itself was not, as the Indian Government represent it, so very much cheaper than the cost at which the Imperial Government were raising recruits per man turned out?—I should say that I am comparing now the charge that we make against India for a recruit, which in a certain sense compares well with Warley. The Warley charge for a man may have been something like four to five months, say, for the pay of the individual; we charge India with only the pay for a soldier for six months. Of course, we have him very much longer, and that is a subject I shall touch upon when we come to the question of rebate.

12,597. (*Sir Andrew Scoble.*) Is the average time that you keep a recruit before you sent him out to India much longer than six months?—Very much more than six months.

12,598. What would you say the average is?—I should say the average was 18 months.

12,599. (*Chairman.*) The Indian Government raise an important question which has a bearing upon this charge. Before the Mutiny, the force at their recruiting depôts rarely exceeded half a regiment of cavalry and 1,100 or 1,200 infantry; and even after the emergency had passed away, the depôt establishments of Indian regiments numbered very nearly 10,000 men.

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I am calling your attention to the point with reference to the argument of the Indian Government, that with the largely increased number of men on the Indian establishment, you have a respectable force now training at home, which would be available for home defence, and which ought, therefore, to be taken into consideration?—Yes, but it is a respectable force that we do not want; that is the difficulty. That force would not be in existence except for the fact that they have been raised, and are being trained for India, in order to meet the demand of India, that is to say, that they shall be 20 years of age in every case and that they shall be fully trained.

12,600. But I suppose that the argument of the Indian Government is that, supposing, for instance, there was an invasion, then the men at the depôts would be trained soldiers, or men in the course of training, who would be available for defence?—They would be in existence, but what we should argue would be that these men should be in reserve, and cost us 6*d.* a day, instead of being on full pay, costing us, in many cases, sums varying from about 50*l.* to 100*l.* a year.

12,601. (*Mr. Naoroji.*) You say you do not want them; is it not for the maintenance of the British rule that it is absolutely necessary for you to have a European force in India, according to the declarations of the Government itself; but for that the Indian army would be quite enough to meet any contingency; but it is because you say that you want to maintain British rule in India that you want a European army there as strong as possible, to defend it both against Russia and against the Indians?—We supply the demands made upon us by the Indian Government.

12,602. Yes, but the Indian Government is the British Government. The Indian Government is nothing but British Government and British rule.

12,603. (*Mr. Jackson.*) That raises rather a large question, does it not?—Yes.

12,604. (*Chairman.*) After the Mutiny, what increase was made in the British army in India, and how was it obtained?—Well, that great increase of 10,000 men that you mentioned just now, as compared with the previous smaller number, arose entirely from the considerable permanent increase that was made in the European army in India. I think during the Mutiny something like 40 additional regiments were sent out to India; and, after the Indian Mutiny was suppressed, the Government having determined that this large force should be maintained, it was necessary to add considerably to the number of battalions in the British army, in order to meet the demands of the Indian Government, and battalions were added. First, I think, second battalions were added to something like 20 regiments of infantry, and certain cavalry regiments were raised also. These additions have enabled the Government to supply the additional force that was required, but they were specially raised, in order to raise the establishment of European forces in India.

12,605. You did not raise the Imperial army here by the whole amount of the men you sent out to India?—No.

12,606. Roughly speaking, you mean that you were enlisting about half the force?—Yes, about half the force; and that gave rise, of course, to the existence of these 10,000 men at home. These 10,000 men, by the way, I should say, included the men whom we may regard as transferred from the Warley depôt, because the local European army was merged into the British army. Depôts were formed for those new battalions; these were transferred, and then depôts had to be raised for the other new battalions that were added, and that, of course, especially in conjunction with the operation of the 10 years' Enlistment Act which then had been at work for three or four years, and was being felt, increased the number of men who would be in training at the depôt.

12,607. Would it be a correct representation of the difference in the force that followed the transfer of India from the Company to the Crown, to say that previous to that transfer, in ordinary times the European force in India consisted of about 24,000 men of Royal regiments, and 12,000 of the local force, making, I will call it, 37,000?—Yes; and the average number of officers and men in India from 1861 to 1870, I see, was 63,000.

12,608. And that would represent, I suppose, the increase that followed that transfer?—Yes, but that has been further increased since then by 10,000 men. There are now 73,000 men in India.

12,609. Did any change take place at that time in the system of enlistment, or did that system of enlistment, which you have told us of, as dating from 1847, remain in force?—That system remained in force until 1867. Then a Royal Commission inquired into the recruiting, which was in a very unsatisfactory state; we were unable to get the men that we wanted either for home service or for Indian service, and we were in great straits. The Commission made various recommendations, and one of these was that the period of 12 years should be substituted for that of 10, and that extra money should be spent to persuade men to extend their time beyond the 12 years; but they added to their report words of warning, that no country could regard itself as in anything like a safe—I will not say even safe, a decent—condition, unless it had a reserve beyond the force it had with the colours.

12,610. That was really rather a lengthening of the service at that moment than a shortening of it?—It was. It was a return as it were to a longer period of service, with the view of keeping the men longer, in order to reduce the waste. That was started in 1867 or 1868, but of course it would have no effect for 12 years' time, or rather for 10 years' time, and long before then, within a very few years, the whole system was altered and the short service system adopted.

12,611. At what date was it that the House of Commons passed the resolution that recruits were not to go out to India under 20 years of age?—I have not the exact date.

12,612. Is that a recent resolution, or is it one that dates back to about that time?—Oh, it is not a recent resolution; it was Mr. McCulloch Torrens who moved the resolution many years ago, but whether it was anterior to the introduction of short service or was a little time afterwards I cannot say.

12,613. (*Sir Donald Stewart.*) I think it was afterwards?—Afterwards.

12,614. (*Chairman.*) When did short service come in?—In 1872.

12,615. And the rule about the age limit for India in recruits followed the introduction of the short service?

(*Sir Donald Stewart.*) Oh, yes, it was quiet recent.

12,616. (*Chairman.*) You have explained to us the details of the Tulloch recommendation. The 10*l.* per man on the establishment in India continued to be paid in respect of the effective services until about 1870, did it not?—Yes.

12,617. Then there was an interim time, during which the actual bills were furnished, which a committee (on which I think you served) passed from time to time, was not that the case?—No, I do not think the committee referred to the actual bill system. One of its first recommendations was that the 10*l.* should go on pending its recommendations.

12,618. And how long did the 10*l.* then go on?—(*Sir Donald Stewart.*) The 10*l.* went on to 1869-70.

12,619. (*Chairman.*) Did it not go on rather beyond that?—Yes, it went a little beyond that.

12,620. (*Sir Donald Stewart.*) Apparently not?—The payments were made "on account" at a little less than the calculated sum. India made advances, in fact.

12,621. (*Chairman.*) But, in the long run, you recommended that those advances should be treated as a final settlement, did you not?—I think the Treasury came to the agreement after some time. The Indian Government had been reducing their advances every year, pleading poverty and urging a reduction of charge.

12,622. (*Sir Andrew Scoble.*) I do not think you will find the payments have invariably decreased since that year. There was a period of diminution and a period of increase while those payments on account were going on?—It is stated here that 505,000*l.* was issued "on account" in 1870-1 as against a payment of 597,140*l.* in the previous year. The next year 435,000*l.*, the next year 450,000*l.*, in 1873-4, 400,000*l.*; in 1875-6, 380,000*l.*; in 1876-7, 320,000*l.*, and so on.

12,623. Then it comes up in 1877-8 to 500,000*l.*, and in 1878-9 to 530,000*l.*?—530,000*l.*?

(*Mr. Jackson.*) Yes, but the point appears to be this: in 1870 India disputed the fairness of the 10*l.* rate, and, pending a revised agreement, declined to pay more

than certain sums "on account." That went on until by Treasury minute of 2nd July 1878, confirmed by 45 & 46 Vict., chapter 79, it was agreed that the above payments "on account" should be accepted in full discharge of India's liabilities for the years mentioned, and 400,000*l.* was remitted?—I think, on the whole, the change of system was called for, not merely by the Indian Government but by the Home Government. When the 10*l.* was established—which was admitted to be only a shot—a division was set up in the War Office to record what the expenditure really was from year to year as against the 10*l.* arrangement; and we found by that time that the cost of supplying recruits to India had been so heavy during those years that the 10*l.* did not nearly cover the expenditure that had been incurred; and the War Office, certainly—Lord Cardwell was then minister—was most anxious to have the rate revised in order to get more money from India on account of the home recruiting charges.

12,624. (*Mr. Mowbray.*) In the result you got less?—In the result we are getting now——

12,625. I am not speaking of now. In those years?—It was arranged that during those years especial expenses, which I have already alluded to, should be dealt with separately, namely the colonels' pay and the furlough pay. Direct charges were made against India for them, and they were no longer a part of the effective home charges, and we, therefore, submitted to a considerable reduction in the amount to be paid by India; but, inasmuch as no settlement was come to, they made these reduced advances.

12,626. Does the colonels' pay, to which you are referring, appear anywhere on this paper?—I do not think it is stated definitely in any of these papers; but it did amount to 67,000*l.* a year, I think, at that time.

12,627. (*Mr. Jackson*) The remissions were 400,000*l.* for eight years, that is 50,000*l.* a year, therefore the payments on account were presumably less than the amcunt which would have been charged under the old system by 50,000*l.* a year?—Those advances were not based upon calculation at all as to what the actual charge was. A reduced sum was paid, because it was known that India would pay directly the colonels and the furlough pay; and they gave us what they liked in fact, as a balance. They estimated the amount, and said that it was not convenient to pay any more, and they thought that the committee, which was sitting, would reduce the charges. When ultimately it came to be settled, the War Office was not at all inclined to give up anything of the calculated amount recommended by Mr. Bouverie's Committee, but the Treasury, under all the circumstances of the case, said that they were willing to take the advance that had been made by India as the payment that India should make during those years.

12,628. (*Sir Andrew Scoble.*) Was there not another reason why that allowance was made, because Lord Cardwell, who had been Secretary of State for War from 1868 to 1874, admitted that the system was unnecessarily expensive as regards India?—No, he admitted that the expenditure that had been incurred by the British Government during this period of the 10*l.* system was excessive.

12,629. And that was why the remission was given, was it not?—But India was only charged the 10*l.*, notwithstanding that the cost was greater.

12,630. Yes; but because of the War Office system having been unnecessarily expensive, the remission was made in favour of India, on the ground that India ought not to be charged with the cost of an unnecessarily expensive system?—That I cannot say. India was not charged anything like the full cost of the expenditure which had been incurred in the depôts; and the War Office member—the late Accountant-General, Sir John Milton—drew the attention of Lord Cardwell to the fact that the depôts were costing us a huge amount, and that, if that system was to go on and India was to pay the expense of it, we ought to get more money from India; otherwise there ought to be a change in the system. But the whole of the excess cost of that system had been borne by the Imperial Exchequer during the whole of the time; the Indian Government had only paid the 10*l.* The Bouverie Committee was then appointed to come to some conclusion as to what modification could be made in the system of raising and training the men and charging India. The basis of their recommendation was, that a price per man should be charged for these men, instead of a claim being made for the charges in the pay list. This price swept into it all sorts of incidental expenses that grow up round the raising and training of a soldier and military services generally, India being relieved, as far as possible, of charges of that kind. They recommended that we should earmark a charge per man as an average claim to be made against India, including a proper proportion of the expense of educating the men and fully training them, and that charge swept away practically a very large amount of the expense which accumulated round a depôt, which I have no doubt Sir Donald Stewart will quite understand. The system which is now adopted for charging India follows out exactly that principle, so that we are able to charge this reduced amount per man, because we absorb all the waste into the home battalion. I think the charge is too low as it stands, but, accepting it, India is relieved of what used to be a very heavy charge against her under the separate depôt system.

12,631. (*Chairman.*) When that remission was made in 1878, was not that at a time when India was very much pressed on account of the Afghan war, and had not that a good deal to do with the rather unusual leniency on the part of the Treasury?—There must have been some very extraordinary reason for it.

12,632. I think that, at all events, one reason for making it was that it was not a moment to press India?—It was.

12,633. I see that the average of those nine years 1861 to 1869 was 630,000*l.*, and in the eight years following it came to about 450,000*l.* That was a practical reduction of 181,000*l.* a year. First of all you account for that by the remission of 400,000*l.*, but the balance, I suppose, represents furlough pay and colonels' pay?—Colonels' pay; quite so.

12,634. But that would not leave a very large sum for those two services, would it?—No, it would not, seeing what furlough pay had gone up to, as I have described.

12,635. I have before me a return of ten years, and there I see the furlough allowances ranged from 317 000*l.* to a maximum of 349,000*l.* during those years; but the lowest sum during the whole time was in 1885–6, and then it was 106,000*l.*?—Are those military furlough allowances?

12,636. Yes, part of the military expenditure of the Government of India?—That must include the furlough allowances for the officers of the Indian army as well.

12,637–8. The furlough charges you speak of as calculated by Colonel Tulloch's Committee, at 60,000*l.* or 70,000*l.* a year, which you found rose to 150,000*l.*, are not treated separately?—No.

12,639. That charge was transferred from the capitation rate direct to the Indian Government?—Quite so. Of course, we saw at once, when this furlough expenditure went up at this rate, that under the 10*l.* arrangement we had been subjected to an unexpected charge; and that element alone meant a huge excess above the 10*l.* expenditure.

12,640. At what date was Mr. Bouverie's Committee appointed? I think Mr. Bouverie's Committee was the next step, or rather I ought to put it in this way: a Departmental Committee was appointed just after the House of Commons Committee in 1874 reported. They added a person of political weight to the Committee as Chairman?—Yes, they did.

12,641. Therefore, I suppose, that would be about 1875?—1875, yes.

12,642. Are there any points you would like to call our attention to in the acts of that Committee, separating that Committee from the subsequent one, on which you, I think, served, with Lord Northbrook as Chairman?—I served on Mr. Bouverie's Committee as well, and they worked out this system of charging India consequent on the adoption of the short service system, and the formation of two battalions to all regiments. They saw plainly that they could fairly make a charge against India for drafts sent out, calculated upon the actual expense of the man for a certain period, absorbing all the waste from convalescent invalids and men used for instructional purposes in the home battalion; and they made that the basis of their charge. They calculated a certain cost for each of the depôts that were used as training establishments for the young soldier, and then calculated the cost of the soldier for the periods that were fixed as the training periods; at that time six

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months was set down for an infantry soldier, nine months, I think, for the mounted portion of the army. The cost of the depôt was arranged in this way: each regimental district included the staff of the depôt, plus the militia non-commissioned officers, adjutants, and so on, and they were all formed into one body, and the cost of that body so constituted was calculated out. It came to something like 9,600*l.* odd per annum for each depôt, and the Committee decided that it would be fair to charge India one-fifth of the cost of that depôt, as representing the work done by it for the battalion that was in India. It roughly divided the work into five portions which were not equally large. The largest part of the work was done for the Indian battalion because it consisted of the largest number of men; but one-fifth was allotted to it, one-fifth to the home battalion, and one-fifth to each of the militia battalions attached to the depôt, and one-fifth was regarded as attributable to the portion employed in looking after the reserves, the staff of auxiliary forces, and so on. It will be seen, therefore, that it was held that there were five functions discharged, and that that discharged for India was the heaviest, but one-fifth only of the depôt charges was claimed from the Indian Government. Strangely enough that compares —I drew attention before to the fact when I was cross-examining Sir Edwin Collen—very curiously with the calculated cost of the staff of the depôt in existence in the pre-mutiny time, which included only the officers and non-commissioned officers down to the corporals. That worked out, I think, to a cost of 1,922*l.* That is stated in one of these reports as the cost of the old depôt charged against India in former times; and this one-fifth of the present depôt charge, amounts to under 2,000*l.*, notwithstanding that it includes various expenses for arms and accoutrements and clothing and increased pay, which were none of them in existence in the earlier period. That one-fifth was the basis of the charge, and that accounts for a very heavy portion of the claim which is made against India.

12,643. What did the 1,922*l.* represent?—1,922*l.* was calculated to represent the cost of the old depôt in former times.

12,644. And the corresponding cost now is about 2,000*l.*?—Well, it is under 2.000*l.*; but that amount includes charges which are not included in the 1,922*l.*

12,645. The whole cost of the depôt was not represented by the 1,922*l.*?—It was the cost of what we call the staff of the depôt, that is to say, the captain, and two lieutenants, the sergeants, and the five corporals, I think it is.

12,646. Mr. Bouverie's Committee had before it the note by Mr. Seccombe and General Jameson on the third report of Mr. Seccombe's Committee, and in that note Mr. Seccombe and General Jameson say, "We "feel it to be our duty again to refer to the fact, stated "in the first report of the Committee, that the East "India Company were able to send efficient artillery "and infantry recruits to India at a cost of 26*l.* 7*s.* 5*d.* "per man." The 26*l.* 7*s.* 5*d.* is the figure I called your attention to as against your 30*l.*?—Yes, quite so.

12,647. And you gave a reason, and a very intelligible reason, for preferring your 30*l.*; but they were two figures based on the same calculation?—They were for different periods.

12,648–50. And that figure represented the cost of training instead of 136*l.* 13*s.* 11*d.* for cavalry and 63*l.* 8*s.* 5*d.* for infantry recruits, as now calculated?—Those were the figures that were worked out by Mr. Seccombe's Committee. Mr. Seccombe's Committee was appointed in 1869, I think it was, and they first of all worked out the prices which they apparently recommended. These were 45*l.* for a cavalry man, 27*l.* for infantry, 47*l.* for horse artillery, and 40*l.* for garrison and field artillery; but then those figures were not accepted. I think that these must be regarded as the figures which are referred to by the India Office as having been recommended by Mr. Seccombe's Committee; but they were not accepted. That Committee had not included in them enough for these depôt charges, the cost of officers and non-commissioned officers, and training the men. They were therefore requested to make another calculation which worked out at a much higher rate; for instance, for a cavalry soldier, 108*l.*, and they added subsequently a charge for losses by desertion. "The "Committee are of opinion that, if to the expense of "each recruit, as already shown, a sum equal to one-"third thereof be added, adequate provision would be "made for the charge consequent on deaths, desertions, "or inability of recruits to proceed to India. The "charge for each cavalry recruit would thus be "136*l.* 13*s.* 11*d.*, and for each infantry recruit 63*l.* 8*s.* 5*d.*" That was the second recommendation of the Committee; but practically the recommendations of this Committee never came into operation. They were superseded by the Committee, over which Mr. Bouverie presided, and the Bouverie rates have practically formed the basis, *mutatis mutandis*, ever since then.

12,651–2. How would you compare that charge of 63*l.* 8*s.* 5*d.* for infantry recruits, recommended by the Seccombe Committee, with the 21*l.* 5*s.* 2*d.* rate, which you adopted in the Northbrook Report?—Well, one extra item is this charge of one-third that was added on to cover desertions, deaths, inability of recruits to proceed to India. Recruits who are unable to proceed to India now are all absorbed in the Home battalion, and the expense is economised. We do make a charge now for desertions, but it is a very much smaller charge than that estimated in the former calculation, as I have stated before in discussion.

12,653. The charge for men who deserted, died, or were discharged with less than one year's service, is only 8,650*l.*?—Altogether.

12,654. That is a very different thing from a third of the whole cost of training?—Yes, that is a very different thing from a third, but those calculations 136*l.* 13*s.* 11*d.* and 63*l.* 8*s.* 5*d.* were never really in operation; they were the calculated charges as made out by this Committee, after the earlier sums that they calculated were rejected. For instance, the recruiting, and depôt battalion staff charges for the infantry were put down as 3*l.* 9*s.* in the earlier calculations which worked out to 27*l.* 7*s.* 11*d.* In the subsequent calculation the depôt charges worked out to 17*l.* 2*s.* for each infantry recruit; while the cavalry recruit was put down at 55*l.* 15*s.* 2*d.*, and the cavalry depôt charge was in the subsequent calculation put down as 44*l.* 4*s.* 8*d.*

12,655. But you see the Indian Government have relied upon that calculation of 63*l.* 8*s* 5*d.* for the soldier, in proof, I think, of the extravagance of the Imperial charge; but, if I understand you, at the present moment we need not go into that question, because the War Office do not intend to rely upon those figures?—Quite so. Similarly the Indian Government make it a great point in their arguments that 205*l.* was the cost per soldier in the earlier period while the 10*l.* capitation was in existence; but that figure is erroneous. In calculating the charge, the proper average was not taken, and that sum, instead of being 205*l.*, ought to be about 170*l.*; but a claim at that rate was never made against India. It was the calculated cost of the actual expense of these depôts to the Home Government during the time that the 10*l.* arrangement was in existence.

12,656. Therefore, as far as this note of Mr. Seccombe and General Jameson is concerned, inasmuch as the War Office did not adopt or ever act upon the very large cost per man which had been calculated by Mr. Seccombe's Committee, we need not take it into consideration?—I think not.

12,657. Then may we say that this charge of 26*l.* 7*s.* 5*d.*, which you call 30*l.*, ought really to be measured with the charge which you laid down in the Northbrook Committee?—Yes.

12,658. I do not know whether you have any remark to offer upon the report of the Parliamentary Committee of 1874 on Indian Finance? I think that report was rather of an indirect kind, was it not? in this sense, that it said that, whilst such changes were taking place in organisation, they could hardly make distinct recommendations, and they recommended that the Departmental Committee, then existing, should continue its labours, but under the presidency of a man of political standing?—Yes; that was the understanding come to, I believe.

12,659. The Committee only accompanied their report with the suggestion that, "Although the interests of "India must be subordinate, like those of any other "portion of the Empire, to the common interests of the "Empire as a whole, and that although the best infor-"mation upon almost every subject connected with "India may be generally obtained in this country, yet "that even the appearance of neglect may be mis-"understood and magnified by the natives of India, "some of whom take the most intense interest in the "minutest details of the policy adopted by this country

" towards its Indian possessions, and attach, perhaps, " exaggerated importance to points which may pass " unobserved by those who have to perform the arduous " task of governing a vast and varied empire?"—Yes.

12,660. They recommended the continuance of the inquiry, and expressed no opinion themselves upon the subject at issue, but gave a general caution that due consideration should be given to Indian interests in arriving at conclusions?—Yes, but it was following that that Mr. Bouverie's Committee sat; and then, when their recommendations were found not acceptable, this settlement was come to, under which the Treasury wiped off a certain amount; and then it was that Lord Northbrook's Commission was appointed to consider the charges.

12,661. Would you tell us the circumstances which led to the cessation of Mr. Bouverie's Committee and the recreation of it under Lord Northbrook?—They made their recommendations and the India Office adopted the usual course, and said it was too much; they did not like the total amount. I think they had failed to observe that the army consisted of 63,000 men at that time, and that that necessarily involved very large expenditure to keep it going; but then, after it was decided that a certain amount should be written off, there was a discussion between the India Office, the War Office, and the Treasury, and there seemed to be an inclination on the part of the Treasury to agree to a 6*l.* rate, I think, or a 6*l.* 10*s.* rate; and I am afraid I was the individual who disturbed that arrangement, or prevented its being come to, because I pointed out that it was recommended really upon a wrong understanding. It was based upon the expense of the recent years, and it assumed that the future would be as the past; whereas the fact was that, under the schemes which had been adopted for the organisation of the army, and the introduction of short service, the cost of raising the number of men that would be required would go up not per man, but in consequence of the increase of the increased number of men required; just as you have stated that in the old life service time, the recruits required were only 1,000 men for the Indian army, whereas, when you adopted a short service a very large increase in the number followed. The short service system at that time had not come fully into operation. The old and the new systems were running side by side, and we had not felt the full brunt of the demands of the new system I, therefore, pointed out, " If you " wish to follow the past and adopt that as your guide " to what will occur in future years, 6*l.* is all right; but, " if you are to look forward to what the future is cer- " tain to be, your 6*l.* is all wrong, and you ought to " make a higher charge." I pointed that out, and then it was decided that Lord Northbrook's Commission should be appointed.

12,662. The 6*l.* 10*s.* would have increased the loss with the increase in the force?—It would have varied with the force; but this was an increase of charge which arose from the development of the short service system. A larger number of men had to be recruited and maintained, and therefore a larger amount per man on the men serving in India would necessarily have to be charged, if the cost were to be covered.

12,663. If the old system had remained unchanged, 6*l.* 10*s.* might have done?—Certainly.

12,664. But under the new system it would have been very disadvantageous to the Imperial Government?—Quite so.

12,665. The result of Lord Northbrook's Committee, which sat for some time, was apparently to come to a conclusion that 7*l.* 10*s.* per man was a fair sum. Will you explain the method of calculation on which that 7*l.* 10*s.* rate is based?—We practically adopted the basis that Mr. Bouverie had recommended, *mutatis mutandis*.

12,666. Would you kindly repeat again what the basis adopted by Mr. Bouverie's Committee was?—There was a charge for the training establishment, what you would call the cost of the depôts, and then a price per man for each man who was shipped to India. The cost of the educational establishments was worked out very much in the same way, and, practically, all the details very much as they had been worked out by Mr. Bouverie's Committee; but then there came the question of rebate, and there I think that Lord Northbrook's Commission was excessively in favour of India; a larger rebate is given than the circumstances of the case warrant.

12,667. Up to that time there had been no rebate allowed for, had there?—No, practically no rebate.

12,668. Perhaps you might tell us what the rebate is?—It is based upon the assumption that the whole training that the soldier receives, taking the case of an infantry soldier, is this six months which the Indian Government are asked to pay for; and that, inasmuch as the man is enlisted for 12 years and gives six or seven years of that service in India, and, when he comes back, four years' service in the Reserve, that four years being one-third of the 12 years for which he has enlisted, therefore India should have a refund of one-third of the cost that has been charged against her for the six months' pay, &c. Well, inasmuch as we keep all these men in this country for an average period, as I have said, of something like 18 months, and pay the whole of the excess beyond the six months out of the Imperial pocket—that is to say, we pay for a year's training of the man and India pays for six months' training of the man—a rebate of one-third is too large a sum to give to the Indian Government; and in working out the details of that rebate I remember the representatives of the Indian Government were very *exigeant*, and I think that Lord Northbrook, who was very anxious to make some concessions to the Indian Government, accepted their view. It had happened that in times of pressure, especially under the separate depôt system which existed for artillery at that time in order to comply with the condition that the man should go out to India not earlier than his 20th year, it was found necessary to send out some men—not very large numbers, but some men—who were a little short of the full period of nine months, or six months, as the case might be. The instances were more those of the nine months' men than of the six months' men, but even in the latter case we sent some men who had not done their six months' training. A rebate was asked for on that account, because we had not spent our calculated sum upon the men. But, on the other hand, when we sent out a man with very much longer training, because we could not send the man exactly at the time when he had completed his six or nine months, India claimed a deduction on account of the fact that he had given service to England before he went abroad; and various deductions were made, in accordance with Lord Northbrook's view, from the Indian claim on that account. The War Office representative thought that the rebate was too great, seeing that we really paid the larger portion of the training expenses; and further, whenever the man varied a little bit short, or a little bit in excess, of the exact period, the Indian representatives claimed the rebate and got it. It appears to me that under that head India is exceptionally favoured; but, with the exception of that, I think that the basis that Lord Northbrook agreed upon, or recommended, is a very satisfactory one Of course, the question has been raised as to the value of these troops here in this country before they go to India. All the military authorities are agreed that a mere recruit, before he has gone through the necessary training in physical exercises, musketry, and gunnery, when he is an artillery-man, and riding, when he is a mounted man, is in no sense a soldier adding to the strength of the country. He is raised, as we know, and is in existence, simply because India wants him; and we know that they will not take him till he is 20 years of age, and in that way a very heavy charge is borne by the Home Government. I am, therefore, convinced that the charges which have been calculated out in those papers are the very minimum that can possibly be set down as the cost of recruiting and training these men. India makes the condition, it must be borne in mind, that these men shall go out fully trained, and that there shall be no man in India, who is not fit to take his place in the ranks. I know that, from time to time, some few men have gone out, of whom complaints have been made; but the military authorities, I am certain, have been working entirely in the direction of satisfying the demands of India, and as faults have been pointed out, every endeavour has been made to correct those faults, in order to secure for India that which India has asked for; and I do not believe there is anything which occupies the minds of the military authorities, and the civil authorities also, at the War Office more than their efforts to supply India with the best men that can be got, and at the cheapest possible price.

12,669. (*Sir Donald Stewart.*) But, beyond that, do you mean to maintain that you can get fully trained cavalry and artillery men in nine months?—I say not, and that is why I say the charge is the very minimum that can

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possibly be set down. I think nine months, certainly according to recent experience, is far too low for any of the mounted services, considering what they have to learn; and I believe that there are very few men now who go out in these mounted services, who have not had something like 18 months to two years' service in this country before they go there. Schemes are under consideration now at the War Office at this very time owing to a failure at the cavalry depôt to produce the men so fully trained as they ought to be. I daresay it is known to the Commission that the late Inspector-General of Cavalry in India is now our Inspector-General here at home. His endeavours have been mainly directed to this difficulty; and plans are now under consideration which would make it an impossiblity that there should be any recurrence of sending out a man who has even had as little as nine months' training. If these changes are brought about, it may be that they would necessitate an alteration of the system, and, from the India Office point of view, I should not be at all surprised if they ask for the reduction of the cost; but, inasmuch as the organisation is made (if it is adopted) entirely in the interests of India, and with a view to keep the men here for a longer time and to more thoroughly complete their training, I do not think that the War Office would be at all inclined to make any concession under that head.

12,670. (*Chairman.*) You would say that the interests of India have been safeguarded in the introduction of reforms, having regard to depôt charges, deferred pay, and so on?—Yes, I do, but it is only in considering the whole subject together; the main set off as against all these heavier charges for sending out a larger number of men to India, both under the head of the recruiting charges and under the head of transport and so forth, would be under the head of pensions. The chief result of the adoption of the short service instead of the long service system is to reduce the charge for pensions. I cannot, however, say that, so far as the pensions of the men are concerned, the expense will fall below what India is now paying on this account, because India at present is paying a very small amount, since the capitalisation scheme was put an end to. They are only paying the comparatively small annuity created every year for the pension charge which is growing up very slowly; but the ultimate charge will not amount to anything like the sum which would have accrued, if the old system of extended service and pensions had gone on.

12,671. I am going to ask you some questions about that, when we come to the non-effective charge, which I think will bring out some interesting results?—But that is the main result. It was obvious from the very commencement, at least to all those who gave any thought to the thing, that the short service system must give rise to an increased charge for raising and training men; but, on the other hand, in due time the cost for pensions would fall very considerably. We are at present paying a very high charge for pensions of soldiers on the Army Estimates—something like 8*l.* 10*s.* a man, I think it amounts to. We expect in the future that it will fall down to something like 3*l.* or 4*l.* a man.

12,672. (*Sir Edward Hamilton.*) But you do not take into account, I suppose, the fact that India borrowed the money which she paid as capitalisation, and that she has still got to meet the charge in respect of the capital sum that she raised?—Oh, yes. She is actually paying out of pocket now a smaller sum, because she capitalised on very favourable terms the pensions created at that time.

12,673. But in addition to what she is actually paying now in the shape of the annuity, she has actually to pay the charge in respect of the money which she borrowed?—Quite so.

12,673*a*. (*Chairman.*) You mentioned to us the conditions made by the Indian Government in regard to the age and training of recruits. Do I understand that first of all, in accordance with the wish of the House of Commons, 20 years is the age at which you are required to send them out, and that you are required to give them six months' training?—Well, we say six months for the infantry; that is the basis of this calculation.

12,674. But that is required by India, is it not?—No. I think their view with regard to that was that six months was the basis upon which our claim was made out, and therefore they insisted upon the man having that amount of training. They would take a man if he were 20 years of age with the six months' training for an infantry soldier, and they will take a man of 20 with nine months' training as a cavalry soldier. Whether this training is sufficient to enable the men to take their position in the ranks I do not know—that is of course a military question; but I do not think that the Indian Government have ever proposed that the recruits should have a longer training—that is to say, not directly; but practically they do so by saying a man should not go out until he is 20 years of age. Since, therefore, the vast mass of our men are recruited at 18, by insisting upon the 20 years of age they very wisely avoid the necessity of insisting on a particular period of training, because they know they get the vast majority of their men trained for a much longer time. But then they ingeniously ask for a rebate because he has given so much service, as they call it, after the six months is completed to the Home Government.

12,675-6. Now would you turn to the calculations on which your 7*l.* 10*s.* rate is based. If you look at them, you will see that the charge, before the rebates come in, for recruits embarked, amounting to 12,000 men, was 677,074*l.* Farther, if we analyse the figures that make up the whole of the charge, and deduct five or six items for the maintenance of officers and educational establishments, which amount to about 48,000*l.*, the result is a charge of 629,000*l.*, representing the cost of the private soldier?—Yes.

12,677. Dividing that by 12,000, the number embarked, it leaves you with a figure of 52*l.* per man?—Quite so.

12,678. But from that you must take off the rebate?—The rebate, quite so.

12,679. Which amounts, being 156,000*l.*, to 13*l.* per man?—Yes.

12,680. Taking that 13*l.* from the 52*l.*, it leaves you with 39*l.*; therefore, does not that 39*l.* represent your net charge upon India for recruiting?—That is so.

12,681. And is not that the figure therefore which we may put against the Warley recruit which the India Office themselves put at 26*l.* odd, and which you put at 30*l.*?—Yes.

12,682. But you have pointed out that that 30*l.* does not include barrack accommodation, clothes, accoutrements, and arms?—Barrack accommodation, clothes, accoutrements, and arms, yes.

12,683. You have told us that barrack accommodation, according to your estimate, would come to over 7*l.*?—Over 7*l.* per annum per man.

12,684–5. And, therefore, the charge which you are now making to India, it appears to me, if you were to actually put item by item, is less than the charge of the recruit is at Warley?—Quite so; it is so. I am convinced that that is the case.

12,686. It is extremely important, inasmuch as so much stress has been laid on the expenses at Warley, that the War Office argument should be brought out very clearly on that point?—But the present charges include the whole of the mounted force. There was not a horse at Warley; the expense increases very much when men come to be mounted; horses cannot be put in charge of recruits that joined the day before. There must be a staff of men to look after those horses; the horses must be bought and fed, and stabled, and the constant maintenance of horses, able to train men in horse artillery, field artillery, and cavalry duties, involves a very great amount of work.

12,687. (*Sir James Peile.*) Was there no cavalry at Warley at all?—No, except in the last Indian Mutiny years, when they set to work to raise three cavalry regiments.

12,688. (*Sir Donald Stewart.*) The fact of the matter is that we are comparing two totally different things?—Oh, quite.

12,689. (*Chairman.*) Two different systems?—No, two different things altogether.

12,690. (*Chairman.*) What we want to come to is this: In the Warley days India got so many recruits, costing so much. On the other hand, now you have so many more recruits costing so much; surely out of those two figures you ought to be able to compare approximately the comparative dearness or cheapness of the two systems?—You can compare the charges.

(*Sir Donald Stewart.* As regards charge?

(*Chairman.*) As regards charge.

(*Sir Donald Stewart.*) But the article turned out is a totally different thing—that is my point.

(*Chairman.*) That I quite understand; but I want first of all to get the financial charge, and next the view of the War Office as to the article turned out; I think we have got both of them now.

(*Sir Donald Stewart.*) Oh, quite.

12,691-2. (*Sir Edward Hamilton.*) This 521,000*l.* in this middle page, page 3, of the paper before you, after the reduction of the rebate, is not the sum actually paid; as I understand, the sum actually paid was 548,000*l.* You see in the middle of page 2, last paragraph that the amount paid was 548,000*l.* I do not quite understand, therefore. Is that 521,000*l.* the sum which the War Office calculated ought to be paid, whether rightly or wrongly, and 548,000*l.* the actual sum paid? There is a considerable difference?—Between the 548,000*l.* and the 521,000*l.*?

(*Chairman.*) Does not that deal with the number?—Inasmuch as you have got 7*l.* 10*s.* per man, that sum varies—sometimes a little more, sometimes a little less according to the establishment.

(*Sir Edward Hamilton.*) But does not that rather lead to show that the capitation grant of 7*l.* 10*s.* does not work out fairly?

(*Sir James Peile.*) But observe that the figure 548,000*l.* is for 1895-6, and the figure 521,000*l.* for 1889-90?—That is for 1889-90. Our principle under the Lord Northbrook arrangement was to build this up every year, and we put these claims upon the ascertained number of recruits that had gone out. There was no 7*l.* 10*s.* in existence in the earlier times of Lord Northbrook. We had this claim worked out, went through it deliberately, item by item, with the figures accepted by the India Office as to the number of recruits sent out, the numbers that came home, the periods of service they all gave, and then this cost for the depôts and for the men were all revised according to the rates and the charges that were in existence in each year, and therefore they varied from year to year. That is what Lord Northbrook did, until ultimately the Indian Government said, "Well, we have "gone on now with this system for some time, and we "look as if we had come to a constant; the charge for "the last three years has been within some 5,000*l.* or "10,000*l.*, such and such a sum, and we think that this "ought to give us what we have always desired very "much, viz., a capitation rate." I myself never could quite see the reason for a capitation rate.

12,693. (*Sir Edward Hamilton.*) The Indian Government preferred a capitation rate, a given sum per head, to the sum worked out according to this elaborate calculation?—Of course, it is easier arrived at; but the 7*l.* 10*s.* is based upon this calculation, and it was in that sense that I admit it. This is a calculation which, if you like, I will regard as a fixed quantity. If you want a capitation rate, we divide that fixed quantity by the establishment of the army on the 1st April of each particular year, and that will give you a rate. But what I want is not the 7*l.* 10*s.* a head, but this money.

12,694. Quite so, but according to this figure it looks as if you got more?—But these sums are for different years; some years they might be less, some years they might be more.

12,695. (*Chairman.*) That depends. It is a rough rule at the best, the 7*l.* 10*s.* per man on the establishment; and that will vary; in some years you have a few more, in some years you have a few less?—What I wanted to point out was that it varied through Lord Northbrook's time; we took the actuals. We found out what number of men embarked in each year, and what number of men came home in each year, and prices were looked up and rates modified. We calculated the thing out, and during the sitting of Lord Northbrook's Commission, before the 7*l.* 10*s.* was recommended, all these claims varied yearly. Sir Edward Hamilton is comparing the figures of two different years.

12,696. But you are not going on with these calculations?—No longer. Then India said, "Let us have "something which will avoid these calculations; let "us have an approximate capitation grant."

12,697. (*Sir Edward Hamilton.*) What I wanted to get at was, how the 7*l.* 10*s.* was arrived at. Was it by dividing the sum of 521,000*l.* by the number of men on the Indian establishment, and that worked out to about 7*l.* 10*s.*?—We tried two or three sums upon the figures that had been actually ascertained for the last few years, and Lord Northbrook admitted that the charge would go on increasing a little further, and, when we calculated it, it worked out at 7*l.* 9*s.* or 7*l.* 8*s.*, or something of that kind, and I proposed 7*l.* 10*s.*, the other members of the Commission agreed, and we recommended the 7*l.* 10*s.*, and that has worked out at something like 540,000*l.* a year.

12,698. You do not test it each year?—No, we do not go into these calculations now. Since the 7*l.* 10*s.* has been accepted we have not tested it in any way with these calculations or taken account of any changes that have occurred in the direction of increase or decrease.

12,699. That may be more or less than you are charging to India?—Certainly, it may be, but that is the whole object of coming to a settlement of that kind—that both Governments accept those chances for any period which you may settle. We have not agreed to any period; this rate has been accepted year by year by the India Office and the War Office.

12,700. (*Chairman.*) The objection that Sir Edward Hamilton raises is this, that inasmuch as this is not an accurate calculation made every year upon the precise charge of the recruiting system and the educational system, but inasmuch as there is substituted for it a capitation grant based upon the actual number of men with the colours, there will be a variation in each year between the proper and the actual charges; and in that particular year, for instance, it looks as if the War Office was getting the better of the calculation by 24,000*l.*?—Yes, in that particular year, but the 7*l.* 10*s.* did not apply to that year; this was a year in which we got the actual—the 548,000*l.*

12,701. (*Sir Edward Hamilton.*) No, not the 548,000*l.*, but the 7*l.* 10*s.* on the Indian establishment of 73,125?—Yes, but that has not been calculated out; we have not tested it in any way.

12,702. (*Chairman.*) We must take it that in this instance the War Office have got rather the better of it by means of this rough and ready rule in which the Indian Government concurred?—Yes, but we do not admit that this calculation here is of universal application.

12,703. Is of universal application?—No, but it was admitted by Lord Northbrook in agreeing to this 7*l.* 10*s.* that the charges would go on increasing a little.

(*Sir Edward Hamilton.*) These figures are worked out for 1889-90, as well as 1895-6, because it depends upon the number embarked.

12,704. (*Sir James Peile.*) The number 72,387 was the strength in 1889-90?—There is no doubt, if you stereotype an arrangement to last a certain number of years, the two persons who come to that bargain take the chances one with the other.

12,705. (*Chairman.*) When is it to be re-considered? It has not been settled at all; it has only been accepted year by year, this 7*l.* 10*s.*

12,706. Do you look at all to this Commission to make any proposal in regard to this arrangement?—I think it will be well to come to a settlement as to what period it should extend over.

12,707. Do you consider, Sir James, that the India Office would like to have an opinion upon that point?—I understand that the 7*l.* 10*s.* is accepted.

(*Sir Donald Stewart.*) The Government of India thinks that this Commission will certainly make some recommendation on the subject; it is for that object India wished the Commission to assemble.

(*Sir Edward Hamilton.*) Would not the terms of the reference to the Commission permit of that coming in?

12,708. (*Chairman.*) I think so. I wish to inquire from the two parties concerned, the War Office and the India Office, whether they are agreed in wishing an expression of opinion upon this point?—I think so.

12,709. I presumed you were waiting for that opinion?—Yes, we were. At present we write to the Treasury and the India Office, asking that the 7*l.* 10*s.* should go on, stating that no change has occurred sufficient to alter the arrangement.

12,710. (*Chairman.*) At the commencement of this arrangement it was practically agreed that it should go on for a certain term without reconsideration, and during that time, of course, each side would take its chance. What has been the system of supplying the cavalry and artillery?—The system that has obtained for the longest time was that of having a separate depôt for the horse artillery and for the field artillery; and I think also for the garrison artillery. Those were separate depôts whose whole work was directed to

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training the recruits that were sent to India; they were Indian depôts practically; on the old system, although men might be transferred from one portion of the artillery to another portion of it under the conditions of their enlistment, yet the work was done within the restricted area of the depôt. I am convinced from experience that that is an extravagant system, but that system of a separate and special depôt was the system which obtained both for the artillery and for the cavalry as well, which has been supported by many Indian authorities as an economical system. From my experience I believe it is the most costly system that could possibly be established, because it affords no opportunity for absorbing what I have described as the waste. In more recent years a new system has been established: although certain depôts are maintained, they are not maintained specially for Indian purposes, but the batteries have been strengthened and increased both in numbers of men and non-commissioned officers and officers, and these batteries are looked to now to supply the drafts to India, and, in order to secure the despatch of completely and thoroughly trained men, and also to save waste of men the adoption of a similar system in the cavalry is under consideration. This ought to redound very much to the advantage of India, but on the surface it would look as if it were a cheaper system, because the special depôts disappear; but the fact is that the whole establishment of these special depôts is distributed over the force of artillery, and would be so in the cavalry. Thus the same expense is incurred in that form instead of the old special depôt form; but the result will be the out-turn of more completely trained men; the men will be trained with the batteries or with the regiments.

12,711. (*Sir Donald Stewart.*) Will that tend to economy as well?—No, we shall not save any money over it; it will be no reduction of expense.

12,712. (*Chairman.*) It is to be maintained for the present?—No. It will be gradually introduced; it is almost completely introduced in the artillery; but in the cavalry it is only under consideration.

12,713. (*Chairman.*) Was any portion of the cost of the abolition of purchase charged to India?—No, none whatever. Special arrangements were made to avoid throwing any charge whatever upon the Indian Government, so much so that, even when the pension system was introduced subsequently to the abolition of purchase and a purchase officer was granted the new pension, before making any charge on that account against India the value of the officer's purchased commission was deducted, the balance only being divided between the Indian and the Home Governments; but, so far as any payment has ever been made to an officer retiring and receiving compensation under the purchase system, no charge whatever has been made against India. In fact, so far from that, when the bonuses of certain Indian corps were interfered with in consequence of the passing of the Act prohibiting any payments from their brother officers to an officer retiring, the Imperial Government took over the somewhat bankrupt funds which were in existence in these corps, and have compensated all the officers who have retired under the old Indian system out of the Imperial revenues.

12,714–5. Without charging India for the deficiency of those pensions?—Without charging India one halfpenny.

12,716. (*Sir Donald Stewart.*) That only referred to the officers of the artillery and engineers?—Of the artillery and engineers, yes.

12,717. But before the abolition of purchase, had you any pension system in the British army?—Yes; for the artillery and for the engineers and to a limited extent, for the rest of the army. We had what was called the retired full pay fund for the cavalry and infantry, and also the half-pay system which was a considerable charge, under the old régime; but there were not pensions of the same kind as exist now; the retired full pay fund was a limited amount distributable amongst those officers who had completed 30 years' service, which enabled an officer to retire upon what was called full pay—it was his full regimental pay. If an officer wished to retire, he generally had to wait some little time after he had completed his 30 years, before there was a vacancy to admit of his being pensioned upon those terms; those regulations were in existence, but, of course, there was nothing similar to the present pension system.

12,718. Did the Government of India contribute at all towards the retired pay of officers who had served in India?—Yes.

12,719. Officers of infantry and cavalry?—Yes, they had contributed since the year 1824, I think. Up to the year 1824 no payment was made by the Indian Government on account of the non-effective portion of the army expenditure, either for officers or men; but at that time the Government made a claim. The relative financial position of the two countries was under special consideration I think about that time, and a claim was then made against India, and an Act was passed that for such establishment as they had there should be a payment made on account of non-effective charges of 60,000*l.* a year. I believe that no data exist—none that I have been able to trace—upon which that 60,000*l.* a year was based; but the force at that time in India was something like 20,000, I think, and it was agreed that 60,000*l.* should be paid. That went on until the Indian Mutiny time, and then at the same time that the 10*l.* a year was fixed as the capitation rate to recoup the Home Government for the depôt charges, 3*l.* 10*s.* was adopted as a payment to be made on account of all non-effective charges, both for officers and men.

12,720. (*Chairman.*) As against 3*l.* on the 20,000 men employed before the Mutiny?—Against about 3*l.* on the 20,000 men.

12,721. (*Sir Donald Stewart.*) Was any charge made on account of purchase officers for the service they rendered to India?—Only such as was covered by this 3*l.* 10*s.*, and I do not think that, although there were a great number of calculations set down in those papers of Sir Alexander Tulloch's Committee dealing with non effective charges, there is anything in them which can be recognised as a basis for the 3*l.* 10*s.*; but this retired full pay which was given to purchase officers, and other charges of that kind—for instance, half pay—had been under consideration when the 3*l.* 10*s.* was fixed; and that amount was intended to cover some portion of that expenditure.

12,722. How could that affect the charge on account of purchase officers. A purchase officer, we will say, served in India for 15 or 20 years. It did not matter to the British Government whether he was there, or whether he was in Africa. The sum that he got for his commission was precisely the same?—Where an officer simply entered the army under the purchase system and bought his commissions, and then went out of the army by selling his commission, there was no charge whatever against Government, and it was not on that account that any charge was ever made; but there were, as I have stated, certain other charges, half-pay charges, retired full pay charges—which admitted, as I have stated, of officers retiring after 30 years service—and similar funds existing for the artillery and engineers; and it was on that account, so far as the officers were concerned, that the 3*l.* 10*s.* was charged.

12,723. But the abolition of purchase has practically imposed a very considerable charge upon the revenues of India, for pensions for instance?—And also on the Home Government.

12,724. But on the Government of India?—Yes, also on the Government of India; that is so. The pensions created under the new system are assessed in a precisely similar way to the pensions that are granted to the men; they are divided in proportion to the services which a man gives in the two countries.

12,725. (*Chairman.*) That is to say, no charge is made on account of the abolition of purchase; but, purchase having been abolished, India pays her share of the pensions which are granted to the new officers, who come in under the new system?—Yes, quite so. I should say that in assessing these charges against India, the service which is given in this country during the period of training on the part of the soldier, or of the officer, although they are in existence simply for Indian purposes, and with the view to being sent to India, is all charged as British service, in the case of his being ultimately pensioned.

12,726. When was deferred pay introduced, and for what reason was it granted?—It was introduced by Lord Cranbrook (then Mr. Hardy), and it was something like four or five years after the introduction of short service, and when certain modifications were being made. It was found that increases of establishment were necessary and that the home requirements in consequence of the large demand made for men to go to India, and the development practically of the short service system, demanded more men; and in order to get this larger number of men, it was decided that it was necessary to give a further increase of pay. An increase of pay had been given in the previous decade,

but there seemed to be some slight difficulty, at all events, in raising the men, and it was decided that some further attraction should be given to the army—but I will read here an extract from Mr. Hardy's speech which puts very briefly what he contemplated: "The first 18 regiments on the roster for "foreign service should be raised to the strength of "820 men each. At present we had only four regi- "ments of that strength. It had been proposed then "also that the next 18 regiments should consist of 700 "men; but, in fact, we had no regiment at all of that "strength, a few of them numbering 600, and the rest "520. He was not going so far as was originally pro- "jected by his noble friend; but he was taking only "those first 18 regiments, because, with the Guards, we "should have a very respectable Army Corps with full "equipment and ready for foreign service. Then came "the question, how were we to get the men? There "were two inducements that could be held out to men "to enlist in the Army. The first was that which had "been pressed upon his attention ever since he had "held office by the hon. and gallant member for "Galway, and which, had it not been for circumstances, "over which he had no control, he would have held "out last year namely, that of putting the non-com- "missioned officers in a better position, so as to induce "them to remain in the force, and so as to offer greater "prizes to well-connected men in the ranks. The second "inducement was to increase the pay of the men them- "selves. Nothing had done the Army greater injury than "one fact to which he would direct attention, namely, "that those who might have been very well off, or fairly "off, and who having squandered what they had were re- "duced to beggary, were pointed out as men neglected by "their country, and held out to young men as having "been left in a miserable condition after serving in the "Army. There were men who left the army who had "had but a small pay, and although he would not go so "far as to say that they could not save, still, they could "not save a great deal, but might put something by "day by day, if they chose to do so. There were mili- "tary savings banks in which they could place their "money; but possibly—that was a subject worth "consideration—it would be for the benefit, both of "the army and of the country, if those savings banks "were consolidated with the Post Office Savings "Banks. If that were done, he believed it would give "a greater feeling of security, and the soldiers would "feel that they were acting together with the whole "country when going out of the army, if they "could as *quasi* civilians, draw their money from "the Post Office Savings Bank like other people, "There might, however, be difficulties in such a "change which fuller information might disclose." He describes how the marines save money when on board ship, and they go home to their villages always with some money in their pocket, and on that account are looked up to and thought very much of; and he hoped that this same system in the army would have very much the same effect. However, those were the reasons that he gave for introducing deferred pay. I believe also that it was felt that from the introduction of the short service system a very large saving would accrue from the reduction of the charge for pensions, and that really, in the introduction of the new system, the soldier was hardly being fairly dealt with in being deprived almost altogether of anything in the shape of pension, and that out of this big saving, which had accrued, or would accrue, on account of pensions, that something should be given to him. At that time there was a very great discussion as to the way in which the money should be given; and, as may be gathered from the remarks made by Lord Cranbrook at the time, it was thought that the soldier really did not want much more in his pocket during his service, that everything was provided for him, that he had always had a fair balance to be spent at his own will at the end of the week, if he was a well-conducted man, and that it was better to give this money to him when he left the army than while he was serving with the colours. It was thought also by some that it would have the effect of checking desertion, and that it would be an extra hold upon the man if the payment were deferred until he completed his comparatively short period of service. When the deferred pay was introduced, it was only given for the time subsequent to the introduction of the warrant, so that it was a gradually increasing charge; that is to say, being introduced in 1876, a man who was discharged in 1877 only had one year's deferred pay. It was given to those men who were serving as well as to those men who were enlisted subsequently, so that the payment gradually increased. In the first year, only 3*l.* as a maximum would be payable to a man. The men who were discharged at the end of the second year after the warrant was issued, would receive 6*l.*, and 9*l.* after the third, and so on; but now we have practically, I think, come to the maximum charge.

12,727. Would you yourself reckon deferred pay as an effective or a non-effective head of pay?—Well, it is a moot point. Various people, according to the objects they have in view, have argued in different ways; but it was given distinctly as an addition of twopence to the man's daily pay for the time that he served. It depended so entirely, when originally granted, upon the actual number of days that the men served, that I think it was rightly considered as pay; but I think it might be converted into non-effective pay, and might be fairly considered as practically a form of pension.

12,728. Then, as far as India is concerned, that charge is now reckoned at something over 200,000*l.* a year?—Yes, somewhere about 200,000*l.* a year.

12,729. And that is distinctly an additional charge to India under the operation of a fresh scheme of organisation at home?—It was granted, as Lord Cranbrook described it, as an increase of pay to the army.

12,730. In cases of that kind is any intimation conveyed to India beforehand by the War Office that such changes are in contemplation?—Yes, the practice certainly is to communicate them to India.

12,731. And has the Viceroy and his council the opportunity, before it is finally adopted here, of remonstrating, if they think fit?—The practice has varied, I think, in that respect. The consent of the India Office has in many cases been accepted as practically the assent of the Indian Government; and I think in a good number of cases reference has not been made to India in the first instance. I do not know whether it was in this case.

12,732–3. You would consider in the War Office that, if you had consulted the Secretary of State for India, you had taken every necessary step towards consulting India?—Certainly. We should not refer to the Indian Government.

(*Sir Donald Stewart.*) I do not think that is a case, in which the Indian Government would have any voice—a question of pay.; India would be obliged to accept the men on the terms on which they are serving generally elsewhere.

(*Chairman.*) Of course, the decision of the Imperial Government must be valid; but there is another method, namely, while recognising that the final decision of the Imperial Government is a decisive one, the Indian Government might be given the opportunity first of all of expressing an opinion, or of pointing out any facts that make the new decision operate hardly on India.

(*Sir Donald Stewart.*) I do not think the Government of India would claim it in a case of this kind; the Secretary of State was in the Cabinet which settled the matter.

12,734. (*Sir James Peile.*) Did the Secretary of State agree on this occasion to accept the proposal?—He accepted the proposal; but whether it was done formally, on a formal report to him or not, I do not know.

12,735. He ought apparently to have had the vote of the majority of his council, because it is a charge on the Indian revenues?—No doubt; but it was distinctly a grant of pay, and I am rather inclined to agree with Sir Donald Stewart, that it is one of those cases in which the Indian Government could say, "Well, this "will cause a great increase of expenditure to us, "and it is very awkward for us," but they could hardly do any more. It was regarded here as the only condition upon which we could get the men, and I think that this last despatch, dated 1895, puts very well the position of the Indian Government with regard to such expenditure. It says with reference to certain charges of the same kind—"Inasmuch as War "Office warrants or circulars do not come into force "in India till they are made applicable in this country "by the Governor-General in Council, that rule is of "little practical use, as it is not possible for the Go- "vernment of India, without causing discontent, to "withhold from British officers and soldiers serving in "India, concessions granted to the army by royal "warrants in operation in England." But I know, as a matter of experience, that in every one of these cases where extra expenditure is contemplated, India is always

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most carefully studied; and I think it must be accepted that the War Office has never made concessions of this kind, granting increased pay or emoluments either to officers or to men, except very grudgingly; I think they have got that character, and it is only when necessity drives, that these additional moneys are asked for under pressure of various kinds; and when they are conceded, it may be accepted as a matter of course that they are absolutely inevitable.

12,736. (*Chairman.*) You define the actual cost to the English Exchequer of raising and training the army in India as the cost of raising and maintaining in this country the force which would not be maintained if the army in India had not to be kept up; could you give us any idea as to what force that represents?—All things considered, I think that you cannot put it down as less—in fact it might be put down as very much more—than something like a couple of hundred men for every one of the regiments in India. It is now calculated that an annual draft for an Indian regiment amounts normally to 180 men. As has been explained here, those men are recruited at 18 years of age; a great number of them, some, of course, older, and some in excess of 20, but the younger men have to be kept here for two years in many instances. As the draft consists of 180, the very minimum that can be regarded as added to the regiment to produce that draft, is a couple of hundred men; and I think that that number of men must be regarded as having been added to every one of the regiments at home, simply for the purpose of raising and training the recruits for the battalions that are in India. Of course the number that we have of necessity to keep at the cavalry depôt—it has often surprised me, and it is an extraordinary fact—in order to produce a draft of something like 800 men for India is something like 1,500 or 1,600 men on pay. So with regard to the artillery and the other arms of the service, I roughly calculated some little time ago, putting it at the very minimum, that there are in existence constantly in this country something like 16,000 officers and men for this purpose.

12,737. And those you look upon as amounting to a normal force, which would not have to be maintained if there was no Indian Army?—Quite so.

12,738. Are there any other charges that you would add to that?—Well, reference has been made to the various papers and discussions. Even from the very earliest days it has been advanced that a very large number of other expenses are incurred in connexion with the Army in India, which have admittedly never been a matter of account as between us and India—that the Home Government was willing to make that concession to India because they did not wish to press her beyond what they thought was absolutely necessary. It has been argued, however, that if there was anything in the plea that the young soldiers, in the period of their actual recruit drill, were of any value to the British Government, as existing and clothed in England, these extra charges which were not claimed should be regarded as a set off against any claim of that kind. In calculating the cost of the recruits being trained and the officers and men who train them, there is nothing whatever charged against India for any of what we call the administrative departments. For the whole of the commissariat department, barrack department, store department, who do all the duties in connexion with supplying these forces, there is no charge whatever made. There is no charge whatever for chaplains, military police, veterinary department, all these departments attached to every one of those establishments. No charge is made for special prison establishments.

12,739. Now taking that contention, could you tell the Commission what the War Office would put forward as the cost of the Indian Army to the Imperial Exchequer, supposing India were to repay the whole?—Well, it is difficult to state a figure in which you could get anything like an universal concurrence; but I made out a calculation some years ago summing up the cost of these establishments as they were then, and dividing it *pro rata* over this number of 16,000 men. I made out roughly that it came to something like 190,000*l.*, including a portion of the cost of the War Office for the general administration.

12,740. For the general administration the Imperial Government are getting no allowance whatever now?—No.

17,741. Is that item included in that figure of the estimated cost to the British Exchequer of the maintenance of British troops in India under the head of effective charges, which I think you once calculated would amount to very nearly 1,100,000*l.* a year?—Yes.

12,742. Would you tell the Commission as shortly as you conveniently can the general heads on which you arrived at that 1,100,000*l.*?—It was based a good deal upon the same lines as these schemes that have been worked out from time to time. I took the 16,000 men and calculated out the cost of those men continuously as a constant body. Then there were the extra charges for the staff of depôts, including armament and so on for the horse artillery and field artillery depôts, and then the infantry depôts were charged as one-fifth, as I have already described. Then taking the other charges as similar to those which I have mentioned before, that worked up to a charge of 888,000*l.* Then if to this you add those administrative charges of 193,000*l.*, it made 1,081,000*l.*

12,743. Calling that 1,100,000*l.*, that is the sum that you think, if a precise amount were made out, might fairly be charged against India as extra cost?—Yes, accepting my data, namely, that 16,000 men are constantly maintained in this country simply because India wants them, and that the charge should be made for those various establishments which were in existence purely for India, the staff of the cavalry depôts, for instance, and the horse artillery depôts which existed, and all such establishments, taking those as necessarily in existence for India and only existing because India wanted those recruits trained. If they were dispensed with, that would practically be the saving that would arise.

12,744. And under the 7*l.* 10*s.* per head arrangement, I think you calculated that the sum India would actually pay would be a little over 600,000*l.*?—Yes, something like that.

12,745–6. Therefore, presenting the case as from the War Office point of view alone, the cost of the Indian Army to the Imperial exchequer you think amounts to very close upon 1,100,000*l.* and you get 600,000*l.* back?—Yes.

12,747. If you will turn to paragraph 14 and following paragraphs at page 7, of a paper handed in by the Financial Secretary of the India Office, headed "Payments on Account of Her Majesty's Forces "serving in India," you will see the summing up of the India Office view on the Indian claim. The India Office say:—"It is not desired on the part of the "India Office, to re-open the calculations upon which "the actual capitation rate was arrived at after ex-"amination in great detail by Lord Northbrook's "Commission. Nor does it appear necessary to "minutely inquire whether the establishment in India "has been maintained at the prescribed strength; it "must at one period of the year, after the reliefs have "been completed, be above strength, and six months "later below strength, in order to maintain the "average; and if it fell materially below the pre-"scribed number, the Government of India would "make representations." I take that to be an acceptance by the Government of India, subject to certain reservations mentioned hereafter, of the principle of the 7*l.* 10*s.*?—I think so; I take it as such.

12,748. But then the India Office enter upon some general considerations upon which I should like to ask whether you have any remarks to make; I will pass through them lightly?—Perhaps there will not be another opportunity. I should like to enlarge upon a remark that was made here as to the fluctuation of the numbers above and below the establishment, because it is a point as to which there was considerable discussion at one time. Under the arrangement which we have now, that is entirely disregarded, because the actual expenditure at the depôts at home for making up the deficiencies in India is not dependent in a direct ratio upon the fluctuations in numbers arising from casualties in India during the year. In fact, supposing an epidemic were to arise and a large number of men were to die of cholera, further expenses would be thrown upon the Home Government from the fact that there was a diminution of the force to be made up at extra expense. The Indian Government have proposed that we should ascertain what the numbers actually in existence in India were in order to get at the average number upon whom the capitation should be paid; but this capitation was fixed upon the actual establishment, our object being to get the full amount of money, which was spent in order to keep the army going. We could not admit that any fluctuations of the numbers in

India, after the force had been set up at its full establishment at the beginning of the year, could affect in any way the payment to be made by India to us; and therefore under the system which has now been accepted, 7*l.* 10*s.* is the calculated cost of all these items, which we have been going through to-day, divided by the establishment for the year. If on any other principle the numbers were to be cut down, we should have to ask for a higher amount than the 7*l.* 10*s.*, because the 7*l.* 10*s.* is accepted by the War Office as the means of getting back this full amount of expenditure, though the Indian Government like to express it by this amount of capitation payment upon each man. Another objection to the system of watching these ebbs and flows of numbers during the year was that, when that system did exist, we found that it took as long to obtain with accuracy the number of men who were serving throughout India on the first day of each month as it did to furnish the elaborate accounts which were in existence before; and, instead of coming to a settlement earlier as to the amount to be paid, a settlement was delayed.

12,749. Therefore you take the normal establishment as your guide?—Yes.

12,750. That, of course, assumes that you always do your best to keep up the normal establishment in India?—Quite so. We fill up the establishment on the 1st April.

12,751. Supposing you were for any reason to keep back some men, India under that arrangement might be a sufferer, might she not?—Quite so; and in that case it has been suggested in the paper I have referred to, that if we fall short at the end of the relief season of the establishment in India, we should suffer a deduction on that account.

12,752. Who made that proposal?—I did.

12,753. Is that adopted?—No; but the fact is that of recent years we have sent to India rather more than their numbers, and India has been complaining in consequence that we have been throwing an excess charge upon her; but it is immensely difficult to hit off the exact number of men that is required to make up the deficiencies, and at one time the Indian Government particularly pressed us that we should send out men in excess of their establishment, in order to fill up any casualties that might occur during the year.

12,754. Then the Financial Secretary goes on to say:—"But there are general principles of great importance "to which it is desired to invite the attention of the "Royal Commission, as militating against the equity "of a merely arithmetical division of the charges. In a "letter to the War Office of the 8th of September "1871, the Duke of Argyll said that he could not consider it either politic or just to lay upon the revenues "of India the entire cost of an organisation for "furnishing recruits to that country, which experience "has shown to be far beyond what is needed for that "particular purpose; and he added, 'The abolition of "'a local European army in India was a measure dic"'tated by considerations of Imperial policy; but it "'is questionable whether that measure could have "'been so easily carried, if it had been fully known "'how great would be the additional burden thrown "'upon the Government of India. Part of that addi"'tion was unavoidable, and may not be too great a "'price to pay for the expected advantages; but the "'Duke of Argyll is confident of Mr. Cardwell's sup"'port in his desire that this additional cost should "'be kept within the limits of real necessity, and "'should not be aggravated by the maintenance of a "'system of recruiting which appears to be extrava"'gant, and to have no reference to the exigencies of "'Indian Service.'" Now, on that, I would ask you whether there is not a great deal of exaggeration in the supposition that the old Indian method of recruiting was so very much cheaper than yours?—Quite so. I think that is a delusion. Under the new organisation we were at that time establishing, as is well-known, depôts all over the kingdom under the territorial system; and there were a great number of people who criticised the arrangement and regarded it as expensive and costly and so forth; but certainly, so far as India was concerned, I hope I have shown to-day that in the charges that we have levied against India, not only was there no additional expense thrown upon India, but there was a saving per man upon the number of men that were raised. It is admitted that there is an additional expense in raising the larger number of men sent out, but, man for man, the system now in existence is more economical than any system which has existed before.

12,755. I put the question rather in a leading form, not the least intending to express an opinion on my part, but merely because I am anxious to elicit your views as fully as possible?—Yes, of course.

12,756. Then next the Financial Secretary says:—"Although, when the system of short service was in"troduced by Lord Cardwell, he expressed his con"viction that it would not entail any additional charge "upon India; it has, in fact, imposed a heavy addi"tional charge for transport, as the reliefs have to be "effected at much shorter intervals." I gather from some remarks of yours that transport charges of late years have been reduced?—The actual payment for transport has been certainly very considerably reduced. Freights are much lower than they were in former times, and that fact has come very much in aid of the Indian Government; but it is equally true that, if long service had been maintained, there would have been fewer men transported between this country and India than there are now, and that the charge would have been lower than the charge which is now imposed.

12,757. You do not think that the fall in freights has compensated for it?—It has more than compensated for it; but the charge would have gone still lower, if the longer service, involving a much smaller number of recruits, had been adhered to. In this paper which the Commission has already before it there is a brief allusion to what was done, a sketch of the general measures adopted in order to diminish as far as possible the number of men who would be transported between this country and India, and also in regard to other measures adopted to relieve India. "On the 24th December 1880, the War Office "announced the conclusions at which they had arrived "with the view of meeting as far as possible the "objections of the India Office to the short service "system. The minimum age for enlistment was to be "raised from 18 to 19 unless the recruits' standard of "physical development was normal for a youth of 19; "no man was to embark for India till he had served "six months in the army, and was or looked 20 years "of age; all soldiers were in future to enlist for seven "years with the colours and five with the reserve, the "seven being extended to eight if the service were "completed while in India; the tour of service of an "infantry battalion was to be increased from 12 to 17 "years"—so reducing the number of battalions that would shift as between the two countries—"owing to "which only three battalions in India would be relieved "annually, and only one of them would be brought home "as a body, the relief in the case of the other two being "only of the head quarters and men who had less than "two years remaining with the colours." And all those measures were adopted in order to reduce as far as possible the number of men brought to and fro. The regiment now being relieved by its linked battalion, leaves the great mass of its men behind, which are taken up by the battalion which goes out comparatively weak; and also there is a power in the Act of Parliament, even where the regiments are not linked, for transferring men from the battalion which may come home to the battalion which relieves it. All these measures were adopted to reduce the number; but still there is no doubt that the number of men which passes now between the two countries is in excess of what it would have been under the long service system, I should think by something about 50 per cent.

12,758. In the calculation we made, we found that the difference was 50 per cent., I think. As compared with life service it is double?—Yes, life service, of course, is very different.

12,759. You think it is 50 per cent. now?—As compared with the 10 years' system with extension.

12,760. Then the Financial Secretary goes on to say:—"The principal advantage of the short service "system is that a reserve is provided by means of "which the battalions at home can be raised from "a low peace establishment to their full strength "for service in the field; but this advantage is not "shared by India, where the battalions are always "kept at their full strength. The system will, "therefore, only benefit India when she requires re"inforcements of British troops, provided that she is "then charged only with the cost of the transport to "India of the men sent from the reserve"?—This

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reserve only benefits the home establishment when it wants reinforcements. India and England are in precisely similar positions. That is to say, supposing India wanted additional battalions to meet an emergency, the reserve would have to be used, in order to complete those battalions for Indian service. The battalions in India are about 50 short of the full establishment, so that leaves a very small margin; but that number, of course, could be supplied from the reserve. All the regiments that would be sent out from this country, made up to war strength, would necessarily be made up by a draft from the reserve.

12,761. Your contention is that it is a reserve for both countries?—For both countries, yes.

12,762. And practically, except as a matter of experiment, it is only on emergency that the reserve is called out?—Quite so, only on a great emergency.

12,763. The object of the adoption of the system was not merely to get the reserve, although it did effect that object?—The warning which was given by the Recruiting Commission of 1867, which I have already referred to, no doubt led to steps being taken to obtain a reserve; but the system was also adopted to obtain an army both cheaper and more efficient.

12,764. That is to say, it would reduce the non-effective charge?—Yes, and get an army of fighting age instead of an antique army of men who had served a long period in an enervating country as soldiers. Of course, there is a difference of opinion upon that point; but I have discussed it lately with a good number of of military officers, and they say that it is simply absurd to compare the European army now in India with anything they have had before, and that the army now is in an absolutely more efficient condition than it has ever been.

12,765. Then he goes on to point out, quoting the well-known cases in which troops have been borrowed by India from England, or by England from India, and deduces this conclusion, "that India is utilised as a "reserve for England in a much truer sense than "England is for India; England not merely freely "claims the services of British regiments for the time "stationed in India, but she frequently uses the native "regiments, towards the cost of which she has in no "way contributed; and it may, therefore, be reasonably "urged that England ought to assist in the maintenance in India of so large a force, upon which England "does not hesitate to draw"?—Of course, that is a very big question, and it is hardly for me to give an answer; but I believe the view of the Government has always been that those expeditions have not been Imperial expeditions alone; they have been Indian expeditions.

12,766. That really is a political question?—Yes, quite a political question.

12,767. It is a question that must be settled by the two Governments?—I have always imagined that the Governments intended to throw the duty of settling it on to this Commission, as Governments are apt to do.

12,768. In passing, there is one question occurs to me; is there not in these different instances which have been given in which troops have been borrowed reciprocally, the great case when India borrowed from England during the Mutiny; India then bore the whole charge of the large number of troops she borrowed, did she not?—The whole of the pay of the whole of the troops on arriving in India was charged to India; and a charge was made for the depôts, in accordance with the old system.

12,769-70. So far as the Secretary of State for War replaced these troops, as I think you told us he did to the extent of 20 battalions, the arrangement would come absolutely within the arrangement as it has existed, on the other side, between England and India. I have always understood the arrangement was that India paid only the sum estimated in her budget, but would not bear the cost of replacing one single man?—Well, I think the bargain was that we paid, if India did replace.

12,771. That is another way of putting it; that is what I mean. Therefore as far as those 20 battalions were replaced, the arrangement then made was exactly on all fours with that of which we have had the benefit, when we have borrowed troops from India?—Yes.

12,772. But as regards the other 20 who were not replaced, if the arrangement had been the same as is made in modern times with India, the Imperial Government would have paid the ordinary pay and expense of those battalions, India paying the extra charges; would not that have been the case?—That appears to have been the idea. It has been recently foreshadowed, but I do not think it was ever contemplated before.

12,773. At the time?—No.

12,774. You know that in the instances in which we have borrowed from India, India, so to speak, wanted to make a good thing of it. These troops were borne on her budget, and if her budget had been relieved of the charge, she would have made a good thing of it?—Yes.

12,775. In the case of the Mutiny that arrangement was not adopted, so far as concerns the battalions that were not replaced? The 20 battalions that were not replaced were transferred from the English to the Indian budget; whereas, if the arrangement now in force had been in force then, those battalions would have remained on the British establishment?—The whole force was raised as an additional force for India.

12,776. I thought I understood you to say that 40 battalions were sent to India, and you replaced 20; therefore you claimed for 20 for the time being?—If I remember right, we had the militia embodied, and we replaced them, practically, in that way.

12,777. I am asking you with reference to this statement of the Financial Secretary. I want to see how far you would accept that argument; but I understood you to argue that, not only were these 20 extra battalions raised, but also that a large portion of the other 20 battalions were replaced by militia embodied?—Yes, there was a large embodiment of militia during the Crimean time which lasted to the end of the Indian Mutiny.

12,778. And that you would maintain to be equivalent, or rather not contrary, to the arrangement that the Imperial Government makes with India in recent cases?—Quite so.

12,779. (*Sir Donald Stewart.*) But, I beg your pardon, that cannot apply to the regiments that were temporarily employed in India during the Mutiny. I refer to the troops intended for the China expedition, which were for a time diverted to India; no regiments were raised in the place of those?—You cannot say, regiment by regiment, that anything was done; but, when the whole country was denuded of troops by the despatch of this large force to the East, the militia was embodied. It was embodied during the Crimean War, and the embodiment was continued on subsequently, and the embodied militia replaced those regiments that were serving abroad; but also the new regiments were formed, in order to provide the permanent garrison for India. The double battalions were introduced—I do not remember the exact number of battalions, but something from 20 to 25 were raised and formed the new garrison for India.

12,780-1. Yes, I grant that, but I referred to the regiments that were diverted for a temporary purpose from the China expedition to India in the early days of the Mutiny; they were on their way to China when they were diverted to India before they reached their destination, and employed in the Mutiny until they were replaced by troops from England?—Well, of course, it cannot be said that, as each regiment was ordered abroad, another regiment was raised to replace it; but there was a general embodiment of the militia at that time, in addition to the raising of the additional battalions, in order to provide the forces in place of those that were serving out of the country. I do not know that you could earmark a particular regiment, as having been raised because certain troops were ordered to China; I do not suppose you could.

12,782. My point is, that India had nothing to do with the 25 regiments going to China?—No; but she had to do with them, if they landed in India and formed part of her forces.

12,783. But India paid the whole charge of these troops, though they were only required for a temporary purpose?—Yes.

12,784. (*Chairman.*) But, Sir Donald Stewart, I take what I understand to be Sir Ralph Knox's contention. He does not contend that more than 20 regiments, or something of that kind, were raised to replace the 40 that were sent to India; but he says that the large addition of forces that were kept up during the Crimean war, and as I understand the Indian Mutiny, a great number of militia regiments having been kept embodied

which would not otherwise have been embodied constituted a replacement of established troops. Sir Ralph would take every militia regiment embodied in support of his argument?—Yes.

12,785. Would you not admit that Sir Donald ?

(*Sir Donald Stewart.*) Oh, yes, I quite admit that, but India is expected now to lend her troops to England and pay all their ordinary charges, when they are required by Her Majesty's Government for a temporary purpose and men are not raised in their place. India is not treated in that way, as I have shown, when she borrows men for a temporary purpose.

12,786. (*Chairman.*) That is exactly the argument which the India Office in that memorandum puts down here, and I was reading it to Sir Ralph Knox in order to hear his answer. I suppose Sir Ralph Knox would be able to show that in ordinary times there are no militia regiments embodied?—No, none.

12,787. Supposing, then, he was able to show that there were 20 regiments raised, and that during all the time of the Mutiny 20 militia regiments were embodied, I think it would go a long way to show that the troops lent to India had been replaced—at all events it would be an argument in that direction.

(*Sir Donald Stewart.*) I admit that.

12,788. (*Chairman.*) Then Sir Henry Waterfield goes on to say: "Apart from the assistance rendered by "India in time of war, it affords the best training "ground for the British army during peace?—I demur to that entirely; that is not my view of the question at all. I think the man is trained, as has been shown, before he leaves England. He is kept here and made a soldier in his eighteen months' or two years' training, sometimes longer than that.

12,789. That is not Sir Henry Waterfield's position, I think, but this, that the Imperial troops out in India are being trained in warlike service, which make them all the more valuable to the country?—Yes, that is what he says. Well, I am one of those who believes in short service; and I believe it does not want eight years' service in India specially to make a man a good soldier.

12,790. You would admit, would you not, that the many expeditions which are now carried out in India are a good training ground for a soldier?—Oh. I think the actual active operations are, no doubt, the only thing which makes a veteran.

12,791. Then he goes on to say:—"Service in India "is attractive, and the liberal treatment induces both "officers and men to enter the army with the hope of "obtaining employment in India?"—I do not know; there is very little employment obtainable in India to be divided amongst so many.

12,792. I do not think that the Indian service is distasteful?—I think if it were distasteful to men we should not get the number of men to enlist in the army; and there is no doubt some soldiers prefer foreign service to home service.

12,793. Lastly, Sir Henry says.—"The revenues of "India have been charged with the cost of many "changes in organisation not specially necessary for "the efficiency of the army in that country, and with "the cost of troops employed on Imperial service "beyond the limits of India. Millions of money have "been spent on increasing the army of India, on "armaments, and on fortifications to provide for the "security of India, not against domestic enemies or to "prevent the incursions of the warlike people of "adjoining countries, but to maintain the supremacy "of British power in the East. The scope of all these "great and costly measures reaches far beyond Indian "limits, and the policy which dictates them is an "Imperial policy. We claim, therefore, that, in the "maintenance of the British forces in this country, a "just and even liberal view should be taken of the "charges which should be legitimately made against "Indian revenues." I am not quite certain that I ought to ask you a question about that, because it passes rather out of your sphere?—I think I may say that, in dealing with this matter, the War Office hold that it has taken a just and liberal view in settling these charges against India for the depôts.

12,794. But you interpret that into figures by saying that, according to your calculations, the cost of the Indian army to England is 1,100,000*l.*, out of which you ask 600,000*l.* back?—Yes.

12,795. (*Mr. Naoroji.*) We are at present at the second part of our reference, the apportionment of charge between the Governments of the United Kingdom and India for purposes in which both are interested I have a short extract, a few sentences from Lord Kimberley's speech, reported in *The Times* of the 13th June 1893:—"There is one point upon which I imagine, "whatever may be our party politics in this country, "we are all united; that we are resolutely determined "to maintain our supremacy over our Indian empire. "That I conceive is a matter about which we have "only one opinion, and let me tell you that that "supremacy rests upon three distinct bases. One of "those bases, and a very important one, is the loyalty "and goodwill of the native princes and population "over whom we rule. Next, and not less important, is "the maintenance of our European Civil Service, upon "which rests the foundation of our administration in "India. . . . . Last, not because it is the least, "but because I wish to give it the greatest pro-"minence, we rest also upon the magnificent European "force which we maintain in that country, and the "splendid army of native auxiliaries, by which that "force is supported. . . . . Let us firmly and "calmly maintain our position in that country; let us "be thoroughly armed as to our frontier defences, and "then, I believe, we may trust to the old vigour of "the people of this country, come what may, to "support our supremacy in that great empire." From this extract it is clear that Great Britain has an immense and vital interest in the keeping up of the European services, both in India and in this country, and not only of the European services but also of the native army. It bases its very existence upon these services. Well, I will put aside the natives employed in the native army, who would be required, under any circumstances, by the natives themselves; but taking only the European portion of it, it is clear that England has a distinct interest, granted that India also has a distinct interest, in keeping up these European services. Considering, therefore, such vital interests of Britain, I should like to know whether and what apportionment should take place between Britain and India on account of these European services, both in this country and in India?—It is a very big question to ask me, but if my opinion is of any value I should say that India ought to pay the very last halfpenny.

12,796. Even though we are now discussing this question, the apportionment of charge between the Governments of the United Kingdom and India, for purposes in which both are interested? Here is a purpose in which England is most vitally interested, the maintaining of its own very existence in the country, and yet I am to understand that England should contribute nothing towards its own benefit, and that India should be simply treated as a helot?—My own view is that England has made India what India is. That England has made India what she is by means, to a very great extent, of the residence of the European army in India. I believe that the condition in which India is, a condition which England has made, is a condition which is enormously to the advantage of the natives of India, and that her rule is exercised wholly and solely in the interests of the people of India.

12,797. It is entirely the reverse. The whole rule is conducted for the benefit of England; England has derived an immense, or many times greater, benefit from India than India has derived from the rule of England. That is a question that I could not, and that we could not enter into just now, but this is my simple question—wherever any purpose is for the interests of both should not there be an apportionment of charge. That is the subject just now before the Commission, and I ask that in this case where the purpose is one in which England is also very decidedly interested, that England should contribute its proper share, and you give the opinion that England should not. Then, with regard to the frontier wars, I may read one or two extracts. Mr. Fawcett pointed out in his speech on the subject of the Afghan war that it was a remarkable thing that every speech made in the House or out of it by ministers or their supporters on the subject showed that the war was a great Imperial enterprise. He said, "And, "fourthly, the most important question, as far as he "was able to judge, of who was to pay the expenses of "the war . . . . It seemed to be quite clear that "the expenses of the war should not be borne by "India, and he wished to explain that so far as "India was concerned this was not to be regarded "as a matter of generosity but of justice and

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" legality. . . . . The matter must be decided " on grounds of strict justice and legality."—Hansard, Vol. 250, (p. 457). "It was a remarkable thing " that every speech made in that House or out " of it by ministers or their supporters on the " subject showed that the war was a great " Imperial enterprise, those who opposed the war " having always been taunted as being 'parochial' " politicians who could not appreciate the magnitude " and importance of great Imperial enterprises. . . . . " (p. 458). He would refer to the speeches of the " Viceroy of India, the Prime Minister, and the Secre- " tary of State for Foreign Affairs upon the subject " . . . . . In December 1878, the noble Earl— " the Prime Minister—warned the Peers that they " must extend their range of vision, and told them " that they were not to suppose that this was a war " which simply concerned some small cantonments at " Dakka and Jellalabad, but one undertaken to main- " tain the influence and character not of India, but of " England in Europe. Now, were they going to make " India pay the entire bill for maintaining the influ- " ence and character of England in Europe . . . . . " His Lordship, the Marquis of Salisbury, treated the " war as indissolubly connected with the Eastern " question . . . . . Therefore, it seemed to him " (Mr. Fawcett) that it was absolutely impossible for " the Government, unless they were prepared to cast " to the winds their declarations, to come down to the " House and regard the war as an Indian one . . . . . " All he desired was a declaration of principle, and he " would be perfectly satisfied if someone representing " the Government would get up and say that they had " always considered this war as an Imperial one, for " the expenses of which England and India were " jointly liable."

Lord Beaconsfield says:—" That the real question at " issue was whether England should possess the gates " of her own great Empire in India. . . . . We " resolved that the time has come when this country " should acquire the complete command and possession " of the gates of the Indian Empire. Let me, at least, " believe that the Peers of England are still determined " to uphold not only the Empire, but the honour of " this country." And I may read several other extracts of a similar character which show that all these frontier wars that are being carried on are not only as much but a great deal more in the interests of England in maintaining its rule in India against any European nation. Is it right or is it not just that England should take the proper share in the expenses of all these countries. I regard them as beneficial to India also?—As I said it is an extremely difficult question to answer, but my view generally in regard to frontier wars is, that they are the necessary advance of civilisation against barbarism, that a civilised country must advance over its frontier from time to time.

12,798. But then at whose expense—at the expense of both of those who are interested in it?—Well, it is generally at the expense of those who are on the frontier.

12,799. Who are the weakest, I suppose; that would be a proper answer, as we are entirely helpless. Well, the next question is: Have we any voice whatever in the disbursement of the revenues of India, in a single farthing of disbursement, or is it not entirely at the will, and completely despotic will, of the Indian authorities, or rather the British authorities ruling over India?—There is no systematic method that I know of consulting the wishes of the Indian people; but I believe that their best interests are considered in any policy that may be adopted.

12,800. However, we have no voice whatever, have we, in the spending of a single farthing of our own revenue. Then we will contrast the position of the Irish with that of the Indians. The Irish can occupy any position whatever in all the services all over the country. An Irishman may become a Viceroy, he may become a Commander-in-Chief, he may become a Prime Minister, he may become anything. He has a complete share in the Imperial benefits, if he contributes also to the Imperial expenditure or burdens. Has India any such position in the Imperial arrangement?

(*Sir James Peile.*) Has this anything to do with the Indian expenditure?

(*Mr. Naoroji.*) Yes; it is absolutely necessary for me to put these questions.

(*Sir James Peile.*) Is it connected with our Indian expenditure?

(*Mr. Naoroji.*) Yes.

(*Sir James Peile.*) Questions about the Irish?

(*Mr. Naoroji.*) Because the whole of the military expenditure is thrown on India. I maintain that the British Government and the British people, being vitally interested in it, should be charged with an apportionment of the charge that is incurred for the British service. That is all that I ask: and I want to point out the difference between the treatment—leaving alone the question of home rule for Ireland for which I am not here contending, but taking Irish as being in the same position as British subjects and Imperial subjects, and the constant and repeated declarations of a century, I maintain that the Indians are also to be treated as British subjects and equal to any other British subjects; are the Indians so treated?

(*Sir James Peile.*) We are dealing with the apportionment of the military expenditure.

(*Mr. Naoroji.*) That comes necessarily as an apportionment of the expense to India.

(*Chairman.*) I think we have to bear this in mind, that this question about the employment of the natives in India is hardly one which comes within the cognizance of Sir Ralph Knox. He is simply a War Office officer. You may put your questions, Mr. Naoroji, and I think probably we had better leave Sir Ralph to give his answers.

12,801. (*Mr. Naoroji.*) He may give any answer he thinks proper?—Well, I should think it was merely, to a great extent, a matter of time. It is only recently, in comparatively recent years, really within my memory, that Irishmen have been admitted to the highest posts in this Kingdom. They were excluded until comparatively recent years from very many positions within this century; but now we have considerably advanced. I should think the time will come when there will be a considerable advance also in regard to the position of many Indians in India too.

12,802. Yes, but at some time; therefore we come back to the same question, that in all those purposes in which Indian revenue is expended, if it is for the benefit of both, the English revenue ought to share its proper expenditure as a partner of the British Empire, as we are always told that we are partners in the British Empire, and that as Imperial citizens we must bear Imperial burdens. At the same time we ask that, as Imperial citizens, we should have a share in the Imperial services. Now we have no share in the army. No Indian can ever be appointed to a commission in the army?—But the native army is twice the size of the European army.

12,803. The native army is paid by the natives themselves, but the European army there is entirely for the purposes of British rule, not for the purposes of India?—Still there is plenty of military employment for the natives of India.

12,804. There must be a division of expenditure from both Governments where the necessity of any particular purpose is for the interests of both.

12,805. (*Sir James Peile.*) Might I take you back to the previous day's evidence to explain a point? The question I refer to is 11,751, and it related to the supply of stores to the Indian Government from the English factories. You said that India had an advantage in being charged no interest on capital sunk in the factories?—That is the present basis of the calculations now made.

12,806-7. My attention has been called to the fact that India makes a large advance or standing imprest of 150,000*l.*?—That is to meet what is called the current expenditure, but it is not the expenditure which is incurred upon the buildings or land. We accept that as representing what you call the floating capital; and the War Office and the Admiralty supply the factories with funds just in the same way to meet the floating capital; but there is no charge for interest on account of the sums that are spent upon buildings and machinery, which are constantly, as it were, being erected and have been erected.

12,808. And do you treat India differently from other Departments, or are they all on the same footing as regards that particular item of interest?—No, the Colonial Governments make a payment upon the

"vocabulary" prices in the demands they make from time to time.

12,809. That is to say, do they pay interest on the value of buildings?—Well, they pay practically the trade prices.

12,810. There is one other point I wanted to ask you. It arose in your examination of Sir Edwin Collen with reference to the effect of the short service system with regard to the mortality of the troops. It was shown that under the short service system the mortality had decreased, and not increased; and also the number of invalids leaving for home had decreased, and not increased. I have here the Sanitary Commissioners' Report for 1894, to which Sir Edwin Collen referred. I want to ask you a question with reference to a column headed "Constantly sick," which means, I suppose, the average number of men in hospital throughout the year?—Yes, I believe so.

12,811. It appears that the number of "constantly sick" men in the European army in India has increased very considerably?—As compared with what period?

12,812. From 1870 to 1879. The figure for 1870–9 is 60 per 1,000, in 1894 the figure is 92 per 1,000, and it rises pretty steadily between those two points?—Well, I believe the Indian authorities would say it was caused by venereal disease; it may be so; I have not gone into it myself.

12,813. Do you accept these figures from the Sanitary Commissioners' Report?—I know there has been some growth due to these causes. I have not examined the figures.

12,814. Then I ask you to compare those figures with the figures for the native army of India. Perhaps you have not got them?—No, I have not. *Sir R. Knox, K.C.B.* 15 July 1896.

12,815. Here is the table about them; you will see that in the native army the number of "constantly sick" has fallen from the comparatively low figure of 34 per 1,000, as the average in 1882 to 1891, to 31 per 1,000 in 1894?—Yes, that is so.

12,816. Which compares very favourably with the European army?—Yes, I have not recently analysed the "constantly sick," and I do not know to what causes the increase may be due; but I believe that the native army is differently supplied to the European army, and that may be the cause of the difference.

12,817. Still, it is a fair inference that the effective strength of the European army is lower now than it was 30 years ago?—Yes; well, is it the case that that "constantly sick" varies very much from what it was in the old times, before short service was introduced?

12,818. 1870 to 1879 is before the short service, is it not?—Oh, no, subsequently.

12,819. I thought short service came in in 1875?—1872.

12,820. But it would not, I suppose, take effect at once?—No, although a short service of a kind really not very different from what exists now, was in existence from 1847; that is to say, the men enlisted for 10 years, and a great number of men took their discharge at the end of 10 years, and were replaced by men of the same class; but, certainly, the age of the army in the earlier years was above what it was subsequently.

Adjourned to Wednesday next at 11 a.m.

At the India Office.

TWENTY-EIGHTH DAY.

Wednesday, 22nd July 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal Sir DONALD STEWART, Bart., G.C.B., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Mr. T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Sir RALPH KNOX, K.C.B., further examined. *Sir R. Knox, K.C.B.* 22 July 1896.

12,821. (*Chairman.*) Sir Ralph Knox, we heard from you last week an explanation of the grounds upon which the different capitation rates had been fixed. Could you give us any idea as to how those capitation rates compare, as applied to the total cost of the force?—Well, it is not very easily done, because different systems existed at different times for calculating the charge, but in order to satisfy myself, I have had some figures worked out in order to institute as far as possible a comparison. I cannot profess that it is an exact comparison, but it is an approximation. The Warley system, for instance, was a system which was never worked out as a capitation rate, and, as I showed at the last meeting, the expenditure which has been put down as that of Warley is by no means exhaustive, that several items and those important and large items must be added to what has been stated in the various reports the Commission has had before it in order to make up the proper charge. It should also be borne in mind that Warley trained no mounted forces at all; that there were no cavalry, no horse artillery, and no field artillery trained there, and those are the expensive forces that are raised. Luckily they are not the most numerous, but I have made a comparison, taking the figures of one of the claims that has been presented to the Indian Government upon the 7*l.* 10*s.* system, of what the charges are for mounted men as compared with dismounted men, and I find that our infantry charge did not amount, taking everything into consideration, to more than 33*l.* for every man trained, whereas for the cavalry the charge works up to 71*l.* 11*s.*

12,822. I understand you to say that your infantry charge at present is about 33*l.*?—Yes.

12,823. And that includes everything?—That includes everything—the charge for the training of the man at the depôts, the non-commissioned officers, and the whole staff that looks after him and recruits him.

12,824. Barrack accommodation and all?—Barrack accommodation and everything.

12,825. That supplements and makes complete that charge which in the papers we had before us is shown as the foundation of the 7*l.* 10*s.* and is put down at 25*l.*?—Quite so.

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12,826. And you add to that 25*l.* those charges which were excluded?—Quite so; that is to say, it completes the charges for the men, excluding the charge for officers. But, including the charge for officers employed in training the men and looking after them and disciplining them, the cavalry charge amounts to 71*l.* 11*s.*; the field artillery charge works out to 81*l.* 3*s.*; and the horse artillery charge to 84*l.* 12*s.*; but, taking them altogether, in consequence of the smaller number of the mounted forces the charge works out to something like 44*l.* for all arms.

12,827. Do you mean by that the average of the whole force?—Yes, taking the whole. That is taken upon the calculation made in the year 1889–90. I bring in this comparison especially to show you that the Warley charge is below anything like what is charged now, because there is nothing included in it for the mounted services, which are very expensive; but, taking the Warley charge and adding merely such items as I showed last time had been excluded—such as barrack accommodation, equipment, arms, ammunition, and so forth—I think it may roughly be said that the Warley charge amounted to something like 4*l.* a head on the force maintained in India.

12,828. Yes; only I think you brought it out clearly last week that, though, no doubt, the charge per head of the men in India was as low as some such sum that you mentioned, at the same time it was only low per head of the established force, because the number of recruits sent out were few; you gave us figures which led us to think that the charge in fact was rather more expensive at Warley?—Quite so.

12,829. (*Sir James Peile.*) Might I interrupt one moment? Is it quite clear that no cavalry were ever trained at Warley?—There were cavalry raised at the time of the Indian Mutiny in the last three years, when they were raising some cavalry regiments; but previously there were only infantry and artillery in the earlier years.

12,830. That accounts for a statement in this paper that the "number of recruits sent to India from the depôt at "Warley between 1850 and 1859 amounted to 24,783." That includes 3,347 cavalry?—Yes, they raised some men for cavalry just in the same way as they raised infantry and artillerymen, but without giving them any cavalry training. The calculation, however, works out, taking the force in India at 12,000 men, it works out roughly at Warley at about 4*l.* a head.

12,831. (*Chairman.*) That is to say, you have added to that 3*l.* 3*s.* 9*d.*, certain charges which were not included?—Quite so, and they bring the cost up to the excess I mentioned. Then, as compared with that, I find, as near as I can make a comparison, that under the 10*l.* capitation system, after excluding from the 10*l.* those charges which, as I explained, are not included in the 7*l.* 10*s.* rates—that is to say, the colonel's pay and the furlough pay and various charges of that kind—and comparing like with like as near as can be, and taking the rates of pay that were then in existence, the charge came out at 6*l.* 7*s.* 6*d.* under the 10*l.* capitation system; that is, including the whole of the forces, the mounted forces as well as the dismounted forces.

12,832–3. The charge came to 6*l.* 7*s.* 6*d.* as against 4*l.*?—As against 4*l.* at Warley, yes. No, I beg your pardon, that 6*l.* 7*s.* 6*d.* is the rate for the period before the 10*l.* capitation grant.

12,834. That is for the Queen's troops?—That is for the Queen's troops. The Warley system was going on simultaneously, which cost the Indian Government, worked in the way in which it was, about 4*l.* a head; the Imperial Government system of having the separate depôts for the infantry and the cavalry, including the mounted services, cost about 6*l.* 7*s.* 6*d.*

12,835. That was represented in actual payment in India by 8*l.*, was it not?—By 8*l.*, yes, roughly; but they did not pay upon the capitation system as you know. We did not charge them 8*l.*; we used to send, as I explained last time, the actual bills in to them. That 8*l.* was arrived at by subsequent calculation, as a rough and ready way of getting at what the capitation payment would have been if the charge had been fixed by a capitation payment; but the capitation payment did not come in it until 1861–2.

12,836. (*Mr. Buchanan.*) Your bills amounted to 8*l.* a head?—Our bills amounted to 8*l.* a head.

12,837. (*Chairman.*) If you say your bills amounted to 8*l.* per head, how do you make it only 6*l.* 4*s.* 6*d.* in the statement you have just given us?—Because I am eliminating those items which are not included in the present arrangement; I am comparing like with like right through, as near as I can. Then I find that during the 10*l.* capitation system the charge works out as nearly as possible at 7*l.* 3*s.*

12,838. May I ask you with regard to the actual charge for the Queen's troops before the Mutiny, and again after the Mutiny; does the 10*l.* system include all arms?—It includes all arms, yes.

12,839. And therefore it is a more expensive system than that which is represented by the Warley charge, which only referred to infantry?—That is what I wished to insist upon. The charge during the 10*l.* capitation system I make out, taking like payments, amounted to 7*l.* 3*s.* per head. The present charge, adjusted similarly, but with a considerable increase on account of pay which has been given to the army since that time, works out as nearly as possible to 6*l.* 14*s.*; so that on the force that is now serving in India the payment per head for like services compares very favourably with the charges that have been made by the Imperial Government against India at any time for the Imperial forces; but, of course, it is in excess of the payment for the Warley depôt, which, as I have explained, was a very different thing from the depôts of the Imperial forces, where the men underwent training, and where a large portion of the force was a mounted force.

12,840. You have told us that the charge before the Mutiny for the Queen's troops was 6*l.* 7*s.* 6*d*, and you have calculated the present charge at 6*l.* 14*s.*; does that 6*l.* 14*s.* include the additional pay that has been given since that time?—It does; it includes it.

12,841. I suppose you could not tell us, as against the Warley charge, what would have been the charge of infantry alone in those later years?—No, I have not worked that out.

12,842. Of course the number of cavalry and engineers sent out is comparatively small and, therefore, you would probably not find the average of 6*l.* 7*s.* 6*d*, for the whole force very much diminished, would you?—The number is comparatively small, but I can give you for the year upon which these calculations, representing the 7*l.* 10*s.* system, have been made, that is to say for the year 1889–90, what the proportion was. There were 8,957 infantry sent out; 994 cavalry, 1,094 field artillery, and 281 horse artillery.

12,843–4. That is practically 2,500 against 9,000?—Yes; but taking them altogether, as I have explained, the infantry charge per man being 33*l.* 18*s.*, the charge works out to 43*l.* 14*s.* That shows the difference which arises by adding in those more expensive forces.

12,845. The cavalry I think you said cost 71*l.*?—71*l.*

12,846. And the artillery 81*l.*?—Field artillery 81*l.* and horse artillery 84*l.*

12,847. Therefore you may say that the cost to the Imperial Government of two infantry men is rather more than that of one cavalry man?—Yes.

12,848. And of course, the cost of an artillery man is still more than that. It seems to me that the infantry, if they were taken alone, would probably show a charge very much below that 6*l.* 14*s.*, because the force of the cavalry and the artillery is, as near as possible, one-fourth?—Yes, the 33*l.*, in fact, works out far below what the Warley charge was.

12,849. Well, I suppose you would expect to find that at the present time, when you have to keep up the recruits for so much larger a force, there should be increase of expenditure, would you not?—Yes.

12,850. Because you have to collect together so much larger a number of men?—And train so much larger a number of men in proportion; but, as it works out, the payment amounts to less really than it amounted to in the earlier years.

12,851. (*Mr. Buchanan.*) Do you say, taking the infantry separately, that the 33*l.* works out lower than the Warley charge?—The 33*l.* works out lower than the Warley charge corrected, as I pointed out at the last meeting.

12,852. (*Chairman.*) There were certain items in the Warley charge to which you called attention?—Yes.

12,853. (*Mr. Mowbray.*) How did the rate of pay in the Warley time compare with the present?—I cannot inform you authoritatively as to the pay given by the Indian Government to their British troops; but I believe that it corresponded very nearly with the pay which was given to the Imperial British troops.

12,853. If the pay of the Company's troops in that day was considerably less than the pay of the army at the present

time, would that affect your comparison?—No, because I am taking in the higher pay which is given to the army now; and the 33*l.* works out less even including the higher pay

12,854. (*Chairman.*) According to a paper put in by the India Office, the recruiting of the East India Company's European force at Warley, omitting the exceptional years of the Mutiny, amounted to 26*l.* 7*s.* 5*d.*; and that, you told us, excluded clothing, arms, accoutrements, and barrack accommodation, the last of which you put very high—I think at 6*l.* or 7*l.*?—We calculated the charge per man per annum for barrack accommodation at 7*l.* 14*s.*

12,855. That alone, without arms and accoutrements, added to the 26*l.* 7*s.* 5*d.*, would carry you over the sum which you said a recruit costs now, namely, 33*l.*?—Yes; but I object to the 26*l.* being taken as the charge for a recruit; as I explained at the last meeting, that sum was arrived at on an average of years, including the three years in which the Indian Government was raising three additional infantry regiments.

12,856. But this paper says, "Omitting the exceptional "years of the Mutiny"?—Yes, but this period is before the Mutiny, during the Crimean War. When the Crimean War was being waged, troops were withdrawn from India, and India, to replace them, raised three additional infantry regiments, and those were raised during those three years to which I refer, and the number of men raised then was quite exceptional, in fact, more than double the numbers that were raised in the normal years before; and what I have argued for is that the first three years' returns really must be taken as representing the normal expenditure incurred at Warley, when about 1,000 men were sent out to India every year.

12,857. Now, is not the training of Engineer officers a very expensive matter?—Extremely expensive. Every man who passes into the Royal Engineers, must go through the elementary stage of two years' education at the Military Academy; and then he passes to the School of Military Engineering, where he is made an engineer, and where he serves with that object for about 2½ to 2¾ years; and during all that time—that is to say, 4½ years altogether—he is being converted from the raw material of a boy of 17 into a completely educated and trained engineer; and the Indian Government indents upon us for a certain number of those officers every year, in order to maintain their establishment in India, which is a very considerable one—between 300 and 400 officers.

12,858. The Indian Government think that your charge is an extravagant one, do they not?—They look upon it as being a big charge; and they advance the extraordinary argument that these officers, after having got their commissions as Engineers, and while they are being instructed and made Engineers at Chatham, are of value to this country; and that, therefore, we should make some allowance to India on account of these young fellows, while they are at school being made into the article which the Indian Government demands.

12,859. That is to say, the Indian Government contend that these young officers might be useful while they are at school here, if a need arose for fortifying London, shall we say?—They might be used, semi-educated as they were, to do something of a military engineering character, supposing the emergency were to arise.

12,860. You do not yourself think that they have arrived at that amount of skill at that time, which would make them really useful?—My argument goes further than that; I say, that these men would not be in existence at all, except for the demand which the Indian Government makes.

12,861. Yes; but still, even though they would not be in existence except for the Indian Government's demand, it is quite possible that they might, during the time that they are in England, be available in case of emergency, might they not?—They would, certainly, exist; but they do not exist for our purposes, and we do not contemplate their existence in any arrangements which we make.

12,862. Perhaps I might put it in this way; supposing an emergency arose, do you suppose that you would call upon those lads to come out and assist the engineering forces?—I cannot say what would happen supposing a great emergency were to arise. I have no doubt that a large number of persons who had never seen an arm, might be called into requisition.

12,863. But you say they have two years' training; a man who has had one year's training must, of course, be advancing in the knowledge of his profession, and must be considerably better than a man taken out of the streets?—Oh, certainly.

12,864. I only want to bring out the extent to which the Indian argument may be held valid?—Yes.

12,865. (*Sir Andrew Scoble.*) I should like to ask one question about that. Are these Engineer officers, when they go out to India, exclusively allocated to Indian service or are they liable to be recalled and employed on general duty in other parts of the British dominions?—They are part of the corps of Royal Engineers, and that is what India specially wishes and desires, that they should be Royal Engineers. There are a certain number of them who elect for what is called continuous service in India and remain in India all their lives.

12,866. Can you say what proportion those who elect for continuous service bear to the general number?—I cannot say; it is very uncertain. The system was inaugurated of allowing them to serve in that way some 15 years ago, but it has not worked as satisfactorily as it was hoped it would at the time it was started, and at present an inquiry is going on about the working of it; but a certain proportion, I cannot say really what proportion, have elected for continuous service.

12,867. A less proportion than was expected have elected to take continuous service; is not that so?—Yes.

12,868. And so when you speak of the system as not being satisfactory you mean satisfactory to India?—It was India who desired that the continuous service should be introduced, that that should be the system; and I assume, if it has failed, that India has been disappointed,; but, as is usual when these changes are started, their direction falls into hands very different from those which design them, and they are not worked exactly in the way in which it was intended they should be worked; and instead of the officers being pressed to elect for continuous service, every inducement was offered to them to get out of such election, by postponing from time to time the date on which they were to elect whether they would go on in India or not.

12,869–70. By whom was that inducement not to elect for continuous service offered?—It was argued that there was no necessity, I think, for calling upon them to elect so soon, and an agreement was come to between the India Office and the War Office that they need not do so.

12,871. But did the suggestion come, in the first instance, from England or India?—I think rather from England, but I am not quite certain upon that point; I think so.

12,872. (*Mr. Buchanan.*) I suppose the Indian Government would contend that these engineers are really part of an Imperial force of engineers?—Yes, they are, certainly.

12,873. You stated just now that they would not exist at all except for the requirements of the Indian Government?—No, they would not; that is to say, the establishment of officers of Royal Engineers has been increased, in order to provide for this number of officers serving in India. The Indian Government employs none of our corps of engineers—that is to say, of the men; there are no men of the engineers employed in India, except some few forming a staff of non-commissioned officers. There is merely a staff of officers; and they are mainly employed in the Public Works Department of India, and it is thence that the great difficulty of working the system arises.

12,874. Those Royal Engineers are employed in the Public Works Department?—Yes.

12,875. (*Sir Andrew Scoble.*) There are a certain number of sappers and miners in each division of the Indian army, is there not?—But they are not our sappers and miners.

12,876. But those sappers and miners in India are officered by Royal Engineer officers?—Yes.

12,877. Who are sent out for the purpose?—Yes.

12,877*a*. (*Sir James Peile.*) I think we had it in evidence some time back that India was dealt with on the "most-favoured-country" terms in the matter of stores?—Yes.

12,878. There is a case which has been brought to my notice by the India Office of which I should like to ask an explanation. No doubt you will be able to explain it, but it is pointed out that in certain matters favourable terms are not accorded to the India Office. It was a case of some cartridge feeders, I do not know whether you recollect it?—I cannot remember the details of the store cases.

12,879. They were made over by India for the purposes of the Admiralty. The price named was 1*l.* 10*s.* each, but the feeders cost 3*l.* 3*s.* 9*d.*, and India thought that it was fair that they should get a higher price, and they were told in reply that an arrangement, "B," specified in a certain War Office letter applied to the case. The arrangement "B" is that stores not required by the

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selling department, and which, but for the transfer, the buying department would be obliged to get elsewhere—are paid for at half vocabulary prices, so that the Admiralty paid India for the cartridge feeders half the vocabulary price. The particular transaction I want to call attention to is one where India bought certain articles, carbine barrels and other things, and expected to buy them at half price; but they were told that the rules agreed to between the War Office and the Admiralty are not meant to apply to transactions between the Home and Indian Governments, and that these articles would be issued at store vocabulary rates, unless demanded in such quantities as would represent a considerable sum of money; that is to say, instead of half, the full vocabulary rate was charged. Here are the papers?—Yes, I remember the transaction.

12,880. It seems to be not quite an equal one; India got half rates and paid whole rates?—Our position with the Admiralty as regards these warlike stores differs from the position in which we are placed with regard to any other department, inasmuch as comparatively recently the whole of the warlike stores for both the army and the navy were provided in Army Estimates; the guns and ammunition and everything pertaining to them formed an Army charge; and at one time, no doubt, that served a very useful purpose—the arms being absolutely the same were interchangeable, and economy arose from the fact that there was one general store, upon which the two departments indented. But recent developments have necessitated the division of these stores, and the army now provides only for the army stores, and the navy provides only for the navy stores; but in order that in some degree the same interchangeability of the stores between those two departments as existed under the old system might be maintained under which, so far as it could be maintained, no doubt economy would arise, special arrangements for the transfer of stores, as between those two departments, were made when the division took place, and the arrangement which has just now been quoted is that which has been come to. It has been regarded as very special between us and the Admiralty, and as not being applicable to any other departments. What I alluded to when I said that India had the advantage of the most-favoured-nation treatment was the treatment of her as regards the charges that are made for articles that are turned out in the factories to meet an Indian order. There we treat the India Office just in the same way as the War Office is treated and as the Admiralty is treated; and they are charged what the accounts show, according to the system upon which they are based, to have been the actual expenditure upon those articles which have been turned out, but without any charge for interest upon fixed capital.

12,881. (*Chairman.*) If, we will say, the Home Office wanted some of those stores, which you say are interchanged between the Admiralty and the War Office under this special arrangement, should you charge them a higher rate than that which you charge the Admiralty?—We should.

12,882. Therefore the Indian Government would be treated in the same as the Home Office?—Quite so; in the same way as any other department, except the Admiralty.

12,883. I think now, Sir Ralph, we might pass on to the non-effective branch of the subject. Can you tell us what was accepted for non-effective charges of the Royal troops during the time preceding the Mutiny?—At one time, before the year 1823 I think it was, or 1824, India paid nothing whatever for the non-effective charge. Of course the force varied; it had been, gradually growing, and when the force was comparatively small, I take it that it was regarded as a *quantité negligéable*; but the force of the Imperial troops in India increased, and it was in 1823–24, when that force consisted of about 20,000 men, that an agreement was come to between the Home Government and the East India Company that a charge should be made against India for the non-effective expenses of the force, including both officers and men; that charge was to be 60,000*l.* a year.

12,884–5. Do you know what that represented per head?—Roughly, at that time the force was 20,000.

12,886. 20,000 was the maximum, fixed by Act of Parliament, unless the Court of Directors asked for more?—Yes, but I took 20,000, roughly, as the basis of that charge and worked out the charge to come to 3*l.* per head.

12,887. And what was in the minds of the Government, when they fixed 3*l.* per head?—They did not fix 3*l.* per head; I do not know what was in their mind, but they took 60,000*l.* as a payment representing the non-effective charges. I have no doubt they were glad to get it as against the nothing that was paid before that.

12,888. But if the maximum force was 20,000, and they charged 60,000*l.* it was practically 3*l.* per head?—It was practically 3*l.* per head, yes.

12,889–90 And that lasted until what year?—Until the 10*l.* capitation rate was introduced, which was in 1861–2. At the same time as the 10*l.* rate was accepted—which I think, as I have explained, was only an approximation to the actual charges—a smaller payment was agreed upon for the non-effective charges. Sir Alexander Tulloch's Report shows that the committee went very elaborately into the items of what was called non-effective expenditure, and endeavoured to work out a figure which would be acceptable to the two Governments, but there was evidently great difficulty in coming to a conclusion as to what the charge should be, and ultimately the claim was fixed very much like the 10*l.* was fixed; an approximation, was made, and 3*l.* 10*s.* was accepted as a capitation rate upon the force maintained in India. That represented 10*s.* a head more than the previous payment, and it was paid upon a very much increased number of men. That was looked upon as a satisfactory settlement at the time, but it was only accepted with the reservation that the whole subject should be considered when opportunity presented itself, and that a more exact charge would be made against the Indian Government, that is to say, a charge more exactly representing the actual cost.

12,891. I see the average strength of British regiments in India from 1834 to 1857 was 24,000, and the 60,000*l.* was paid in respect of that force just as it had been paid before in respect of the 20,000?—Quite so.

12,892. And that works out at about 2*l.* 10*s.* per head does it not?—Quite so.

12,893. Therefore that sum of 60,000*l.* a year was held to be quite insufficient, was it not?—Oh, quite.

12,894. Do you think that at that time the 2*l.* 10*s.* was sufficient to cover the non-effective charge?—It was never supposed by the War Office that it covered it.

12,895 What did the War Office want?—It is not distinctly put down; but, as you can see from Sir Alexander Tulloch's report, I think they worked their charge up to something over 5*l.* in accordance with their view of what the charge should be.

12,896. And did the India Office put their estimate below 3*l.* 10*s.*?—No; I do not think that they really made any distinct proposal. They simply demurred I think to anything like the higher charges, and ultimately in order to come to some settlement the 3*l.* 10*s.* was accepted. The Committee say at page 71 of their Report:—"The Committee appointed by the Secretaries of State "for War and for India to report as to the measures "which it would be desirable to adopt, with the view of "fixing an average rate for the payments to be made "from the revenues of India to the British exchequer on "account of troops of the line serving in India, feel great "difficulty, owing to the complexity of the details, in "coming at present to a final conclusion as to the precise "average rates; but, considering that the authorities who "have nominated them to this duty have expressed a "desire that, pending a full and complete report on the "subject, some average rate should be named on which "provisional arrangements may be made for the year "commencing 1st April 1861, the Committee are of "opinion that if for every 1,000 men of all arms in India "the sum of 10,000*l.* per annum be assumed for the "effective, and 3,500*l.* per annum for the non-effective "charge, these rates will sufficiently approximate to the "real amount to warrant a temporary adjustment on that "basis until their further report, when they may be enabled "to specify the proper average and the rates for each arm "separately."

12,897. It was only a temporary arrangement that they recommended?—Quite so; but it remained in operation, of course, for some time.

12,898. Would you not say that a non-effective rate, which is based on so much per head of the effective forces, is not very correct in principle?—Certainly.

12,899. Because, supposing you double the force at any time, the payment by the debtor power is double, but of course the pensions do not increase for some time to come?—Quite so.

12,900. But I think that after the Mutiny for some time—until 1885—the force remained very stationary, did it not?—It did; it was maintained at about 60,000 for a good number of years.

12,901. That 3*l.* 10*s.* rate only lasted up to about 1870, did it not?—Yes, till 1870–1.

12,902. And what change was made then?—Then the system was introduced which was described as the capitalisation system. It was arranged that the Indian Government should pay down the present value of their share of each pension as it was granted—a capital sum calculated according to a life table, which was to be specially constructed, based upon the actual experience of pensioners' lives, and assuming the value of money to be 4 per cent.

12,903. Great objection was taken to that 4 per cent. over here, was it not, the rate of interest being thought to be considerably too high?—It was.

12,904. And therefore in its operation it told against the Imperial Government?—It did.

12,905. But nevertheless, during all the time that that arrangement was in existence that 4 per cent. rate was continued?—It was.

12,906. The argument on the two sides was that it was an unfair rate to charge England—for that was what it amounted to, because England could borrow so much cheaper than that; the argument on the other side being that that was certainly the lowest rate at which India could borrow?—Those were the arguments.

12,907. And practically it was carried in favour of India?—It was.

12,908. That went on for pretty nearly 20 years, I think, did it not?—Yes.

12,909. There were many objections to that system, were there not? First of all, the calculation of the value of the pension was based on the supposition that the capital sum would be paid down at once?—It was.

12,910. In reality, the accounts between the India Office and the War Office were never made to agree until months, sometimes years, after?—That was the case, yes.

12,911. The consequence was that England not only paid a very high rate of interest, but she lost the interest for certainly a considerable number of months?—Yes, but any sum that was deficient of the proper sum had to be paid.

12,912. There was a very great error made by the Treasury at that time into which we need not enter—it does not concern us, though we may mention it in passing—namely, that the whole of the capitalised sum was paid into the Exchequer and treated as yearly revenue?—That was so.

12,913. And it was only after the lapse of a very considerable time that that mistake, as I think it, and the fact that these terms were unduly onerous to England, led to the change of system, which is that now in force?—Yes.

12,914. Will you describe it?—It was decided that we should approximate the actual charge for these pensions more nearly, and that actual expense per annum should be claimed from the Indian Government; but, in order to avoid making the claim representing the actual payment that was made, it was thought to be a sufficiently near approximation to calculate the probability of the life of each person as he was put upon the pension list, and make a charge against India for the annuity that was thus created for the number of years that the annuitant was expected to live. That method avoided the rendering of claims based upon the actual payments in the accounts; it was looked upon as a very great convenience both to the War Office and to the India Office.

12,915. Are you satisfied with the working of that system? That is to say, do you think that the tables, upon which the lives are calculated fairly represent the result, or do you think it works out too favourably either to the one side or to the other?—I do not think it has been tested in any way. The table was very carefully calculated by the India Office and the War Office actuaries upon the actual experience of pensioners' lives; and this system is an application to the present day of the experience of the past. If it be the case that lives of pensioners are better lives than they were during the period from which the previous experience was gathered, of course it is against the War Office.

12,916. Considering the progress of sanitary science, is not that a result that you would anticipate? I suppose there would come a time at which you would reconsider the tables, would there not?—Generally the calculations that are based upon actuarial figures of that kind are tested from time to time to see whether they are in accordance with the calculated experience or not.

12,917. (*Sir Edward Hamilton.*) I understand that these actuarial tables are not ordinary actuarial tables which are used in insurance offices, but they are actuarial tables based on actual experience of the expectation of life of a man who has served in India?—Served in the army generally.

12,918. Including Indian service?—Yes.

12,919. And are these tables very different from the ordinary tables of expectation of life?—They are different, certainly; and they are very different from the table which was experimentally taken for the earlier periods of the capitalisation system. That was an old London life table, I think, which, I think, showed the lives as very bad indeed, compared with the actual experience.

12,920. (*Mr. Mowbray.*) Are these tables the same as the tables which you used in the later period of the capitalisation system?—Yes.

12,921. When were the existing tables introduced?—I cannot say exactly the date.

(*Sir Edward Hamilton.*) I think it must have been about 1884–5.

12,922–3. (*Chairman.*) They were introduced at the time of the change of system?—Oh, no; they were in existence before then. They were in existence during the capitalisation period.

12,924. (*Sir Edward Hamilton.*) They had nothing to do with the capitalisation?—Yes. The capitalisation was calculated on the lines derived from these tables.

12,925. (*Chairman.*) The change from the capitalisation system was not made at the instance of India? She was not likely to make the change, because the old system was very beneficial to her?—Well, India had something to do with the giving up of the capitalisation system.

12,926–7. But the Treasury moved first in the matter, and, I think, with the full assent of the War Office?—But I think also that the Indian Government found the pressure very considerable of making a capitalisation payment. They did not think that it would amount to anything like what it did amount to. I have here a series of tables which show the growth. This is taking the capitalised sum for the pensions of the men alone. In 1870–1 the charge against India was 211,000*l.*; the next year, 1871–2, was even less, but not much less, 204,000*l.*

12,928. (*Chairman.*) Those are the capitalisation payments?—The capitalisation payments for men.

12,929. (*Mr. Buchanan.*) The India Office tables show much larger payments?—They include the whole; that includes the whole, officers as well as men. I am taking simply the pensions of the men. I will read only the thousands—211,000*l.* in 1870–1; 204,000*l.* in 1871–2; 232,000*l.* in 1872–3; 298,000*l.* in 1873–4; 330,000*l.* in 1874–5; 467,000*l.* in 1875–6; 652,000*l.* in 1876–7; 507,000*l.* in 1877–8, and 733 000*l.* in 1878–9. That is the highest year. That is to say, it grew from 211,000*l.* in 1870–1 up to 733,000*l.* in 1878–9.

12,930. I see it stated here that the total from 1870–1 to 1878–9 was 8,824,561*l.*; that includes the officers?—Yes, very probably.

12,931. (*Chairman.*) Very well, then, the effect of this stopping of the capitalisation system was almost to annihilate for the time being the Indian charge for pensions?—It was so.

12,932. And it was as if you had started a new force with a right to pensions; the charge began to grow up again?—Well, not exactly a new force.

12,933–4. It has the same effect?—Not quite, because pensions became chargeable the very next year; that is to say, pensions for the men who had completed their service in that year. But it was as if no pensions at all were in existence for the men previously discharged; and that was the principle of all the payments that were made by the Indian Government from the commencement when they paid that 60,000*l.*; when they paid that 60,000*l.* it was supposed that they were paying down the pensions that had been created during that first year. That was the idea on which the scheme was supposed to be based.

12,935. (*Sir Edward Hamilton.*) But at the present moment the pension charge is not falling very heavily upon India?—No, it is not.

12,936. And, if it were the normal charge, it would be much greater than it is now?—Quite so; that is what I wanted to bring out.

12,937. (*Chairman.*) Perhaps you would give us now, if you have it, what has been the charge yearly from the time of the cessation of the capitalisation—that is to say, in 1884, I believe?—Yes; I have here the annuity that was created each year up to 1894–5. In 1884–5 it came to 15,262*l.*

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12,938. (*Mr. Buchanan.*) Is that for the men only, too?—For the men only, yes.

12,939. (*Sir Edward Hamilton.*) Why do you not include officers?—Because I am advancing the argument as regards the men and the alteration of the system of service, the point of my argument being, that by the introduction of short service the charge for pensioners was reduced very considerably as compared with what it would have been, if long service system had been continued, that by that change a relief was given to India far outweighing anything which has been brought against her in the way of increased charges on the effective account, arising from the recruiting of men and shipping them to India. In 1884–5 the amount for pensions was 15,000*l.*

12,940. (*Sir James Peile.*) These are round figures, are they not?—Yes. In 1884–5 the amount was 15,000*l.*; in 1885–6, 38,000*l.*; in 1886–7, 64,000*l.*; in 1887–8, 84,000*l.*; in 1888–9, 111,000*l.*; in 1889–90, 105,000*l.*; in 1890–1, 156,000*l.*; in 1891–2, 174,000*l.*; 1892–3, 196,000*l.*; in 1893–4, 207,000*l.*; in 1894–5, 214,000*l.*

12,941. (*Sir Edward Hamilton.*) Those figures represent the charges in respect of men who have become pensionable since the year 1884?—Quite so.

12,942. (*Mr. Mowbray.*) And the reason why the charge is comparatively small now is that India had already paid before 1884–5 the bulk of the pensions which are now running?—Quite so; that is to say, India had paid, so far as the capitalisation represents the actual charge, and so far as the 3*l.* 10*s.* and the 60,000*l.* a year represents the actual charge, because we have men upon our books belonging to each one of those systems.

12,943. (*Mr. Buchanan.*) She has discharged her liability?—She has discharged her liability, but hardly borne her charge.

12,944. (*Chairman.*) Have you really men that came under the 60,000*l.* arrangement still on your books?—Perhaps that may be a little exaggeration; but we have some hundreds of men over 90 years of age on our books.

12,945. Have you any calculation of what you would expect to be the normal charge of the present force?

(*Sir Edward Hamilton.*) That is supposing there were no capitalisation?

12,946. (*Chairman.*) On the present system. You see Sir Ralph has worked that charge up to 214,000*l.*, and, owing to this disturbance of the system that took place in 1884, it is rather difficult to understand what may be allowed as a fair charge against India for pensions?—I have a table here, which has been circulated, I think, to the members of the Commission, showing in the form of an annuity calculated upon the same principles, the charges since the year 1878–9, that year being the last heavy year, which I quoted with the figures of the capitalisation period. The heaviest capitalisation charge was 733,976*l.* Bringing now these payments to a common system, I find that the charge against India since that date has greatly decreased. The charge for that year for the permanent pensions—I am excluding now the temporary pensions, which represent only a comparatively small charge—represented by that capitalised sum of 733,000*l.*, would have been against India 59,700; in the next year, 1879–80, it fell to 49,600*l.*; in 1880–1, to 42,200*l.*; in 1881–2, to 40,000*l.* Now I will read the consecutive years, showing how it decreased:—1882–3, 35,000*l.*; 1883–4, 23,000*l.*; 1884–5, 24,000*l.*; 1885–6, 27,000*l.*; 1886–7, 25,000*l.*; 1887–8, 25,000*l.*; 1888–9, 29,000*l.*; 1889–90, 28,000*l.*; 1890–1, 22,000*l.*; 1891–2, 22,000*l.*; 1892–3, 17,000*l.*; 1893–4, 16,000*l.*; 1894–5, 14,681*l.* So that comparing the charge created the last year with that in the heaviest year, the diminution is from 59,000*l.* down to 14,681*l*, showing the operation of a system, under which only a comparatively small number of pensions are given, as against a system, under which a large number of pensions are given.*

12,947. (*Sir Edward Hamilton.*) No; but that does not quite show it. I think what the chairman is really driving at is to find what would be the normal charge now in respect of the pensions had there been no capitalisation?—That is what I am coming to. That 59,000*l.* I have excepted as an abnormal year; it was about 20 or 21 years from the time when that very large force was raised for the Indian Mutiny and the Crimea, and it is calculated that in a normal year nothing like such a figure as 59,000*l.* would be reached, or even 49,000*l.* as in the subsequent year. But it is calculated that with the increased force—because the force has been increased by 10,000 men since the earlier periods that I have been mentioning here—the normal charge created would be 43,760*l.*; that is to say an annuity about similar to that which was created in 1880–1. As against that, it is calculated that the normal charge for permanent pensions, arising under the present system, will be 13,045*l.* (as against 43,760*l.*), and these actual figures show the probability of that being the case—that is to say, the last charge which was created was 14,681*l.* as against an estimated future charge, when we get completely into the normal, of 13,000*l* a year.

12,948. That does not meet my point quite. Surely the way of ascertaining what the charge now upon India would be in respect of pensions, is to take that sum which you gave us as 214,000*l.*, which represents the charge in respect of those who have been pensionable since the capitalisation system was done away with, and then to add the sums which you are now paying in respect of pensions which were capitalised, with which you and I are familiar enough. Is not that the way to get at the actual charge which would be falling upon India, if she simply paid her share every year?—Oh, quite so. I quite understand; that is quite a different point. India, no doubt, is paying in the fact that she paid a capital sum down before; she is paying what that represents at the present time, in addition to this annuity which has been created, which now has risen, as you say, to 214,000*l.*; but I have not those figures with me here.

(*Chairman.*) I think you recollect the War Office Actuary's Report of the 15th January 1889, on the non-effective saving to India, consequent upon the introduction of short service in 1891. That gives exactly the sketch for which Sir Edward Hamilton is asking.

(*Sir Edward Hamilton.*) No, those are not the figures; I have got them at the Treasury; I ought to have brought them over.

12,949. (*Chairman.*) Will you look at that paper, Sir Ralph. There you see on the top of this page a calculation made by the actuary in 1889, that the normal charge to India, to which she was working up at that time under the long service system, was 971,000*l.* a year?—Quite so.

12,950. Then there is shown what might be expected with the same force existing to be the normal charge under the short service system, viz., 302,000*l.*, so that, comparing the two systems working at normal rates, there would be a saving under the short service system in pensions alone of 669,000*l.*?—Quite so; that is what I was trying to bring out, when Sir Edward Hamilton asked me his question.

12,951. Do you see any reason from subsequent experience to modify what the actuary states there?—No; quite the reverse, because I think that actual experience, as shown in this paper which has been circulated, supports entirely the actuary's calculations; that is to say, in the earlier years the calculation of what the future payment would have been under the old system was about 979,000*l.*, or about the sum which represented an annuity created every year of 43,760*l.* Now the annuities that were treated in the early period, to which I have referred, were 59,000*l.*, 49,000*l.*, 42,000*l.*, 40,000*l.* and so on, before the new system began to tell; and the annuity has already diminished to 14,681*l.*, the calculated figure being 13,000*l.*, so that the actual facts entirely bear out the actuary's calculations.

12,952. (*Mr. Mowbray.*) Then I understand that the new system, which began at a figure you gave us as 15,000*l.* and has now worked up to 214,000*l.*, is likely to reach its maximum at a little over 300,000*l.*?—That is so.

12,953. That was the actuary's calculation, and that you agree with at the present time?—Quite so; to give an instance of the diminution in another form, I have here the number of men discharged from the army to whom pensions were given, and on whose account a claim was made against the Indian Government on account of their Indian service. I will read the earlier figures and wind up with the later ones, and that will bring out the contrast more clearly than if I were to go through them all. In 1876–7 the number of men pensioned who had Indian service was 5,200, the next year 3,800, the next year 5,700, the next year 4,600, the next year 3,800. For the last two years the number of men so pensioned was in 1893–4 957, and in 1894–5 846, showing that the effect of the introduction of the short service system has been enormously to reduce the future charge for pensions, as compared with what it would have been had the old system been maintained. That is what the War Office advanced in answer to the charge that the short service system has thrown enormous burdens upon India.

12,954. (*Chairman.*) But on the other hand you must set against that, must you not, the deferred pay?—That is a moot point; but at all events the War Office can

* *See* Appendix 59.

afford to put that in; the saving in pensions is so considerable, that to set off against it the 200,000*l.* odd does not diminish it by very much; and I think it is quite open to argument that this charge for deferred pay is, more or less, a substitution of a modified pension for the shorter service, as compared with the larger pension for the longer service.

12,955-6. (*Mr. Buchanan.*) The deferred pay is an increasing charge, is it not?—No, it has now reached about its normal charge. It will be for India about 210,000*l.* a year. That calculation is a maximum; in fact it cannot quite reach that. It amounts practically to 3*l.* a man per annum for the force maintained in India.

12,957. And do you look upon that as a constant charge for the future, as one that is not likely to decrease?—Fairly constant; the variations of army charges are somewhat puzzling at times, but this will hover about that; the charge on India has not amounted to 200,000*l.* in the last few years, and it has some years been above that, just as the charge for pensions, which I read out, was abnormally high in one year, and was met by an abnormally low year subsequently.

12,958. (*Chairman.*) Well now, assuming for the moment, as you said just now, that the deferred pay may be set against the non-effective charge, there is shown on these calculations somewhere between 400,000*l.* and 500,000*l.* of a saving to India by the short service system—that is to say, against the saving of 670,000*l.* on the pension charge you may set 211,000*l.* deferred pay, leaving a balance of 458,000*l.*?—There is, however, another charge, which India can claim as being in excess of what it would have been, if the system had not been changed; and that is the charge for transport of men to and from India. Of course a larger number of men have to be raised every year to replace those who are withdrawn from the service in India; and I find from the returns which have been compiled, that we may very fairly regard the increase due to the introduction of the short service—because the variation must be due to that—as about 50 per cent.; the number of men carried between the two countries has now increased by about that amount. That represents a charge for transport at the current rates of, as nearly as possible, 73,000*l.* a year.

12,959. (*Sir Edward Hamilton.*) Additional?—Well, not additional, because freights have gone down to such an extent that the charge for transport is considerably less than it was in the earlier years; but that 73,000*l.* represents what would be the saving on the part of India, if the drafts and men returning had been maintained at the old numbers as against the present numbers.

12,960. (*Chairman.*) But as a matter of policy you have increased the army since that time, have you not?—Quite so; and I have allowed for that.

12,961-2. I mean that is the natural effect of the policy of increasing the army; and you could hardly charge the system with that, could you?—Not that part which is due to the increase of the army. I have the figures, and I will show how they must be modified. In 1870-1, which we may take as representing the earlier period, the number of persons carried, including women and children, counting two children for one adult (which is the calculation which the Transport Department makes) the number of persons carried was 18,000. In the year 1894-5 the number of persons carried is shown in this return as 32,432, but this return must be corrected. A change has been introduced of recent years, which throws certain transport charges upon the Home Government. I refer to what are called inter-colonial reliefs. Now some regiments leave India earlier than they used to leave, to go to a neighbouring colony, and the regiment from that colony in the Eastern seas goes to India. The transport of those troops is chargeable to the Home Government by agreement; therefore, this 32,000 must be diminished by about 3,400 men, representing the number of men in the regiments that were so inter-colonially relieved in that year. That brings down that 32,000 in 1894-5 to 29,000 in round numbers. The 18,000, however, carried in 1870-1 must be increased by the increase that has been made in the force since that time; that is to say, to the extent of one-sixth, which is 3,000, and that would give 21,000 as the number representing the earlier year, as against 29,000 carried in 1894-5.

12,963. And is the reason of that increase of 8,000 men that you keep men in India a much shorter time?—Yes; it is entirely due to the short service system.

12,964-5. (*Sir Edward Hamilton.*) So you have to add about 8,000 on; 21,000 and 29,000 were the two figures?—Yes, quite so; and that represents the increased transport charge in respect of short service, which may be taken at present rates at 73,000*l.* a year.

12,966. (*Mr. Buchanan.*) 73,000*l.* is the charge for the extra 8,000 men?—Yes, for the extra 8,000 men.

12,967. (*Chairman.*) Taking this short service system with its results, would you say that the interests of India were safeguarded on the introduction of the system as regards financial result?—Of course, the normal charge has not been reached by this time; but when the normal charge arrives, assuming the maintenance of the present system, I make out roughly that for the force the Indian Government now maintains, about 400,000*l.* a year will be saved.

12,968. And that, of course, would justify you in saying that the financial interests of India, as well as of the Imperial Government, were safeguarded at the time of the introduction of the system?—Quite so.

12,969. That is to say, the new system itself in its essence safeguarded those financial interests?—Quite so.

12,970. (*Mr. Buchanan.*) The saving will be 400,000*l.* a year in the non-effective charges, after deducting this 73,000*l.*?—After deducting the increased charge for deferred pay and for transport.

12,971. (*Chairman.*) Now, passing on from the men to the officers. Has not the India Office made a complaint that a great change was made at the time of the abolition of purchase, which introduced, you may say, a very large increase of pension for officers in the future; and that, though the Home Government undertook the whole charge of compensating the purchase officers, yet, at the same time, in the future India would have to pay her share of pensions, which, if the purchase system had continued, would not have come into course of payment?—That is an actual fact. The abolition of purchase has necessitated, as it was always seen that it would necessitate, an increased charge for pensions of officers; but it may be almost said that, so far as the question of the abolition of purchase was concerned, it was not an act of the Government at home; it arose absolutely from the necessity of the case. Certain circumstances arose which compelled the abolition of purchase. Of course, as regards the forces that were not under the purchase system—that is to say, the Artillery the Engineers, the Medical Service, and so on—all, in fact, except the Cavalry and the Infantry—a pension system had always existed; and, as I explained the other day, such a system had existed also to a considerable extent even for the purchase corps, viz., the system of retired full pay, which gave a man, within certain limits, retired pay after 30 years' service, whatever his rank might be, and also the system of general officers, which was practically a pension system. Those two combined applied to the purchase system just as they did to the other system.

12,972. But I suppose your answer would be that Government and Parliament advisedly, and in order to make the army more effective, abolished the purchase system?—What abolished the purchase system was the abuses that arose out of the over-regulation payments; and, when they came to be inquired into and exposed, it was absolutely necessary that the system should come to an end.

12,973. The answer would be that it was an Act of Parliament for the general improvement of the army?—No, not quite an Act of Parliament. The Act of Parliament that was passed simply provided compensation for men that were serving under the system which had been disturbed: that was all.

12,974. (*Sir Donald Stewart.*) But the Government of the day brought a Bill for the abolition of purchase into Parliament and failed?—That is so; the House of Lords rejected the Act which gave compensation to officers.

12,975. Yes, but that was in point of fact the system of purchase?—The Act was passed simply to enable the Government to compensate officers, who had entered the army under the purchase system, for what they would otherwise have lost on their retirement by the abolition of the system under the warrant.

12,976-7. But surely the chief object of Mr. Cardwell's Army Regulation Bill was the abolition of purchase? When purchase was subsequently abolished by warrant, a compensating Act necessarily followed?—But that was not what carried it.

12,978-9. (*Chairman.*) The Act provided the terms upon which the compensation was to be given?—Quite so; that is all.

12,980. No doubt Parliament, when it provided that compensation, made itself liable for the measure itself?—Quite so.

12,981. But the India Office plea would go far, would it not, to say that a measure reforming the army, and for

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the improvement of the army, is a grievance to India, inasmuch as it creates as extra charge, or might create an extra charge on India?—Yes, that would be the argument.

12,982. I suppose by this time it is pretty well accepted that the abolition of purchase was a benefit for the army generally, is it not?—I am afraid you would find some individuals still in existence who would argue differently, but they belong to the old school.

12,983. I am only thinking of the opinion of the generation in power?—Certainly.

12,984. I mean you must look upon public opinion as that of the active generation?—Well, Lord Cross in a despatch which he wrote to the Treasury speaks of the changes in this way (I am now quoting from a letter of the 3rd March 1883 to the Treasury): "Part of the increase "is due to the measures carried into effect by the British "Government for purposes unconnected with India, such "as the abolition of the purchase system and consequent "grant of pensions to officers, the compulsory retirement "of officers on attaining certain ages, the re-organisation "of the Army Medical Department and other steps of that "kind."

12,985. What would be the War Office reply to that?—That those measures were a portion of the system of the army; that it could not be admitted that the Indian Government could have anything whatever to say to them; that it was the principle upon which the army was practically raised and recruited. The War Office had come to the conclusion that the army could no longer go on upon the old system, and that it must be organised or raised on another system. The Indian Government, requiring the services of the British army, must take it with its system.

12,986. This is an extract from a letter from the Government of India. "It certainly appears to us exceedingly "unjust that the Indian revenues should be called upon to "bear any charge, in order to get rid of this peculiarly "English abuse." But the English abuse was one which had saved all liability for pension; when that abuse was abolished India was not called upon to bear any charge involved in the abolition, but the ordinary and natural state of things recurred, under which the officers would earn pensions?—That was the system that was started; and India would naturally have to bear the charge for those pensions, as she bore the charge for all other pensions that were created.

12,987. I say the natural state of things, because the officers of an army, except for some abnormal and unnatural state of things, would naturally earn pensions after a certain service?—Yes, and as I have said, a very large portion of the army did; all the artillery, and all the engineers, and all the medical officers, and even the purchase officers were under a pension system.

12,988. And, therefore, you would deny, I suppose, that the Indian revenues were charged in order to get rid of a peculiarly English abuse?—Certainly.

12,989. (*Sir Andrew Scoble.*) Could you give us the corresponding figures for officers' pensions to those you have given us for soldiers' pensions from 1884–5 to the present time?—I have not got them all arranged on the same system, but I have the capitalisation period and I have the period subsequent to that. They seem to correspond very closely. Under the capitalisation system for officers, the charge was in 1871–2, 77,000*l.* Then I will read them for consecutive years, 85,000*l.*, 49,000*l.*, 98,000*l.*, 76,000*l.*, 113,000*l.*, 223,000*l.*, 122,000*l.*, 274,000*l.*, 395,000*l.*, 405,000*l.*, then 262,000*l.*, then 253,000*l.* This fall was to some extent due to adjustments affecting former years. That is in the capitalisation period.

12,990. (*Sir James Peile.*) That is not the Indian share; that is the total, I suppose?—No, that is the Indian share; India paid those sums as the capitalised sums for the officers in those years. In 1884–5 the new system was introduced and the annuity only was recovered. In 1884–5 the charge was 21,000*l.*, and that has gone on increasing up to 1894–5 as follows; 38,000*l.*, 57,000*l.*, 84,000*l.*, 106,000*l.*, 124,000*l.*, 142,000*l.*, 169,000*l.*, 173,000*l.*, 189,000*l.*, 205,000*l.*

12,991. (*Sir Andrew Scoble.*) And what do you expect will be the normal amount?—I have not that figure. I think, probably, I should be able to put it in.

12,992. (*Chairman.*) Would you be able to put it in; it would be very useful?—I will see if any calculation has been made; I think it has.

12,993. Have you any idea of what that calculation was?—No, I have not; I do not recollect it. Of course these figures represent officers of all kinds; they represent the medical officers, whose pensions are very high, and the artillery and engineers and all the old pensionable forces, as well as the new.

12,994. Exactly, but those old pensions remain more or less constant?—Yes; but they have been increased and improved, because they all follow the same lines.

12,995. (*Sir Edward Hamilton.*) But the present system applies equally to officers as it does to men?—Oh, the present system of arrangement with India does.

12,996. (*Mr. Buchanan.*) We might have the normal figure both for men and for officers, or an estimate made of the normal charge that would come on India for men also. Could we have that for men and also for officers?—That I have given—about 300,000*l.* for men.

12,997. (*Mr. Mowbray.*) Are these officers' pensions calculated as annuities, and not followed out in the case of individual officers?—They are calculated as annuities, not followed out.

12,998–13,000. In the same way as the men's pensions?—In the same way as the men's.

13,001–2. (*Chairman.*) Do you not follow one of the ordinary life tables for the officers?—No; it is a special life table, based on the experience of officers' lives.

13,003. (*Sir Edward Hamilton.*) They make some allowance for service in India?—That is taken into account.

13,004. (*Chairman.*) Do you lay much stress upon the argument of the Indian Government, that India is not consulted when these great changes take place?—The desire of the War Office has always been to take the opinion of the Indian authorities on this matter; I think that they thought it sufficient to submit schemes to the India Office; and, if the India Office has accepted them, that has satisfied them. What steps the India Office should take to consult the Indian Government, they have left entirely to the India Office.

13,005. Quite so; when you consult the Secretary of State, you consult the Government of India practically?—Quite so; but there have from time to time been some small changes which, I think, from oversight more than anything else, have not been referred to the Indian Government. I do not know that it has been perceived at the time that the Indian Government would be affected; but there is no doubt that some few alterations have been made which the Indian Government represented that they had not been consulted about. Of course, it is a good card to play, when any increase of expense necessarily arises, to say, "We had no voice in it."

13,006. (*Sir Donald Stewart.*) I am not prepared to admit that. The India Office is usually prepared to accept changes which are inevitable regarding the army at large; but there are some very heavy charges imposed upon the Government of India by changes of organisation which have nothing in the world to do with the efficiency of the service, but are made for other reasons. I will give as an instance the re-organisation of the artillery. Majors were introduced as commanders of batteries, and a number of lieutenant-colonels were added to the artillery who were eventually found to be not necessary, and they were got rid of. These changes were made for the purpose of giving promotion, or for some other cause which I do not know anything about. The War Office made these changes without the previous concurrence of the Indian Government. The Government of India naturally complain about this. They say, "You gave us no warning about this. "We cannot make trustworthy estimates, if we do not "know what is coming"; and I think that their wish to be informed beforehand in all cases is a very reasonable one. It is true that India is to a certain extent safeguarded by the fact that new warrants have no effect in India, unless they are made applicable by the Indian authorities; and it must be allowed that India usually accepts changes having for their object the improvement of the army?—It is very difficult to see how the Indian Government, except in small matters, can avoid accepting such changes.

13,007. No?—I think the Indian Government will recognise that. No doubt changes are made from time to time in the organisation of the army, the necessity of which the Indian Government may not see very distinctly; but that very case to which you have just now referred, the re-organisation of the artillery and the creation of majors I remember to have been the result of most exhaustive inquiry, parliamentary and otherwise. I do not know how many parliamentary committees, presided over by different influential men, had not sat upon the question of promotion in the Royal Artillery and the Royal Engineers, and this alteration in the organisation was instituted really

to meet the complaints that were made on the part of the military authorities, that they were not getting the proper men to go into the service. That there was such disgust throughout the service at the slowness of the promotion of the Royal Artillery as compared with that of the line, that it was felt that something must be done; and a change was made. A battery was commanded by what was called a first captain, and the first captain's position was quite anomalous, and did not exist in any other branch of the service; a battery was, therefore, made a major's charge, and he was given a little increase of pay, and ultimately, under the new system, a little increase of pension.

13,008. (*Chairman.*) Would there be no advantage in the change of the organisation for effective purposes?—It was giving the rank of major to the man, who was formerly a first captain, in charge of a battery.

13,009. It was simply a method of giving promotion? That branch of the service did not require a major in the position?—I think it did.

13,010. (*Sir Donald Stewart.*) The efficiency of the service did not require it?—The efficiency of the service required a man of rank superior to that of an ordinary captain; and up to the introduction of the change there was such a rank, which was called "first captain."

13,011. Well, my experience is that you had precisely the same man under a new name with higher pay?—Yes, of course.

(*Chairman.*) I also understood that that was the result of it.

13,012. (*Sir Donald Stewart.*) And, what is more, the Government of India for years declined to pass the allowances of those gentlemen?—But I know this change was made after the most exhaustive inquiry and representations, you may say, on the part of the House of Commons. Mr. Childers presided over one of the committees, a parliamentary committee, which examined into this question of the promotion of the Royal Artillery and Royal Engineers.

13,013. The grievances as to slow promotion were admitted?—Yes.

(*Mr. Buchanan.*) But it was a considerable extra charge imposed without their consent upon the Government of India.

(*Sir Donald Stewart.*) Yes.

13,014. (*Mr. Buchanan.*) We have got the subject dealt with, Sir Ralph Knox, in the Twelfth Report of the Indian Home Charges Committee—the one that deals with the army—and at the end they give a list, reaching from 1864–65 to 1882–83, of instances in which the army expenditure, either in England or India, has been increased without the previous consent of the Government of India by the action of the War Office. The total annual increase which has been put upon the Indian exchequer by the War Office without the previous consent of the Government of India amounts to 884,100*l.* per annum?—Yes. I remember cross-examining Sir Edward Collen about those particular charges, and no doubt the sums are very considerable; the Indian Government, I suppose, was not consulted about the increase of 2*d.* a day which was granted in 1867–8 to the army, which cost a quarter of a million a year, but certainly the India Office was consulted about it, and it was understood that in order to get the men, it was necessary to make this increase in the pay of the army. It was the result of a Royal Commission on recruiting which made its report to General Peel, and he, in consequence of their recommendations, came to the conclusion that it was necessary to make this increase of pay, and it was so increased and no doubt threw a payment upon India. It was in consequence of that that the Indian Government remonstrated, and pointed out the very heavy charge this change was throwing upon them. They practically came to the conclusion that they must reduce their army and, as my questions to Sir Edward Collen went to show, they determined to send home certain regiments of infantry and cavalry from India; and then it was that the Home Government decided to considerably modify the organisation of the army, and they made reductions in the regiments, instead of bringing them home. They determined to reduce the number of companies in every regiment of infantry and of cavalry, and that scheme was accepted, and it effected a reduction of the army charges to India more than equivalent to that which had been thrown upon them by the increase of pay which had been granted only a few years before. Well, good conduct pay in the same way is represented here as an increased charge of 35,000*l.* a year. The fact is that instead of being an increased charge, the system that was introduced caused as a whole, a decreased charge. This modification of the good conduct pay regulations was introduced when short service was introduced. Short service put an end to the charges for such rates as 6*d.*, 5*d.*, and 4*d.* to the long service soldier, which rates he received if he had got 15, 16, or 18 years service, and thereby reduced considerably the charge for good conduct pay. At the same time the periods after which the men were granted their earlier rates of good conduct pay, were modified, and they were allowed to earn it after shorter periods; but the ultimate result was a considerable reduction of the charge for good conduct pay under the changed system.

13,015. Was it not possible to point that out to the Government of India and get their assent to it, seeing that it imposed upon them a very considerable charge?—No, the whole scheme was a reduction of charge: but the Indian Government here represent the scheme in an incomplete way, in order to support this argument, that the modification of the earlier periods threw upon them a charge of 35,000*l.*, ignoring the fact that the modification of the later period saved them more than that amount.

13,016. But their grievance that they are setting before us is that several of those charges entailed extra expense upon India, and that they were not consulted as to whether it was worth while for India to bear that charge?—Well, of course, the view of the Home Government was that that modification which was made in the good conduct regulations of the army generally, effected a saving, and that therefore there was nothing to consult the Indian Government about.

13,017. But there have been other grievances of the same sort. You see the letter of the Governor-General of February 27th, 1895, and the previous correspondence dealing with questions connected with the farriery establishment, I think it is?—The Indian Government has from time to time represented that they have not been, according to their views, sufficiently consulted; but I should not be at all surprised, with regard to this good conduct pay, if they had not been consulted at all, even the India Office, inasmuch as the change introduced then gave rise to a reduction of expenditure.

(*Sir Donald Stewart.*) Yes, but if the question had been put plainly to them, the Indian Government would admit that that is a change, which has only to be communicated to them to be accepted. All reasonable changes of that sort the Indian authorities must accept.

13,018. (*Mr. Buchanan.*) But when you make a change, whether it is a large one which, you believe, will produce saving, or whether it is a small one affecting captains or majors, which will cause increase of expenditure, is there no regular method of procedure in the War Office making it incumbent upon you to consult the Indian Government?—There is certainly; whenever a change is made which will affect the expenditure, even though not materially, the India Office is consulted. It is the rule of the office that the India Office should be so consulted; but this is a complaint that the Government of India was not consulted. We do not consult the Indian Government; we consult the India Office.

13,019. Certainly, the Indian statement, as you say, may be exaggerated; there may be more items put in than are justifiable; but at any rate the two combined show that there have been frequent occasions, upon which the Indian authorities have not been consulted?—I think the cases in which the India Office has not been consulted are very few.

13,020. Well, here we have details of one you see which is within the very last year; it is connected with farriery, because this is a correspondence with Sir Henry Fowler, and his complaint is that the India Office was not consulted?—I have no doubt that that is so, as here represented, and that it was an oversight. It was a very small matter, but the India Office should have been consulted about it, as it affected the charges in India no doubt.

13,021–2. (*Chairman.*) Do you think, Sir Ralph, taking this table in the 12th report of the Home Charges Committee, you could explain to us in how many cases the War Office did consult the Secretary of State?—Yes.

13,023. And also those cases in which there was a reduction, such as the good conduct pay?—Yes.

13,024. And you gave another reason for not having consulted the India Office, namely, that though the pay was increased it was accompanied by measures which made a saving?—I have no doubt that I can ascertain in which of those cases that was so.

13,025. The India Office recur to that grievance again and again, and, if the War Office do not consult them, I understand the force of their complaint?—Yes.

Sir R. Knox, K.C.B.

22 July 1896

13,026. (*Mr. Naoroji.*) I have to make a request to Sir Ralph Knox. If I want you will give me a short time next Wednesday because I think I require an explanation upon some statements made by you last Wednesday. I have to ask whether you will be good enough to give me a short time next Wednesday?—Yes, I shall be here.

(*The Witness.*) The Treasury have raised the question of the most-favoured-nation clause as regards interest in the manufacturing accounts. They wanted us to charge for interest and we have always objected; but they wish to have the matter referred to the Commission. At least that was the agreement we came to, that that question should be referred.

13,027–9. (*Chairman.*) The Secretary will communicate with Sir Edward Hamilton, and have the papers so that we may see them.

13,030. (*Chairman.*) Well now, what is your view of the claim which has been made against India on account of the cost of Chelsea and Kilmainham hospitals?—If reference is made to the report of Sir Alexander Tulloch's Committee, it will be seen that when that Committee were endeavouring to ascertain what the charge against India should be for non-effective services, which led ultimately to the 3*l.* 10*s.* rate, they took into consideration the expenditure at Chelsea and Kilmainham as an expenditure, on account of which a claim might be made against India; but, as I have explained, the 3*l.* 10*s.* was taken as a compromise for so long as it might be maintained, but subsequently when the new adjustment came into effect under the actual charge system, no cognisance was taken by the War Office of the charges for Chelsea and Kilmainham. They ignored them, as practically not of sufficient importance to bring into the calculation. The War Office would have been quite prepared to go on in that view, because they have never, as I have sought to explain, gone on the lines of exacting a charge on account of everything from India; they thought that this might fairly be disregarded; but it was the Comptroller and Auditor-General who raised the question, and drew attention to the fact that nothing was being recovered from India on account of Chelsea and Kilmainham Hospitals.

13,031. The sum is about 5,000*l.* a year?—We calculated, I think, that it may amount ultimately to about 5,000*l.* a year, and we represented that, at all events for a time, the balance of prize money which the Chelsea Commissioners hold arising from Indian wars, represented, to some extent, a fair payment on account of the extra expenditure on those places; but we had to admit that there was a charge upon the Imperial Exchequer on account of these two institutions, and that in time the interest upon this prize money would not suffice to bear what might be calculated as the Indian share. I think, however, it was only under pressure from the Audit Office and Treasury that the War Office raised the question at all, and that, so far as they are concerned, they would not wish to insist upon it. In strictness, no doubt, there is a fair claim against the Indian Government on account of this expenditure if actual charges on account of non-effective expenditure are to be paid.

13,032. We may take it that the War Office bring this question before us, do they not?—Well, we were directed to refer the case to the Commission.

13,033. I see it is stated in the War Office memorandum that the India Office has to a certain extent recognised the War Office claim against Indian revenues, inasmuch as the Secretary of State for India agreed in 1885 to make an additional payment of 1,000*l.* a year to the British Government towards the cost of the hospitals, as from the year 1851. This payment was, however, to be in the nature of a compromise, and was to be conditional upon the surrender to the Indian Government of the Indian share of the unclaimed army prize money held by the Commissioners of Chelsea Hospital. Such share was at the time believed to be about 50,000*l.* but has since been more accurately stated at 43,817*l.* 9*s.* 11*d.* The Treasury and the War Office were willing that the Indian share of the prize money should be thus surrendered, but only on the understanding that India should pay her full and increasing share of the cost of the hospitals. The India Office, however, declined to proceed with an arrangement which would thus have added considerably to the liabilities already incurred by her in respect of army pensioners. I do not quite understand on what ground India refused the proposal that you made at that time, because *primâ facie* the claim against her for the pensioners seems fairly clear. How did she justify the refusal except upon the general ground that it is disagreeable to have to pay more money?—That is the only ground, except that no definite claim on account of these institutions has ever been made against the Indian Government before.

13,034. Is it admitted on all hands that these pensioners, in strictness, ought to be a burden upon India?—Well, they form a part of the pension system. Of course, originally, there were none but what are called in-pensioners, that is to say, men who are kept in these asylums, and then that system was supplemented by this out-pension system. The in-pension charge represents the actual cost of keeping the men in this asylum, and they get their keep instead of their pension, which lapses.

13,035. And, therefore, to that extent India benefits by the fact of these men going into these hospitals?—No, she continues to pay her share of their pension. It is her share of an extra charge beyond the pension that is calculated at 5,000*l.* a year.

13,036. But, as it now stands, the Imperial Government pays that extra charge upon the Indian service of the men?—Quite so; India pays her share of what the ordinary pension would be, but a man costs two or three times as much in Chelsea as he would on the out pension list.

13,037. We may take it that the India Office find it inconvenient to pay?—I think so.

13,038. The charge has not been paid hitherto, and we ought not to claim it?—Yes.

13,039. (*Mr. Buchanan.*) The Indian Government, of course, would never think of providing any such in-pension system in this country for these men?—Well, I should doubt it. There are those, even in this country, who oppose the in-pension system altogether, and would like to see the Chelsea system abolished.

13,040. It is a renewal of an old system, for which the out-pension system is more or less a substitute?—Practically a substitute, but the number of men in Chelsea hospital, as compared with the number of pensioners, is a mere nothing.

13,041. India discharges all her liability for the out-pensions?—Yes.

13,042. (*Sir Donald Stewart.*) But the in-pensions are very popular in the army, are they not?—Well, there are different schools of thought on that matter, as there are upon everything else. Some people say they are very popular and some people say they are not. The Greenwich hospital system was abolished to the great satisfaction of the Greenwich pensioners; but I think that they got advantages, which were quite commensurate with what they derived from the Greenwich hospital system, out of the funds at the disposal of the Greenwich Hospital Commissioners. The army would not get much out of the abolition of the Chelsea system. That has been inquired into by committees only recently, and it was determined not to recommend any change.

13,043. I was referring to the popularity amongst the men; I was not talking of the public?—Well, it varies from time to time. At times I have known that there have been few applications for admission, at other times the applications are in excess of the supply; but, having regard to the fact that the number of pensioners on whom there is a charge against India, has dwindled from 5,000 down to 800, I think that the time will come when you will have no applications for Chelsea at all.

13,044. At the present moment, at any rate, there are hundreds?—Yes.

13,045. And the individuals who ask to go back to the condition of out-pensioners are extremely rare?—I believe so.

13,046. (*Chairman.*) Then you think this question may solve itself by disappearing?—I think that we make so many concessions of 5,000*l.* to the Indian Government, that this additional one would not hurt us.

13,047. That is not a very good exchequer argument?—But that is the principle. I quote it as an illustration of the principle on which the War Office claims to have always dealt with the Indian Government.

13,048. (*Mr. Buchanan.*) You think if you had exacted your pound of flesh, this is a pound that you might fairly have claimed?—Yes.

13,049. There is one question I want to put to you about the 7*l.* 10*s.* capitation rate; what is its position at the present moment? Does it go on from year to year?—It is going on from year to year, practically awaiting the recommendation of this Commission.

13,050. There is no fixed term of years?—No, there is not.

13,051. If a capitation grant were fixed, would you be in favour of having it revised at periods of 10 years or something like that?—I think that an arrangement of that kind should be renewed from time to time; but it must not be taken as an admission on my part that 7*l.* 10*s.* is enough. I think that, having regard to the extremely moderate charges made for producing the soldier for India, there should not be that rebate allowed to India in the assessment of the charges, at all events on the scale which is at present allowed.

13,052. (*Chairman.*) Your bill against India is, I think, a very formidable one. Put into figures, it is that India pays the War Office 600,000*l.* a year in liquidation of a bill, which you make out at 1,100,000*l.*?—Yes, but, as regards the rebate, my argument is this. I think it would be very fair, if India really paid the whole necessary charge of training the man; but India pays for the infantry soldier only for six months. As I sought to show the Commission two or three times, the actual period that a man is under training cannot be taken at less than 18 months, and the balance in excess of the six months is borne by the English exchequer.

13,053. And I suppose you might plead, might you not, that that represents very fully the possible value to England of these men being in training on her shores? I refer to the case that India is constantly bringing forward, namely, that these men while they are in training here, are of a certain value in case of necessity to us?—Yes.

13,054. I gather that you do not lay very much stress upon that argument; but, without conceding it, supposing it to be effective, you might answer that there is already a very considerable allowance made to India?—A very considerable allowance made to India. What I say is that these men are under military age; that they are not men that we can send out of the country at all; that they are practically under training; and that England pays the greater portion of the charge involved in their training; and, that being so, there is very little argument indeed in favour of giving India a rebate, representing a portion of the charge for training the man, when the man comes back. My argument is that the Home Government has already borne the larger portion of the cost of training that man, before he went to India.

13,055. (*Mr. Buchanan.*) He forms part of the Imperial army though?—Well, he is an enlisted soldier, but he is during that period really under training; of course the infantry soldier is made in a shorter time than a mounted soldier, but under our system of voluntary enlistment we can only get the man at 18 years of age, or even younger than 18 years of age, and those men are held not to be fit for campaigning until they are 20 years of age; and India will not take them until they are 20 years of age; they are, therefore, thrown upon the Imperial charge in excess of the numbers that the Imperial Government would otherwise maintain; but, assuming that they have been maintained, that England should have to pay for them over again when they come back and pass into the reserve is, I think, an exaggerated claim on the part of the Indian Government, even to the extent that it is allowed, because the bill against India is reduced by something like 150,000*l.* a year by this rebate that is allowed.

13,056. Do you claim that there should be no rebate at all, that, in theory at any rate, the very last sixpence of the cost of the British soldier sent to India should be charged to India; is that your theory?—No. I think that the general position that has been taken up by the Home Government is that there are many charges in connexion with this army, which are necessarily incurred in order to produce these men, which may fairly be remitted to India; even admitting the argument that these men are of some value in this country—and from the earliest times it will be seen that that has been advanced as an argument that no administration charges should be made, no charges for the different departments connected with the army for maintaining the supply and so forth—that there are heavy charges to set against that value; and it has been distinctly said that these charges may be fairly regarded as a set off to any value that the young soldier may have before he leaves our shores. But what I am addressing myself to mainly is the actual charge that is incurred, and necessarily incurred, by the Home Government for these men who only exist for Indian purposes, and I say that, inasmuch as the Home Government has to pay a year, out of 18 months' training, there should be no charge or little charge made against the Home Government on account of these men returned who pass into the reserve considering the very small period that is charged against India for the period of training. That is to say India is really now charged for six months for an infantry soldier; if that man comes back to the reserve, India is remitted one-third of that six months, so that for every soldier of that kind India has paid for only four months training. I think that the rebate is excessive. I do not say that the principle of rebate is not fair enough; if the charge for training were larger, I think that it would be a very reasonable charge, but practically the charge that is now made is a net charge.

13,057. But you do acknowledge that there should be some system of rebate of the actual charge for training of that soldier?—I do not think myself, as a matter of principle, that it is an unfair thing. It was based upon the idea that the man has to be trained as a young soldier, and that, when trained, his service is divided between the Home Government and the Indian Government; that the cost of that period of training should be spread over the period of service that the man gives, and that, therefore, it should be divided between the two Governments; and, assuming that the payment now charged against India is the full charge for training, the rebate should be in proportion; but my argument is that it is not the full charge but that it is a net charge that is made for the training; and that the rebate is too heavy considering the smallness of the charge.

13,058. (*Sir Donald Stewart.*) But would it not be very difficult to make an exact calculation as to what was due from both parties, because it is not an absolute certainty that every man has been six months in the service before he goes to India?—Well, it is almost a certainty. I had returns with me when I was examining Sir Edwin Collen, which showed the period of service that the men had who went out in the recent embarkations, and I think it was demonstrated by these returns that there was not a soldier that had not got six months, and that a large number of them had, as I said, over 12 months, over 18 months, and over two years before they were sent out.

13,059. Yes; but I have heard that recruits of less than six months' service are occasionally sent to India?—When a special demand has arisen. I can remember there were occasions during the last 10 or 20 years, at all events, of special demands by the Indian Government in excess of the normal demand, when there has always been a difficulty in complying with the demand on the conditions which the Indian Government makes as regards the training of the men and the ages of the men, and they have been really more particular as regards the age of the men than the training of the men. They say:—"We wish to have a "man of 20 years of age, and in no case under 20 years of "age," and men have been sent who have been 20 years of age who have not had the exact amount of training; but they have been comparatively few.

13,060. That is the point?—But they have been comparatively few, and they have now practically been reduced to *nil.*

Adjourned.

At the India Office.

TWENTY-NINTH DAY.

Wednesday, 29th July 1896.

PRESENT:

THE LORD WELBY, G.C.B. (CHAIRMAN, PRESIDING).

The Right Hon. W. L. JACKSON, M.P.
Sir WILLIAM WEDDERBURN, Bart., M.P.
Field Marshal Sir DONALD STEWART, Bart., G.B.C., G.C.S.I.
Sir E. W. HAMILTON, K.C.B.
Sir RALPH KNOX, K.C.B.
Sir JAMES PEILE, K.C.S.I.
Sir ANDREW SCOBLE, K.C.S.I., Q.C., M.P.
Sir T. R. BUCHANAN, M.P.
Mr. W. S. CAINE.
Mr. DADABHAI NAOROJI.
Mr. R. G. C. MOWBRAY.

Mr. COLIN G. CAMPBELL, *Secretary*.

Viscount Wolseley, K.P., &c.

29 July 1896.

Field Marshal VISCOUNT WOLSELEY, K.P., &c., &c., Commander-in-Chief of the British Army, called in and examined.

13,061. (*Chairman.*) You have seen a memorandum laid before the Commission by the Financial Secretary to the Secretary of State for India, upon payments in respect of services in which both the Imperial and Indian Governments are interested?—Yes.

13,062. That paper conveyed to us the views of the Secretary of State upon the arrangement under which the Government of India makes certain payments to the Imperial Government on account of (1) effective, and (2) non-effective charges of Her Majesty's forces serving in India. Taking first the effective charges, you are aware that the Indian Government pays to the Imperial Government 7*l.* 10*s.* per man of the Imperial service on the Indian establishment. Sir Ralph Knox has explained to us fully the data upon which that charge is based, and I need not trouble your Lordship with questions upon that point. You will see in paragraph 14 of the memorandum that the Secretary of State does not desire to reopen the calculations upon which the actual capitation rate of 7*l.* 10*s.* was arrived at by Lord Northbrook's Committee, nor does he think it necessary to inquire whether the establishment in India has been maintained at the prescribed strength. On these points therefore, the Secretary of State does not invite an expression of opinion by the Commission, and we may accept them as agreed, unless the War Office demur to them. On this point I shall have to ask your Lordship questions later when we deal with Sir Ralph Knox's evidence; I ought at the same time to say that the Commission is put into a position of some little difficulty in this matter, as Sir Edwin Collen, who came before us as a military witness on behalf of the Government of India, disputed the arithmetical basis of the capitation grant. To a certain extent, therefore, India speaks with two voices. In going through the evidence I shall have to allude to two or three points in Sir Edwin Collen's evidence. At the same time I think we must take as our guide the view expressed by the Secretary of State, that he is content to accept the 7*l.* 10*s.* In paragraph 15 the Secretary of State invites the attention of the Commission to general principles of great importance, as militating against the equity of a merely arithmetical division of the charges. The first of these principles is the necessity of keeping within the limits of real necessity the additional cost thrown upon the Government of India by the abolition of the local European army. Sir Henry Waterfield quotes a letter of the India Office to the War Office, dated 9th of September 1871, in which the Duke of Argyll stated that he did not consider it either politic or just to lay upon the revenues of India the entire cost of an organisation for furnishing recruits to that country, which experience had shown to be far beyond what is needed for that particular purpose. May I ask whether your Lordship is of opinion that the recruiting organisation is far beyond that which experience has shown to be required?—I do not think it is at all.

13,063. How are the numbers of the Imperial troops in India fixed?—By India.

13,064. And the Imperial Government merely consents to the finding of the troops?—We merely supply what they ask us for.

13,065. Therefore the present establishment is fixed with the assent of the Indian Government, and is not in excess of their requirements?—No; in fact, I might say that when they make additions, as they have done in recent years, to their numbers, it is an inconvenience to us, a very serious inconvenience to our military organisation throughout the world. The larger number we are called upon to supply adds to our great difficulty in recruiting, for India adds to the numbers of recruits that we have to enlist every year, and *pro tanto* increases our difficulties.

13,066. Therefore, it being fixed upon their initiative, the Indian Government is not in a position to plead that the army exceeds the requirements of India?—I should say, certainly not.

13,067. Would you consider a telegram of the Viceroy to the Secretary of State of May 14, 1896, with reference to the question of troops going to Suakin as supporting that view? He says, "Our army is scarcely sufficient "for our own purposes, and in now complying with "Imperial requirements, we undertake the risk of an "emergency coming upon us while our army is reduced "below the recognised minimum." And again, Lord George Hamilton's despatch of June 30, 1896, says:—"It "is perfectly true that the strength of the the Indian Army "has been fixed at what is no more than necessary to "meet certain emergencies which may suddenly arise." Those are expressions of very high opinion which put it beyond question that the Indian Government would not undertake the responsibility of reducing the present establishment in India?—I assent to that.

13,068-9. If the force of Imperial troops in India is not greater than India thinks necessary, an organisation at home to keep up that force to its normal strength must be maintained, must it not?—Yes.

13,070. And it would lie with the India Office to prove that that organisation is excessive, in order to justify the Secretary of State for India in saying, as quoted by Sir Henry Waterfield, that experience has shown that organisation to be far beyond what is needed for furnishing recruits?—Certainly, but I might add also that those at home who are accustomed to the questions arising from the administration of a large army all over the world, are the best people to give opinions upon those subjects. My experience of India is that it has produced a great number of the very ablest officers we have got in the army, but they know very little of the organisation of our home army, that is, of the Imperial army all over the world, and more especially they are very ignorant of the difficulties that we have in obtaining recruits, and in keeping up the strength of our army to the prescribed figures which are settled and established by Parliament year by year.

13,071. Are you satisfied with the present organisation, by which recruits are furnished to India?—Certainly, and I say that, because I can remember the old system, and am old enough to remember India in the days when India had its own European regiments; and I also had some experience of the drafts sent out from Warley and from our depôt at Chatham in those days to supply the

wants and fill up the vacancies in what were then called the Queen's regiments of infantry and cavalry in India.

13,072. As a matter of fact then you know from your personal knowledge, what we have heard, that the recruits sent out from Warley were recruits who had had very little training?—Oh, practically none. I remember a large draft arriving in Rangoon from Warley. When I was a young boy, I went out to India in 1852 with a large number of drafts for several Queen's regiments, and, sailing at the same time, were very large drafts for the European regiments of the Company's service then in Burma. When I arrived at Rangoon—it was during the war of 1852–53—there were the headquarters of two regiments of the European infantry of the Company's service quartered there, the first Bengal Fusiliers and the first Madras Fusiliers, both of them excellent regiments, fine fighting material; but their recruits were a most poor lot, I should say, picked up anyhow. They were of the same character that we then got for the Queen's regiments; but they were very inferior indeed to the quality of the men that we now obtain as recruits for the various regiments throughout the world. They arrived in Burmah without any training at all; they were useless for purposes of war; they were being trained during the whole time I was at Rangoon; and when I went up country and came back again, they were still being trained and drilled, and their officers were still engaged in turning them into soldiers. When I contrast that system with the men who go out now to join their regiments, who are soldiers before they leave this country, who are what we call first-class recruits, that is men prepared to take their places in the ranks, I can only say I am astonished how any one, who is able, as I am, to judge between the two systems, can hark back at all in any way whatever with affection or longing to the old system.

13,073. Were those recruits, that they got at Warley, young men?—Very young, picked up in a great hurry, because the system was, as well as I remember—I only know this from hearsay at the time from the officers who complained about the quality of their recruits—that after the recruits had gone out to India for the year, the India Office used to let down their recruiting establishments, and their energy in recruiting, as much as possible, for economical reasons.

13,074. (*Mr. Jackson.*) At Warley?—Yes. They had recruiting parties to supply Warley in England, in Scotland, and in Ireland; they recruited in all places; but after the annual drafts had gone out, they let down their recruiting energies, and only set to work in earnest again when the time for the drafts to go out to India came round again; they then redoubled their energy: they put on all their pressure and tried to enlist as many men as they posssibly could in the last three months before the transports sailed. These young lads were washed and cleaned, and put in red coats and sent out; some of them had been in Warley for some months, but the great majority of them had not been there for more than two.

13,075. (*Chairman.*) Then, I suppose that, on sanitary grounds, you would have deprecated that method of training them? Instead of training them here in a healthy climate, they were taken out and trained in an unhealthy climate as soldiers?—And consequently died like flies. I think there have never been any statistics in recent years to show the per-centage of deaths amongst those recruits who went out to join the European regiments of the Company's service and the Queen's regiments in those days; but it was appalling.

13,076. Now, confining your experience to the recruits then furnished to the Queen's regiments, is the present system of recruiting a superior one to that which then existed, do you consider?—Oh, infinitely; you cannot compare them.

13,077. That is an interesting point to learn, especially when we hear from Sir Ralph Knox's evidence—which up to the present has not been controverted—that the cost of training a recruit at that time was, if anything—allowance being made for charges included in one case, and excluded in another, higher than at the present time?—Yes, I have no doubt it was.

(*Sir Ralph Knox.*) May I interrupt you? I did not say that the cost was higher, but that the charge to India was more favourable. The cost is a very different thing.

(*Mr. Jackson.*) The charge to India now is more favourable?

(*Sir Ralph Knox.*) Yes, that is what I mean.

13,078. (*Chairman.*) The cost which is charged to India now?—I may add that I am certain we could not now obtain, nor could we then have obtained, the number of recruits now required for India yearly, upon that system. It gave you the numbers you then required, which were very small, but it could not under any circumstances supply us with the number we now annually require to send to India, which amount to between 11,000 and 12,000, generally 12,000, annually. In those days we sent out, as well as I can remember, about 60 men to each battalion in India of the Queen's troops.

13,079. (*Sir Donald Stewart.*) We may admit generally what Lord Wolseley says upon this subject; but there is one small point upon which perhaps I would not quite agree with him, and that is the age of the men; they were not quite so young as they are now, although, as you say, they were often young?—Yes.

13,080. They did not enlist them at 18?—Well, I cannot say about Warley, because I never was quartered there.

13,081. I am referring to Warley?—For the Queen's regiments they certainly did, and my experience of the batch of recruits for the Bengal and Madras Fusiliers that I saw in Rangoon in 1852—I saw them day by day, they were drilling in the same barrack square with me—was that they were to all intents and purposes practically the same as the recruits for the Queen's Regiments with whom I sailed for India that year; they were of the same character, the same age, and they were very young indeed.

13,082. There was a pressure at that particular moment, and they may have taken them a little younger than usual, but the regulations of the service were that they should not be enlisted under 20?—Yes, but in those days they took little trouble upon that point. A man came and said he was 20 and they took him; but if a man now says he is 20, he has to satisfy a physical equivalent which is laid down by our doctors. There are physical equivalents for whatever age a recruit says he is—for 17, 18, 19, and 20; and, unless a recruit comes up to the physical equivalent for 18, we do not take him; in those days they had no physical equivalent whatever, and they took the man as a recruit, and were glad to get him, if he was the proper height and said he was of the prescribed age. But I am tolerably certain the standard age was not 20 for the Queen's army.

(*Chairman.*) But now, Sir Donald, 20 is the age at which you require the recruits to be sent out, is it not?

(*Sir Donald Stewart.*) Yes.

(*Chairman.*) Therefore, even under those conditions, the recruit is of the same age as he was then.

13,083. (*Sir Donald Stewart.*) Yes, but my point was that the men were enlisted and after a short period, and with practically no training, they were merely, as Lord Wolseley says, put into uniforms, put on board ship, and sent out to India, where they were trained with their regiments?—Yes; and they were, therefore, exposed to all the dangers of a hot and bad climate during the time that they were being converted into soldiers.

(*Sir Donald Stewart.*) Yes.

13,084. (*Chairman.*) Sir Edwin Collen quoted to us Lord Salisbury, when Secretary of State for India, dwelling on the necessity for the troops sent out to India being seasoned troops, ready to take the field. I suppose from what you have told us that you would have no hesitation in endorsing that view?—None; and the object of the present arrangement is to fulfil that.

13,085. Certainly. You have seen Sir Ralph Knox's evidence comparing the cost of recruits at Warley with the present cost of recruits?—Yes.

13,086. And I gather from what you have been saying, without pressing you upon financial details, that you would be rather prepared to hear that the charge which is made now against India per recruit is higher than it was then?—Yes.

13,087. Because no doubt many and very onerous conditions have been imposed, adding to the cost of the recruit, in the meantime?—Certainly.

13,088. Therefore it would be satisfactory both to England and India, if it turned out that the charge of the recruit is not so very high as you might anticipate, and especially to India, if, as is put forward by Sir Ralph Knox, the actual charge made against India is less than it was in the time of Warley, though it is true that the English taxpayer has to pay a certain share inasmuch as the full charge is not made against India?—As far as I can understand all the figures that have been put forward. I agree with that; and, although I am not prepared to endorse all the figures, because I have not gone thoroughly into them, I am quite sure that the statement made by Sir Ralph Knox on this point is correct.

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13,089. Taking two of the chief conditions that are now imposed (1) that a recruit shall not be sent out under 20 years of age, and (2) with less than six months training. Do you consider those conditions of importance for the purpose of keeping the army in India effective?—I think so certainly, if you wish to carry out the views expressed by Lord Salisbury, which you have quoted.

13,090. With what amount of training on the average are troops sent out? I suppose the training differs in various branches of the service, does it not?—Well it will differ in different branches; but not in the infantry, nor in the cavalry, nor in the artillery, within themselves. I should say that the majority of the soldiers who leave for India, have about 18 months' service when they leave here.

13,091-2. The minimum being six?—Yes; but we recruit very few men of 19½ years of age. We are obliged to take them when we can get them, and we get them generally about 18; and sometimes we take in many boys who say they are 18 and who possess the physical qualifications of 18; but we have good reason to suppose that they are not 18.

13,093. Do you think that, if India re-established her own European army and recruited it from her own training establishment, she could do it cheaper than you do, provided always she enforced on herself the conditions which she exacts from you, 20 years of age and six months' training?—No, I do not think so. She could not do it so effectively or so well.

13,094. And naturally an establishment which has to maintain a great force, would *ceteris paribus* be somewhat more economical than that which is required to maintain a small force?—Certainly; it is the same thing in all machinery.

13,095. It has been contended, although the argument is not prominently put forward in Sir Henry Waterfield's paper, that the recruits are available in case of emergency for service at home. To what extent would you admit that argument?—I think they would be a great nuisance to us in the case of emergency. The emergencies with regard to England are, first of all, internal riots. They would be useless to us in a riot in a town; we should never think of sending them into the streets to come into contact with mobs of any sort. In case of invasion they would be a detriment to us, because we should have to leave behind non-commissioned officers and some old soldiers to look after them, who would otherwise be of use to us in our own regiments.

13,096. But take a force, of which the men have had 18 months' training, would you not say that that part of the force, which has approached 18 months' training and is still here, would be useful in case of invasion?—When they had had even a years' training, they would be of use to us for home defence.

13,097. Without putting them on the level at that time of your fully-trained soldier, you would be able to put them, may I say, in line with your volunteers or your second line of defence?—Yes, we should put them into fortifications, to hold forts. I may explain myself a little more on that point, because I daresay those who do not know our organisation in England, will have difficulty in understanding it. In the event of any serious trouble, like the threatened invasion of this country, or a great war, or some war to which we should have to send a considerable force abroad, we should mobilise our army, that is, we call out all our 80,000 reserves; those men are then distributed according to their regiments in the various regiments in England, and they fill up our ranks; and the residue of young boys, those boys to whom you refer, we send to the depôts, or else into places like forts, or fortifications, garrison towns, where they would not be called upon to manœuvre in the field; but the men that we should fight with are the reserves, and the trained residuum in each line battalion; the other residuum, the young boys, that are intended to be sent to India every year, would be in our way in a great measure, and we could only dispose of them by sending them to the depôts, or to the various forts, such as I have referred to.

13,098. And that would apply to the boys whom you are training for the English service?—Quite so; yes.

13,099. You would only use all your recruits in training in the depôts in the case of emergency?—Yes.

13,100. The depôts must be occupied anyhow?—Oh, yes, because they are the sources from which our supply comes; they are our reservoir for troops, where we manufacture our soldiers.

13,101. But would their presence in the depôts enable you to relieve any fighting men? Would you put them into the ranks?—No.

13,102. (*Sir Donald Stewart.*) Would these men be temporarily removed from the colours?—Yes. The very young men, say of the Durham Light Infantry, would leave the colours and go to their depôt, and their battalion would be made up to a thousand strong from the reserve men of the Durham Light Infantry; the men of the Durham Light Infantry in the reserves would rejoin their regiment.

13,103. (*Chairman.*) Therefore we come to this as your opinion, Lord Wolseley, that young soldiers in training could not be held in case of emergency, which is the only case to which India refers, as a great addition to the fighting forces of the country?—Certainly not.

13,104. Looking at it from the financial side, you, I suppose, would not think that any serious rebate should be made from the charge against India on that account?—You mean when the men return home?

13,105. The argument of India is that you have got so many thousand boys being trained, made into soldiers; and that in case of emergency they would be useful; and that, therefore, in raising your charge against India you ought to take off a rebate representing that value?—I do not think so at all.

13,106. (*Mr. Buchanan.*) But may I ask a question; after how long service does a man become a good fighting soldier?—After 18 months he would be of use to us; and after two years he certainly is a good soldier.

13,107. Then, surely, if, owing to the fact that we have an army in India and hold India, you have double the number of men with a year's training and, as you say, 18 months' training, this is a source of strength to this country in time of war?—Not much.

13,108. Not if they are within a year's time of being good useful fighting material?—Yes; well, they would go into our forts; they would be of use there; they would take the place of volunteers; they would do exactly what our volunteers would do for us in a case of emergency.

13,109. Yes, but these are the men, as I understand, to whom you look for your fighting material within a year's time?—Yes.

13,110. Well, surely it is a source of strength to us that in time of emergency we should have double the number of this reserve material coming on, compared to what we would have if we had no Indian army?—For a long war you mean?

13,111. For a long war?—I thought you were talking of an extraordinary emergency. No doubt for a long war these men would come on, and before the war was over would be useful soldiers, and we would be very glad to have them. We would not send them out to India; naturally we should send them out to wherever the war was.

13,112. (*Chairman.*) I think the contention of India was that they are useful in case of emergency, because, I take it, that if there was a long war these recruits, whom you are raising simply for India, would still have to be sent out to India; therefore it can only be in the case of a sudden emergency that their value to England can be quoted?—Yes; I should presume that, because of course India would expect us to send her the same number of recruits during the year, whether we had a heavy war on or not.

13,113. (*Mr. Buchanan.*) Supposing we were in great emergency at home, and danger did not particularly threaten India. I suppose you would at once suspend sending out recruits to India, and use the material here for your own purposes?—I suppose, if we were really in a serious emergency, we would have to do that; but that would be a very life and death struggle for England.

13,114. (*Chairman.*) Would it not come to this, that putting the recruits that you have in training for India, on the same footing as those you have in training for English service, you might consider them all useful to the extent that volunteers are useful?—Yes; but I would like, as a commentary to all these remarks and questions, to say this, that these men, to whom you refer, are absolutely necessary as part of the machinery required to turn out the men that India asks us to supply her with every year. That without these men here, we could not supply India with the men to whom Lord Salisbury has referred, and that, therefore, they are part and parcel of the machinery that it is necessary to keep up, in order to supply the drafts required annually by India of the quality that Lord Salisbury has laid down in the letter that is quoted. I do not know whether I make myself perfectly clear

13,115-6. Perfectly so, Lord Wolseley. I do not understand India to dispute that. I only understand her to say, "But while you are doing this, while you are supplying "India with this material, which is absolutely necessary "for her army, it is material that is and might in case of "emergency be of use to you," and that, therefore supposing the training of the recruit to be represented by 100*l.* you might take off 5*l.* to represent that use. I think that is the outside to which the Indian argument goes?—Yes. I do not think that the argument is a good one.

13,117. (*Sir Andrew Scoble.*) Is not a partially trained man better than an absolutely untrained man?—Yes, he is. He would be able to shoot most probably.

13,118. And so far these boys would be better than a corresponding number of boys taken from the streets?—No doubt of it; still they would not be used in the army itself. It is the reserve that would be used. These men would be set aside so far as a sudden emergency is concerned.

13,119. (*Sir Ralph Knox.*) They would be of no use to us practically in the case of a sudden war?—Of a sudden war I mean, of course. The men who would do our fighting for us would be our reserve—our 80,000 men. These are the men who would come into our ranks to fill up our fighting regiments.

13,120. (*Mr. Buchanan.*) Have you not a larger force of reserves available for that purpose, owing to the fact that we have a large Indian army?—Certainly. Of course we do not get the same proportion from a battalion in India that we get from a battalion at home.

13,121. But you get a considerable proportion?—We get a proportion.

13,122. So that the recruiting for the Indian army and the number that you have for that purpose might at any rate strengthen the home force?—Quite so. It enables us to keep a force that we can send to India in case of emergency.

13,123. And also use for your own purposes in case of emergency?—Certainly, but our army, as at present constituted, is really a great reserve for the army in India. But when we have been asked to earmark a reserve of some 20,000 or 30,000 men for India on account of what you say, we have always said, "No, we could not do that, "but not only will we send you 20,000 or 30,000 men if "you require them, but we will send the whole army to "India if necessary for its safety."

13,124. Then, surely, were you not stretching the argument rather too far, when you said that your having to raise this extra number of recruits for Indian service was really a weakness to your home defence forces, or, as you said, a nuisance?—That is easily understood, because instead of having to recruit 30,000 to 40,000 men a year, we had only to recruit about 16,000 which would be about enough for our Army out of India, we should get a better stamp of men, we should get them more easily, we should not be obliged to spend the large sums of money we do at present upon our recruiting establishments throughout England. I hope I make myself clear.

13,125. Yes. Then we should not have the same defensive strength, should we?—Yes; I think we should, because we should not have India on our books which might demand men at any moment. During the greatest war that might befall us we might have a demand made by India for 10,000, 15,000, or 20,000 men to be sent to her immediately.

13,126. But I understood we were speaking with regard to home emergency?—Yes.

13,127. Is not the existence of this extra number of recruits, and also the extra force in the reserve which is due to the size of the army in India, an increase of our home strength in time of home emergency?—In the event of an invasion it would be. That is the only emergency I can see, where it would be of any real practical advantage to us; but we have to put against that very improbable event of an invasion the very large difficulties that arise from our having to supply this very largely increased number of recruits, which the possession of India entails upon us.

13,128. (*Chairman.*) There is force, is there not, in what Mr. Buchanan says, that the fact of our having one-third of our army in India increases the ultimate reserve? I mean that, supposing you have got an army in England and India, say, of 200,000 men, that supplies eventually a larger reserve here, does it not, than if the army was only 130,000 men?—Certainly.

13,129. And to that extent the army in India helps to strengthen our reserve?—Yes. But I should put it in a different way—I should say it helps to give us the power of sending that reserve to India when India requires it.

13,130. It also gives us the power of making use of it ourselves, if we want to make use of it for our own purposes?—Quite so; but, if India required it, we should have to send it to India. We can always raise troops in England, but you cannot do that in India, you cannot raise white troops in India.

13,131. We have all the reserve force here?—Yes; for England.

13,132. (*Mr. Mowbray.*) Would you consider a reserve soldier who has been trained in India, a more effective reserve man than a man who has been trained only at home?—For European warfare the soldier trained in India is not so good as the man trained at home.

13,133. (*Chairman.*) Well, on that point (in paragraph 23) Sir Henry Waterfield says that, apart from the assistance rendered by India in time of war, India affords the best training ground for the British Army in peace; the service is liberally paid, attractive and a large and valuable part of the reserve consists of men whose training has been almost entirely acquired in India. How far would you admit this argument, and perhaps I may ask you whether you would admit it as a ground for rebate?—I do not admit the argument at all; I do not think that India is a very good training ground for our soldiers for warfare out of India. It is an unhealthy climate, and in no way that I know is India as good a ground for the training of the British soldier for Enropean warfare as Aldershot, for instance.

13,134-5. Do not the warlike operations which take place in India make it a good training ground for soldiers?—The little wars there train our men admirably for Indian warfare. They are admirable; as they accustom our men to being shot at. These little wars are invaluable to our men, much better than home peace training; but the ordinary peace training in India which lasts for about three or four months in the year practically is not as good a training for European warfare as they get in England where they are training all the year round, and under the conditions that they would have to fight, if required, for warfare in any European country. In India they obtain, I think, and acquire false notions of what active service in Europe is like; they have servants to look after them, they have men to cook for them. They have men to perform all the work that is done by soldiers for themselves in England, and in the same way officers go into the field with a number of servants, and they have luxuries that are unknown in Europe where men would have to make long marches and to bivouac in all sorts of bad weather from one month to another.

13,136. In paragraphs 17 and 18 Sir Henry Waterfield says that, when the system of short service was introduced by Lord Cardwell, he expressed his conviction that it would not entail any additional charge on India; but that it has in fact imposed a heavy additional charge on India for transport. Sir Henry Waterfield speaks of the additional charge for transport, but he passes over the points on which economy has accrued to India from short service. Would you give us your opinion on the value of short service, (1) as making the Army more effective (2), and as an economical organisation?—Well, I think there can be no question about the increased efficiency of the army, which short service has brought about; and from my remembrance of the army in India, and my knowledge of what took place in campaigns that were a little before my time, I think I may say that almost invariably, when the battalion was ordered on active service in India, the old soldiers remained behind; the men who really fought your battles for you were the young soldiers of the battalion, and the old men remained in the cantonments to look after the women and children. The men who really fought for you in India and who won your great battles and who distinguished themselves were about from 21 to 28, or, perhaps, you may say 30, in those days of long service; but I do not believe that the private soldier of 30 and over did much fighting and marching for you in India. I have been assured by men who fought throughout the Sutlej campaign that the great bulk of the old soldiers were left behind, and certainly I saw it in Burma; they were left behind then. That was in 1852-3. As regards the merits of the short service, you must, first of all, look at it from a military aspect, and secondly from what I might call a purely civil administrative point of view. It is a mistake, as I think, to imagine—it is assumed in some evidence that has been given before this Commission—that short service was established in England solely and exclusively for the purpose of improving the

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condition of the English army. The immediate reason why short service was established was that we could not obtain recruits to enlist on long service. Sir Ralph Knox knows that as well as I do; but at any rate anyone who knows much about the army knows that perfectly well. You hear a great deal of talk in newspapers, and in this evidence to which I have referred, of short service as if it had been merely established in England because people wished to imitate foreign nations and to establish a new order of things that would improve the army. The immediate cause of the establishment of short service in England was that our army had been for years under its establishment by about 10,000 men. We could not get men, they were impossible to get, and, as an illustration of how much easier it is to get men for short service than for long service, I will give you one little case which occurred not many years ago. Even after what we call short service now, namely, enlistment for seven years with the colours and five years in the reserve, we could not obtain the men that we wanted to fill the Footguards, and there was a great debate as to what should be done; the old-fashioned officers were in despair, and a great number of them said that the only thing was to go back to long service; that they could at least hold the men, keep them there, and that they would not require the same number of recruits every year. Well, the thing was debated, and I am glad to say that, instead of resorting to that mode of treatment, we went forward, and, instead of increasing the length of the period of service with the colours, we decreased it to three years; and I remember the Guards, who had been, before we established this new order of things, a whole battalion under strength, filled up their number within some months, and at the present moment, and ever since then, the ranks of the Guards have been full.

13,137. That was by actually reducing the time?—That was by reducing the time from seven years to three years, and that is the condition upon which the Footguards enlist at the present moment; they may either enlist for three years or for seven years, but the great bulk of them enlist for three; perhaps 20, 30, 40, or 50 per cent. extend their service to seven years; but the great bulk of them enlist for three years, and leave at the end of three years' service.

13,138. The really popular service is the short service?—The more popular service; whenever we have difficulties—which I am glad to say we have not at the present moment—in getting the 30,000 or 35,000 men a year, or whatever number of men we require annually, if those difficulties were extended beyond one year into several years, I think we should have to face the possibility of, and the advisability of, reducing the service with the colours from seven years to some number below it. That is as regards the necessity for short service, and as regards its advantages I believe myself that the men nowadays are more contented, because they are able to get rid of the service, if they dislike it, at seven years instead of being under the old system of 10 years' or 12 years' enlistment.

13,139. And I suppose, the great addition made to the Imperial forces in India after the mutiny was one of the reasons that made short service inevitable?—Certainly, short service would have been postponed for many a year, had it not been for the necessity that we had of sending out these 10,000 or 12,000 men annually to India.

13,140. The position really is that, where before the mutiny 36,000 European troops were required in India, taking the Queen's troops and the local forces, now there are about double that number, are there not?—A little over double.

13,141. You were speaking about the old soldiers in the older time not really being so efficient as the younger soldiers in India. In the evidence that Sir Edwin Collen gave us, he dwelt upon the desirability of having men of longer service. I think he was arguing in favour of a service of ten years in India, and he backed himself up by several opinions. Amongst others he quoted the opinion of Sir Henry Norman, that from 25 to 30 years of age was the time in which the soldier was most useful, as I understood it, the evidence referred to service in India. Sir Edwin also quoted Sir William Mansfield to the effect that young soldiers were invalided in much greater numbers than old soldiers. Taking that latter point first, we have had evidence before us to show that the younger soldiers are invalided in less proportion than the older ones; will your experience confirm that?—My experience would tell me that; but, besides that, I have the experience of having gone into this question very closely, when I was a member of the Council of India. I took the question up very carefully, and I came to the conclusion that after a man had been eight years in India, the sooner you get rid of him the better in the interests of India; and that was borne out not only by the opinions of the men whom I thought best calculated to give an opinion, but by the medical statistics which I studied. In the medical diagrams representing the private soldier's career in India, the death and invaliding rate went up and down, until you came to the eighth year, and then it went down suddenly like a precipice—the numbers that invalided and died after eight years were very large indeed. It is some time ago since I studied the question, but I remember the result very well.

13,142. I think your recollection tallies very closely with the figures brought out by Sir Ralph Knox during Sir Edwin Collen's examination. In the first instance, it was quoted to us that in 1872 the death-rate was 17·5 per 1,000, the invalided 43·6. In 1894 the death-rate was at 16 per 1,000 and the invalided very nearly 25½?—Yes.

13,143. Of course the difference in the invaliding is very great?—Yes, I believe that to have been due to the introduction of the short service system.

13,143*a*. (*Mr. Jackson.*) But is it not partly improved by the more sanitary conditions under which the men live?—I think that has a great deal to do with it also.

13,144. (*Sir James Peile.*) On the other hand, I found in the Sanitary Commissioners' Report of 1894 that there was a column headed "constantly sick;" and in that column the number of "constantly sick" in the British troops had increased very much between 1875 and 1894, from an average for 1870-79 of 60 per 1,000, to a rate in 1894 of 90 per 1,000?—The question of venereal disease, of course, has a great deal to do with that. Venereal disease has increased enormously in India, and is undermining the strength of our Indian army owing to the abolition of the system of safeguards that we formerly took to prevent it.

13,145. I suppose the youth of the soldier, the fact that a smaller proportion are married soldiers, would lead to that result, would it not?—Well, marriage in the old days was confined to old soldiers. I do not think it had much influence one way or another—not upon the subject of venereal disease, if you mean that.

(*Chairman.*) I think, Sir James, that those figures you brought forward showed that the real increase was due to venereal disease?

13,146. (*Sir James Peile.*) That was mentioned as one reason; and the other was the liability of the young soldiers to enteric fever; those two were put forward, not as positive facts, but as theories, probable reasons. On the other hand, in the return in that report for the native troops the "constantly sick" column showed a diminishing, instead of an increasing, figure?—They are not subject to venereal.

13,147. Exactly.

13,148. (*Chairman.*) Well, there was another figure also mentioned at that time, which is curious in the direction in which you have been speaking, namely this, that dividing the force in India into those under 25 and those over 25, 49 per cent. of the whole amount of invalids were under 25, and 51 per cent. over 25; but, whereas the force under 25 constituted two-thirds of the whole force, the result, if the figures are true, must show that there is less invaliding among the young men under 25 than among those over 25 years of age?—Naturally.

13,149. Given 100 soldiers invalided, 49 of those would be under 25, and 51 over?—Yes.

13,150. But, as the 49 would represent two-thirds of the whole force, it seems clear that, if these figures are correct, there is less invaliding in the younger men than there is in the old. That is what I wish to bring out?—Yes.

13,151. You have given us your view of the short service system in respect of making the army effective, do you think it an economical organisation also?—It is most economical for India certainly. It is economical all round I think, but especially economical for India, because they have, practically speaking, no pensions, except those for non-commissioned officers, to provide; but for the private soldier they have no longer the large sum to pay in pensions, which they formerly had.

13,152. You have looked at Sir Ralph Knox's evidence, have you not?—Yes, I have read it.

13,153. I would ask you generally whether you would concur in his conclusions? If you remember, the figures pointed, I think, in this direction, that the normal saving in pensions would be something like 600,000*l*. Against that he put 200,000*l*. deferred pay, and an increased charge on account of transport. The result is an economy upon the normal European force of some 300,000*l*. Would you

be prepared from your experience to expect such a result as that?—As far as I could judge, I thought his figures were incontrovertible. I remember his figures were 1,100,000*l.* and 600,000*l.*

13,154. That is the total charge, the total cost to England, of raising these recruits; but I am now speaking simply of the effect of the short service system, in regard to which he put on the one side the saving in pensions, and on the other side the increased charge for transport, which is rather difficult to arrive at, because the diminution of freights has decreased the total charge of the transports; but there is no doubt that the increased number of men sent out has caused a much larger comparative expense than would have been incurred if the old number of recruits only had been supplied. Further, deferred pay must be put against the saving?—Yes.

13,155. The result showed that it is a very considerable economy—over a quarter of a million pounds sterling certainly—to India upon her normal force?—I agree entirely.

13,156. The Indian witnesses show that the charge for recruits in the old local Indian army was less than the present charge, reckoned in the same manner, viz., as a capitation rate on the effective force maintained in India (though there appears to be good reason for thinking it was more expensive per recruit, as it turned out a less effective article at the same rate, or even at a higher rate than now, notwithstanding that indisputably in the interval the cost of administration has increased). Is not this apparent contradiction due to the fact that the old European local force was enlisted for life, and that that system, as compared with short service, made a smaller annual demand for recruits; and that although each recruit under the old system was more expensive relatively than now, yet, as fewer recruits annually were required per thousand men effective in India, the expense was actually less? Would you give us your view as to the result of the two systems of enlistment, for life and short service, and on the value of the army they each turned out?—Yes; they had a less effective army.

13,157. And they had not to send out so many recruits, proportionately, then as they have now?—Certainly not.

13,158. And you must take that into consideration in reckoning the economical result of short service?—Yes. I might say upon that and bearing upon my former evidence, that the regiment that I belonged to was the first regiment that landed in India for the mutiny in India, and it was a regiment composed of very young fellows indeed. We had lost enormously in the Crimea and we had been decimated at the Redan. It was a very young regiment, and, in common with nearly all my brother officers, I was very young, and I was inclined to make light of the value of those young soldiers; and amongst ourselves we often talked of the pleasure it would be to us to see some regiments of the old type when we got to India, and those regiments that had been in the colonies for a long time, and which were composed entirely of old soldiers. I think I may confidently say that I represent the feelings of all the officers with whom I was then associated, when I say that within a year from the time we landed we thanked God that our men were young, because they fought so much better than the old fellows. They marched much better, they fought much better, they never grumbled, whereas the old soldier was a continual grumbler. Our men, these young boys, were more easily managed, and were more amenable and followed their officers with much better *élan* and alacrity than the old soldier who had been accustomed all his life in India to drink rum, and was a beer drinker if he was anything at all. From that day up I myself and those who were thinking officers, came to the conclusion that the young soldier was a better man, and did better service for India than the old man.

13,159. (*Sir Donald Stewart.*) Had you any opportunity of comparing results between your own regiment and the regiment from the Cape, for instance?—Yes.

13,160. But how many of these men were alive after the second year's service during the mutiny?—The young men?

13,161-2. The old men of the Cape and Mauritius regiments?—In one regiment, I should say, that the really old men disappeared altogether.

13,163. Well, with regard to those regiments I can support your argument entirely, because an enormous number of them died from exposure on the field in the first two years of their service in India.

(*Chairman.*) And did you find the younger men bear the extraordinary fatigues of that time better than the old men?

(*Sir Donald Stewart.*) Yes, because they were often old and worn out.

(*Mr. Buchanan.*) What do you mean by old?

13,164. (*Sir Donald Stewart.*) Well, you had men in those days who were privates of 18 or 19 years' service; they were worn out?—A private soldier after 10 years' service soon fell off in value and became of little use to the British army.

13,165. (*Mr. Caine.*) You mean in India?—Yes, but he was not of much use after that length of service anywhere.

13,166. But you mean in India?—Well, even the men who then came from some of the colonies.

13,167. (*Chairman.*) We have had impressed upon us the desirability of extending Indian service, some say to eight years, some say to 10 years, and that evidence looks rather with regret to the disappearance of the old local force, that was enlisted for life; but, I presume, there is no question from what you have told us, that you would not approve such a proposition?—Not in the interests of India. I might add also, that, if we increased the length of time that we keep a man in India to eight, or nine years, you would take out of his life, practically, the whole of the best part of it, and I feel you would be bound to give him a pension for ever afterwards. If you keep a man beyond the seven years' service in the ranks, certainly beyond eight, you cut out such a large block of the most useful period of his life that, I think in honour you are bound to give him a pension, and keep him from poverty for the rest of his existence.

13,168-70. That is very interesting evidence to us; when it was represented to Sir Edwin Collen, when he was arguing for extended service, that that would inevitably entail a grant of pensions, he said he did not see it. Well, of course, the extended service does not exist, and we, therefore, cannot say what would be the cost. I should venture to think, looking to the effect of public opinion here, that in all probability for soldiers of long service of that kind you would have motions in the House of Commons for pensions?—And it would react upon our recruiting very largely, if there were scattered throughout England a large number of private soldiers who had been eight or ten years in India, and who had come home more or less broken down after a time, who had lost all connection with brothers and uncles, and people in England who could help them to employment, and who being, therefore, out of employment swarmed into the workhouses; there is no doubt of it whatever that it would seriously affect the recruiting market.

13,171. (*Mr. Buchanan.*) For the purpose of forming the good fighting reserve men, whom you mentioned before, what is the maximum time of service that you think a man should undergo in India?—I think seven years, but he is kept sometimes quite eight in urgent cases, and it is quite right that there should be power to do that; but I do not think that our men should serve longer in India than seven years—I think that six years would be a better period.

13,172. (*Mr. Mowbray.*) But now that soldiers are enlisted for seven years, if they cannot go out until the age of 20, they do not get seven years in India?—No, they do not.

13,173. Would you have any objection to having the time extended to seven years actually in India?—I should; for the reason that I have just given, namely that if you take all that is valuable out of a man's life—and I think that from 18 to 25 or 26 is the most valuable time of a man's life—you are bound to provide for him somehow or other.

13,174. And that, of course, would be extending practically his term of service to about eight and a half or nine years?—Yes.

13,175. (*Chairman.*) But is it not the case that the service of the man in India, if you were really to take the average, is considerably above five years? Sir Edwin Collen told us that the average which he took merely upon the men returning in a year was 5 years 4 months; but the figures which were put before us showed, I think, that out of the 72,000 or 74,000 men that are in India, certainly something approaching to one-third were men of over 25 years of age. If that is the case does not that point to a considerable number of men for one reason or another re-engaging, or remaining on voluntarily, a good bit in excess of the five years?—Well, of course, all the non-commissioned officers are in that category, and they are a large body of men. They are men as a rule over 25 years of age, and they

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constitute a large number; but I have not seen the papers you refer to, and I do not know the statistics.

13,176. It was Sir Edwin Collen's evidence, answer 6273:—"A total of 1,544 out of 74,799 (under 20 years of age). "But then we come to the men of the regiments, and I find "that from 20 to 21 years of age there were 6,000 (I am "stating the round number); from 21 to 22, 9,400; from 22 "to 23, 10,200; from 23 to 24, 10,000; from 24 to 25, 9,000; "from 25 to 26, 8,000; from 26 to 27, 5,700; then 27 "to 29, 7,000, taking the two years together; and then "above that age, 29 to 30 and upwards, something like "5,000 men?"—Well, I should call that a very admirably constituted army as regards age. Perhaps there are too many men too old in it; but in other ways it is an admirably constituted army, I should say, looking at it as a fighting machine, as regards its age constitution.

13,177 You have had actual experience of the time when the old Indian local force was in existence; and I would ask you whether you could give us your experience, because you must naturally have seen the old local regiments in service alongside of the Queen's regiments?—I have very often. Of course, the whole artillery force of India belonged to the East India Company's service before the Queen took over the Indian army. As regards the fighting qualities of the artillery, I do not suppose any army could turn out better fighting material. The officers were first-rate, they could not be better, and the men fought magnificently wherever they were called upon to fight. I think their discipline—this may be a criticism that arises from prejudice, but I give it you for what it is worth—was not as good as the discipline in the Queen's service. I was associated, as I told you before, with two regiments of the Company's European troops, and I do not think you could have had in the army two finer battalions. They were splendidly turned out, beautifully equipped, beautifully drilled, remarkably well-officered, with officers of a very superior social position, and in every way they were quite equal, I think, to all appearance to our men. Still, I think there was a slight *nuance* of difference as regards the discipline of those two regiments when compared with the English regiments which were not local. I was afterwards associated with other local European regiments during the mutiny, and they were decidedly inferior to those two regiments, and, in my opinion, decidedly inferior in discipline to the Queen's regiments.

13,178. If I remember right, there was—I think it was after the mutiny, but somewhere about that time—a difficulty which went by the name, probably an exaggerated one, of the white mutiny, was there not?—Yes.

13,179. Did not that arise in the local force?—That arose in the Bengal Horse Artillery. Sir Donald Stewart knows more about it than I do. I think a gentleman's son was the man who was the principal culprit.

(*Sir Donald Stewart.*) It arose when the transfer of the East India Company's European troops to the Crown took place. The Government of the day refused, notwithstanding the urgent solicitation of the Commander-in-Chief, to give the men a small bounty on their transfer. The Government said "No; the law enables us to make this transfer "without giving them anything, and we will not do it." They were urged by those who knew the men and understood their habits and customs and thoughts; and, though it was usual on the transfer from one regiment to another, from one service to another, to give something in the way of bounty, the Government were obstinate and would not do it; the consequence was that the men declined the offer of Government, and were eventually sent home and discharged.

13,180. (*Chairman.*) That would not be any proof of laxity of discipline; it was a distinct grievance on the part of the men?—Yes, they considered it so, and Lord Clyde, I should like to add, took their part.

13,181. (*Sir Donald Stewart.*) Quite so; and the men had the sympathy of their officers?—And of the Commander-in-Chief in India.

13,182. Entirely; and it cost the country many hundreds of thousands of pounds to get these men back again into the ranks. That is what was called the white mutiny.

13,183. (*Chairman.*) The India Office argue that England has not treated India justly in the arrangement, under which the two powers borrow troops from one another. It is asserted that, when India borrowed from England troops for the mutiny, she had to pay all the charges of these troops, ordinary and extraordinary, whereas when England borrows troops from India, India has to pay the ordinary charges. Is it not the case that at the time of the mutiny England lent a large force to India, and, to fill up the vacancies then created, she had to raise new battalions and embody militia?—That is the case. The militia was called out. Most of them were, I think, embodied before the mutiny broke out, and were about being discharged, but they were kept on. I am not quite certain; but some of them certainly were.

13,184. (*Sir Ralph Knox.*) With reference to the question that was asked me on the same point, I have got some information as to how the militia stood during that time. I find that 47 regiments were embodied in September, October, and November, 1857, their strength on 1st December of that year being 30,149 rank and file. On 1st January 1858, 31,163. In April, May, June, and August 1858, 17 regiments were disembodied. Strength on 1st September 1858, 18,563, rank and file. Two more regiments were embodied in October 1858. Strength on 1st January 1859, 19,545, rank and file. Four regiments were disembodied in March, and eight embodied in April 1859. Strength on 1st July 1859, 20,457, rank and file. Strength on 1st January 1860, 22,033. The remaining regiments were disembodied during 1860 and the early part of 1861. Strength on 1st July 1860, 11,535 rank and file. Strength on 1st January 1861, 4,834.?—And we raised 26 new battalions to replace those regiments we sent abroad.

13,185. (*Chairman.*) And, of course, to whatever extent England replaced men she sent to India, she acted on the arrangement now in force; because under the arrangement now in force, if India raises a single man to replace the men she lends to England, then the whole charge passes on to England?—Yes, that is the understood thing.

13,186. In paragraph 21 of page 10, Sir Henry Waterfield's paper, the India Office say:—"The revenues of "India have been charged with the cost of many changes "in organisation, not specially necessary for the efficiency "of the army in this country, and with the cost of "troops employed on Imperial service beyond the limits "of India. Millions of money have been spent on "increasing the army of India, on armaments and on "fortifications to provide for the security of India, not "against domestic enemies or to prevent the incursions of "the warlike people of adjoining countries, but to maintain the supremacy of British power in the East. The "scope of all these great and costly measures reaches far "beyond Indian limits, and the policy which dictates "them is an Imperial policy. We claim, therefore, that "in the maintenance of the British forces in this country, "a just, and even liberal, view should be taken of the "charges which should legitimately be made against "Indian revenues." Would you consider that the changes in organisation intended to make the army more efficient have no interest for India? You will observe that this paragraph speaks of the changes in the organisation as having been made in the English army without reference to India. To many of us it would naturally appear that any change in organisation, which really made the army more efficient, was as advantageous to India as to England?—So I think. My idea, with regard to the charges generally for the troops in India, is that India should pay for everything connected with the army. Supposing we had not India, supposing India did not belong to us, the difference between the army establishment that you would have then and what we have now is the amount we should charge India for the English troops stationed there. As regards the cost of fortifications and batteries, and defences on the sea coast, if we had no India we should have no batteries, no defences, and therefore, as it is for India that these batteries are maintained, India should pay for them.

13,187. Then we should not have the British empire and British rule in India to be maintained?—No, I say supposing we had no British rule in India to be maintained, we should not have those batteries and these fortifications that are referred to in that extract but that, as we have India, and these batteries, India should pay for them.

13,188. (*Mr. Naoroji.*) But is it not for the sake of maintaining the British rule that all this British army and British fortifications and all these are there?—No; it is for the purpose——

13,189. If British rule were not there you would not care a straw for India and would not go there?—Quite.

13,190. And you would not impose a British army upon India?—We do not impose a British army upon India; India asks for it.

13,191. You have a large European army imposed upon India for the purpose of maintaining British rule?—Why do you use the word "imposed"?

13,192. Because it is not with our consent; we have no voice; India has no voice?—That is a point I cannot go into.

13,193. (*Mr. Caine.*) May I ask, on the principle that you have just laid down, do you think that India should pay for Aden?—I think that, if we had had no India, we should never have had an Aden.

13,194. Do you not think that Australia and the Cape are just as much interested in Aden as India?—I do not think so. I think it was originally established—I do not remember in what year it was established—before we had any very great interests in Australia; the East India Company had previously taken possession of Aden. Is not that the case, Sir Donald?

13,195. (*Sir Donald Stewart.*) Yes; of course it was to support our line of communications by the Red Sea?—Yes.

13,196. (*Mr. Caine.*) Yes, but our line of communications by the Red Sea, since the Suez Canal was made, is of interest to the whole of the British possessions east of the Atlantic?—Aden was occupied long before the canal was made.

13,197. (*Sir Donald Stewart.*) Oh, about 70 years ago?—That is what I say.

13,198. (*Mr. Caine.*) But Aden is surely no longer an exclusively Indian interest?—Aden is of use to English commerce, because our commerce could find a certain amount of protection under its batteries.

13,199. But India pays the whole cost of Aden?—I think that we pay part of the fortifications of Aden. I do not know. Is not that the case?

13,200. (*Mr. Buchanan.*) But would you recognise, Lord Wolseley, that Aden is an Imperial fortress?—It is Imperial and Indian.

13,201. And Indian; but it is not exclusively Indian?—No, I suppose you may say it is not exclusively Indian.

13,202. But it may have been exclusively Indian, when it was first taken possession of, before the Suez Canal was made?—Yes.

13,203. It may have been then, but it is not now?—I do not think that its position is altered.

13,204. But its position in relation to the Empire is altered?—In what way? Because, if Aden was established before the Suez Canal was made, which is practically before the Egyptian route to India was worked out, it was then considered to be of sufficient value to India to keep troops there. I do not see that the fact of the Suez Canal having been opened and being used by people going to Australia diminishes the value to India at all of Aden, although the value of it to other colonies may have extended.

13,205. It surely extends to the rest of the Empire? We have, of course, made large annexations in Eastern Africa, and in many other parts of the East beyond the Red Sea, beyond India, and surely Aden has become much more an Imperial fortress?—None of our transports to Africa go through the Suez Canal.

13,205*a*. (*Mr. Caine.*) But our trade does?—Oh, no, our trade goes round the Cape, round the west coast of Africa.

13,206. If you could conceive it possible that India were withdrawn from the British Empire, would you advocate the abandonment of Aden?—That is a difficult problem which would take a long time to solve.

13,207. (*Sir Andrew Scoble.*) But, while the value of Aden to India may remain the same, is not the value of Aden to the Empire at large very greatly increased by reason of the opening of the Suez Canal, and by the extension of our possessions in East Africa, and by the development of Australia?—I do not think that Africa has much to do with it, because the great trade with Africa does not go through the Suez Canal. What part of it goes?

(*Mr. Caine.*) The trade to Zanzibar.

13,208. (*Sir Andrew Scoble.*) And do not steamers go down through the Suez Canal and the Red Sea to the east coast of Africa and Mauritius?—I know, that part does; but the greatest part of our African trade goes round the west coast of Africa.

13,209. (*Mr. Caine.*) I am speaking of the trade to the east, not the west?—Yes.

13,210. (*Chairman.*) I see Aden was acquired by the East India Company in 1838 in the interests of shipping passing between India and the Red Sea, as a coaling station, and for purposes of protection in cases of shipwreck?—Yes, 1838.

13,211. But, when so much stress is laid upon the necessity of Aden as a fortress to the trade of Australia, ought we not, before expressing an opinion upon that, to form some opinion of what the real value of Aden is? I think, as it has been put to you, the increase of trade through the Suez Canal has added what I may call imperial importance to Aden; but Aden does not matter in times of peace. It is in times of war that the Imperial fortress would become necessary, and can one suppose that the trade with the east would go through the Suez Canal, if war broke out?—Oh no, certainly not.

13,212. Therefore Aden would be out of the question then?—As regards the Suez Canal in time of war, please do not base any calculations upon it, because it would probably be destroyed by either one or other of the belligerents.

13,213. (*Mr. Caine.*) But surely if we were at war with Russia under existing circumstances, we could use the Suez Canal with perfect safety?—Oh, quite so.

13,214. That is the very contingency you have to consider with regard to India?—Russia. Of course, those questions introduce very large calculations of policy, because I might immediately turn round and answer you by saying "We are not likely to go to war with Russia. "And Russia is not likely to go to war with us, unless "she had very strong naval allies."

13,215. We were very nearly going to war with Russia in regard to Penjdeh, for instance?—At that time but few thought that Russia intended to go to war with us.

13,216. We voted a large sum of money and made great preparations for a Russian war?—Yes, that opens a very large question. I do not believe Russia had the slightest intention of going to war, if you mean that. That opens up a very large question, which it is not for me to enter upon.

13,217. We spent five millions of money on the strength of it. You are aware that over 27 per cent. of the ships going to India stop at Aden?—I accept the statement from you.

13,218. And 33 per cent. go round the Cape to Hong Kong and with our eastern commerce?—Our ships do not go to the Cape through the Suez Canal.

13,219. They go to Zanzibar?—Not to the Cape though; there is no trade with South Africa at all through the canal.

13,220. They go to Mauritius; they go down that side of Africa to that extent?—Yes.

13,221. Do you think it is a fair adjustment of the expense of Aden that India should be charged 277,000 Rx. whilst Great Britain only pays 16,000 Rx.?—I think that is a fair division—I did not know we paid so much—India subscribes little to the cost of the English navy, and it is the English navy which practically defends Aden; you must depend upon the navy as the first great line of defence for Aden, and England pays for that navy; I imagine India's contribution towards the cost of the navy is a bagatelle.

13,222. 100,000*l*?—Well, that would not buy a gunboat.

13,223. (*Sir Ralph Knox.*) If it be fair that this question is to be raised by India as regards Aden, would it not be equally fair that the same question should be raised by the English Government as regards Gibraltar and Malta?—Oh, quite.

13,224. It is the same question, only from the other point of view?—Yes; I do not think it is a question that is worth considering myself.

13,225. (*Mr. Buchanan.*) That is going on the assumption that the two Empires, India and England, are practically two independent contracting Powers; and I understand that Lord Wolseley does take that line with regard to the Indian army, that you should deal with the Indian army and the cost of the Indian army just as you would over a counter?—No; I do not start from those premises, you do.

13,226. No; but perhaps you will recollect what you said during the discussion on the military charges on India. I think you said that India ought to pay every farthing of military cost, which this country would not have incurred if she had not India?—Which our possession of India entails; I think so still.

13,227. I may not have represented you quite fairly?—Oh, yes, you have quite fairly represented me.

13,228. Surely you recognise that the possession of India really constitutes the main part of our Imperial possessions; and that, if we did not hold India, we

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would not be an Imperial power in the sense that we are at the present moment?—We should not be so great a power, certainly not.

13,229. Surely the up-keep of the force necessary to defend this, which is the chief of our Imperial possessions, is an obligation, to a certain extent, upon the whole Empire?—I do not think so.

13,230. You do not?—No, I do not, indeed.

13,230*a*. You deny, then, the Imperial nature of our possession of India?—No, I think it is a part of the Empire of England.

13,231. But, *quâ* our military obligations, would you deny that the home country has any Imperial obligation for the defence of India?—On the contrary, the whole tenour of my evidence—I am afraid I must have explained myself very badly—was meant to show that the whole of the English army, which we maintain in England as a reserve, would be sent to India whenever India requires, and for that reserve India pays nothing.

13,232. But, *quâ* compensation, you have laid down the proposition that India ought to pay every farthing of military expense?—And naval too, I would go so far as to say.

13,233. And naval too?—Yes.

13,234. Well, surely, that is, as far as expenditure goes, to relieve the home country of all obligation for expenditure for the defence of India?—No; I have tried to explain to you already that we keep a very large army in England for many purposes; and one of the many purposes, for which we maintain this large army in England, is that it should be available in any case of emergency for India to do what we did for her in 1857, which is, to send out a large army to put down anything like an *emeute* or a mutiny in the country, or to defend its shores or its frontiers.

13,235. May not the same thing be said about the Indian army with regard to English requirements. We are drawing upon the Indian army for Suakim at the present moment. We draw upon the Indian army for other purposes. The Indian army is as much a reserve for our purposes, as our army is for their purposes?—Surely your arithmetic will not carry that out; once in a way India sends one or two or three battalions to a place like Suakim for a few months, whereas we keep a large garrison of 72,000 or 73,000 English troops in India permanently.

13,236. But I was speaking of troops over and above and beyond those troops that we keep in India. You speak of the British army as a reserve force for Indian requirements. Surely the same thing may be said about the Indian army, that it is a reserve force for English requirements?—May I say that I should not like to put our Indian troops in front of European soldiers.

13,237. (*Mr. Caine.*) I think you might with perfect safety?—I should be very sorry to fight France or Germany with Indian troops.

13,238. (*Mr. Buchanan.*) That is not the question?—It is quite the question if you say the Indian army may be looked upon as a reserve to meet the European needs of England.

13,239. The question is with regard to expenditure?—That is quite another question—expenditure.

13,240-1. (*Mr. Caine.*) When you brought Indian troops to Malta, who were you going to confront them with? There were none but European troops for them to meet there?—I was not a Cabinet Minister; I cannot tell you what the reason of that was.

13,242. (*Mr. Mowbray.*) In that case I think England paid the whole of the expense?—The whole of the expense.

13,243. (*Mr. Naoroji.*) When you use the phrase that "India requires" or "when India's emergency takes place" what do you mean? It is not India that requires these troops annually; properly speaking is it not Great Britain that requires these troops there to maintain her own rule there; otherwise India would not require any troops from you?—I am afraid I cannot answer that question.

13,244. Is it not for British purposes?—I hope you will excuse me and pardon me, but that is a subject I cannot go into.

13,245. It is rather unfair that repeatedly the expression is used "India's wants and India's requirements," and that these things are required in India's interests, when in reality it is all British interests, British wants, British purposes, in order to maintain British rule in India and nothing from England can ever be required.

(*Mr. Jackson.*) But surely that assumes that the British rule in India is of no value to India.

(*Mr. Naoroji.*) It is of value to India, but it is of value to Great Britain also.

(*Mr. Jackson.*) Then, if it is of value to India, it is for India's requirements, India's interests, India's wants.

(*Mr. Naoroji.*) It is for Britain also. Whatever is necessary for British rule should be supplied by Britain just as well as India. Is there not equal benefit, is there not benefit to both? This is all upon the supposition that it is all for the benefit of India, and Britain has simply nothing but a Quixotic and philanthropic purpose for which it comes to India and saves India from Russian aggression.

13,246. (*Mr. Jackson.*) I do not understand the argument?—I cannot follow the argument. but I would merely say that my views are that India never existed as India at all until we went there. She was merely an agglomeration of small states, the Mohammedans cutting the throats of the Hindoos, with constant and continual internal troubles. India has been constituted an empire by us; everything that India has got at the present moment that is worth having has been derived from English rule. That is the only commentary I have to make, as regards what Mr. Naoroji has to say.

(*Mr. Naoroji.*) I had better say a few words afterwards.

(*Chairman.*) I think we must bear in mind that the English rule exists in India, and that it is not within the scope of our inquiry to go into the question of what would follow the removal of that rule, or what would happen if that rule had never existed.

(*Mr. Naoroji.*) That question arises from the kind of remarks that are made; otherwise I confine myself to expenditure when I come to it.

13,247. (*Chairman.*) As I understand the way in which you state the charge against India for army and navy, speaking from the War Office side, you say that the real charge to which India subjects England is that charge which would not be incurred if India did not exist?—That is my view.

13,248. And of course that is the outside charge, that is the cost of India to England?—Yes.

13,249. It then becomes a question whether every farthing of that charge should be exacted or whether there should be some rebate in the form of some contribution on account of Imperial obligations or otherwise; but you very naturally, speaking of it from the War Office side, state the case in full, and there can be no doubt that the cost to England is the cost which would not be incurred if India did not exist?—Certainly.

13,250. (*Sir Edward Hamilton.*) Is it not the case that, the number of troops that you maintain and keep up in this country is greater owing to the fact that we are in the possession of India?—Yes.

13,251. And therefore, to that extent, I suppose, we do fulfil our Imperial obligations towards India?—Yes, and also with regard to the very great navy we maintain.

13,252. Apart from that and with reference to the troops, is it not the fact that a smaller number of troops would be maintained in this country were it not for the possession of India?—Certainly; and the tenour of our correspondence with India on this subject has been that it would not be a question of 10,000 men, or 20,000 men in the case of an emergency, but we should be prepared to send the whole of our army there if she required it.

13,253. (*Mr. Buchanan.*) But you would make her pay for it?—From the moment they arrived there.

13,254. And from the moment they passed from our shores?—Oh, certainly.

13,255. (*Chairman.*) As I understand Lord Wolseley, he is stating what is the real charge of the Indian army to England, and it is perfectly clear that the real charge must be that which would not be incurred if the Indian Empire did not exist; it is necessary, is it not, to state the case in that way, because from India it is put very forcibly forward that "we claim that in the maintenance of the "British forces in this country, a just and even liberal "view should be taken of the charges which should "legitimately be made against the Indian revenues." The claim of India is that charges have been imposed which were not made in the Indian interests; that is her view, that England benefits by the presence of the army in India. These are all reasons for rebate; that is the extreme view put on the Indian side. It is quite right that this Commission should have before it, therefore, the

extreme view on the other side. It lies then with people who have to decide when they know the whole circumstances to say how far there should be a rebate?—That is all.

13,256. (*Mr. Mowbray.*) I should like to ask one question before you leave that point. Do you think that it would be possible materially to reduce the number of troops in England, having regard to possible foreign complications and our general Imperial obligations, putting India altogether out of the question?—If we had no India?

13,257. If we had no India?—We should reduce the army, certainly, *pro tanto;* we should reduce all the force that we have in India.

13,258. That I take for granted; but then you also said that we should take something from India for keeping up our home army at a figure which enables us, if necessary, to send large re-inforcements to India; that, I understood, to be your view?—No, I do not quite say that. I said we had the men here, and they were always available for India; but we do keep men in England, of course, that are exclusively used for the purpose of the army in India, that is at the depôts.

13,259. That I quite understand. Then I wanted to know whether you could tell me if you thought you could materially reduce the number of troops in England, supposing you had not to meet the possible call of 10,000, 20,000, or 30,000 men for India; because there would still remain other international complications on the continent and elsewhere?—I dare say there are many people who would say, by all means they would reduce them; but, if you wish for my personal opinion, my personal opinion would certainly be that we ought not to reduce the strength of men that we have in England.

13,260. And, therefore, it cannot be said that you are keeping up the strength which you have now in England, solely or materially even, as a possible reserve for India?—Not solely, but they are there as a reserve.

13,261. There is the reserve; but if that were not available?—It is always available for India.

13,262. But if you had not got them available for India, you still would, in your opinion, have to keep them for other purposes?—I would recommend it, but I do not think that my recommendation would carry others with me. I think the home force would in these circumstances be reduced considerably.

13,263. (*Sir Ralph Knox.*) But, at all events, you would get rid of the cost of raising these recruits for India?—Oh, yes.

13,264. That would disappear entirely?—Entirely, and we should get a better class of recruit; we should require fewer, and we should obtain them with much greater ease and at a much lower rate.

13,265. And our organisation generally would, in all probability, be different and cheaper?—And the machine would work much easier.

13,266–7. (*Sir Andrew Scoble.*) England would not be a first-rate power in that contingency, though the expense for the army would be less?—There are people who think now she is not a first-rate power.

13,268. (*Chairman.*) Do you not think the army of England is indirectly an advantage to India in general?—I think India would be in a very dangerous condition unless she had these reserves behind her.

13,269. (*Mr. Jackson.*) May I put the question in a different form; supposing these reserves were not available, surely India would have to keep a larger number of troops in some form or another?—She must; she would have to get a reserve for herself.

13,270. And, therefore, the very fact of these reserves being here is a source of great economy to India?—Certainly it is; and the best proof of the necessity of the reserve in India was the war of 1857. Supposing there had been no England to draw upon, and no English army to draw upon in 1857, what should we have done, where should we have been?

13,271. (*Mr. Buchanan.*) That applies, of course, to the whole Empire, does it not? And the difference of the position of India to any other part of the Empire in such an emergency is that, whereas, in the case of a military eventuality in South Africa, we make our whole military reserves available, and we pay the bulk of the charges, we do the same to India, and we make India pay the whole?—India pays nothing for our reserves at all.

13,272. But when they are sent out, we make India pay the whole?—Yes.

13,273. When we send out a military force in the case of an emergency in the colonies, we pay the bulk of the expense ourselves?—Yes.

13,274. One more question to bring out that you really apply a different theory to India to that which you apply to the military expenditure on other parts of our Empire?—We have very little expenditure on the other parts of our Empire.

13,275. Still, to whatever military expenditure there is on other parts of our Empire?—Certainly, we have Malta and Gibraltar which we practically keep up for India.

13,276. That raises up the question of Aden again. I mean to say those are serious questions. We must go further afield, Singapore and Hong Kong.

13,277. (*Sir Edward Hamilton.*) We incur considerable expenditure in South Africa?—We keep three battalions in South Africa.

13,278. I should rather say we have incurred great expenditure in South Africa. I am not referring to the present moment?—We acquired the country and require troops to protect our coaling station there.

(*Chairman.*) What would you put the cost at, Sir Edward? 5,000,000*l.*?

(*Sir Edward Hamilton.*) I should think it would be more than that.

(*Chairman.*) If you remember, we gave 5,000,000*l.* to India for Afghanistan; so far the cases are similar, are they not?

13,279. (*Mr. Buchanan.*) I could not admit that. Would not the theory be this, Lord Wolseley, that, with regard to other parts, Singapore and the Cape, we would bear the whole charges and we get from time to time contributions from the various colonies in aid of our military expenditure?—The colonies do support in some cases a very large force of their own.

13,280. (*Sir Andrew Scoble.*) And so does India?—Yes.

13,281. (*Mr. Buchanan.*) But is it not the fact that that is the way in which military expenditure is arranged in the Cape, and Singapore, and Hong Kong—that we bear the whole charges, and that Singapore and Hong Kong make a certain contribution?—Yes.

13,282. In fact whenever a place is rich enough, according to the richness of the place concerned so is the contribution paid?—India is supposed to be rich enough to pay the whole cost of her expenditure.

13,283. India is so very rich that we make her pay the whole; that is rather a different theory?—That is it; and the colonies in the same way, where they are rich, contribute towards the expense of the military establishments—they pay for their defences.

13,284. (*Chairman.*) Let us take a case close to India—Ceylon. It is certainly the argument of the Treasury, supported by the War Office, that Ceylon should pay all the ordinary charges of our garrison. There is always a question as to how far, just as in the case of India, she does pay, or whether the contribution is sufficient; but that has been the principle contended for by the Home Government and that is nearly the same principle that is contended for in the case of India?—Quite; Ceylon is on a par with India on those points.

13,285. (*Sir Ralph Knox.*) Practically, all the military stations abroad are coaling stations, are they not?—For the navy. That is the practical way of looking at it. If it were not for India, I do not believe we should have troops at the present moment in Egypt, and it is doubtful if we should have any in Malta.

13,286. But the force, even at the Cape, is not for the service of the Cape Government; it is there to protect the coaling stations, which are necessary for the trade and for the navy?—At Cape Town, yes; the garrison is only for the coaling station there.

13,287. (*Chairman.*) And was not a distinction admitted in those discussions which have taken place of late about the defences of the Empire? Did not the Home Government, to the best of their power, mark out certain places which they considered Imperial places, necessary for the coaling of the Imperial navy and so forth?—Yes.

13,288. In these cases the Imperial Government has taken a very large part—perhaps, in some cases, the whole, of the charge; but where it can be stated that expenditure is incurred purely for colonial defence, the contention of the Home Government is that the colonies should bear that charge?—Certainly; that is the principle we work on everywhere, India included. For example, at Esquimault,

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on the west coast of the Pacific, we did a certain proportion of the work and the people of Canada did the other.

13,289. (*Mr. Buchanan.*) You never got the money out of Canada, did you?—They did the works; we did not ask for the money; we gave the guns and they made the works, if I remember rightly.

13,290. The truth is that they can refuse to pay, and India cannot?—Oh, I think the feeling of the colonies is to pay very largely for their own defences; there is a very strong national feeling in the colonies.

13,291. (*Mr. Caine.*) Esquimault is used almost exclusively for the Pacific fleet; there is no trade there?—Well, I would not say exactly that; because trade is the principal object of the place.

13,292. I doubt whether 5,000 tons of merchant shipping go there in the course of the year?—A trade will come.

(*Chairman.*) There used to be a large sealing fleet there, was there not?

13,293. (*Mr. Caine.*) It is some 8 or 10 miles from Victoria?—Yes; Esquimault is the defensible part of Victoria.

13,294. (*Sir Donald Stewart.*) It is close to Victoria, within a few miles?—It is the *point d'appui;* it is a strong harbour in the neighbourhood of Victoria in the event of a hostile fleet coming there.

(*Mr. Caine.*) Esquimault is 6 miles from Victoria by land, and 15 miles by sea, Victoria is in Vancouver Island.

(*Sir Donald Stewart.*) Your recollection of the distance is different to mine.

13,294*a*. (*Chairman.*) It has been urged by India that a heavy charge was imposed on India for the abolition of purchase; but was not the whole charge of compensation to the purchase officers undertaken by England alone?—Entirely.

13,295. And, so far, there is no ground for contending that the abolition of purchase imposed a charge upon India?—I do not know whether there is any item in that 7*l.* 10*s.* for the pensions of officers, is there?

13,296. (*Sir Ralph Knox.*) None at all?—None at all. Then the charge fell entirely upon England.

(*Sir Andrew Scoble.*) I do not think it is so. India does pay a proportion of officers' pensions. We have had it in Sir Ralph Knox's evidence.

13,297. (*Chairman.*) We are only speaking at the present moment of compensation for purchase. India paid nothing of that?—No.

13,298. May I ask whether, in your view, purchase is a good system?—A very bad system, an anachronism; but with regard to the question of purchase you may view it from two points. If I had been a taxpayer and not a soldier, I should have been in favour of purchase; but, being a soldier and wishing to have an efficient army in India and at home, I was very anxious for the abolition of purchase.

13,299. In your view the abolition of purchase was an essential step towards making the organisation of the army efficient?—Yes, and it was a question in which India was as much interested as England.

13,300. Every army which is not worked under such an anomalous system as that of purchase, has to provide pensions for the officers when they are no longer effective, has it not? That is the normal state of an efficient army?—Yes.

13,301. And, when purchase was abolished, the English and Indian army only reverted to what ought to be the normal condition of things?—Quite so, and which had always been the condition of the native army in India.

13,302. (*Sir Ralph Knox.*) And of the artillery?—And of the artillery and of the European regiments in India.

13,303. (*Chairman.*) Would you admit that a charge incurred in abolishing an abuse, and in substituting a healthy system of administration for a vicious one, can fairly be described as the imposition of a burden on India, which uses one-third of that army, and is, therefore, deeply interested in its efficiency?—No. I think that I began by saying in the earlier part of my evidence that India must allow us to use our discretion in laying down such rules and regulations for the establishment of our army, as will provide us with the best army possible. In order to do that, the abolition of purchase was a very prominent feature.

13,304. (*Mr. Buchanan.*) You said just now that, if you had been a taxpayer and not a soldier, you would have been in favour of purchase?—Yes, because the people, before the abolition of purchase, did not pay any pensions to the officers.

13,305. At any rate you would agree with this statement of the Indian Government, that in the introduction of this system the interests of the Indian taxpayer were left out of consideration?—No, indeed, I will not; because I think that the interests of the Indian taxpayer are most prominently concerned in having an efficient army, and in order to have an efficient army, I think you must——

13,306. That applies to the taxpayer at home too?—Yes, but then we are not in such danger always in England. We keep a very small force for police in England.

13,307. (*Chairman.*) When you say that as a taxpayer, you might have advocated the retention of the system of purchase, you are merely putting forward in another form the economical side against the efficiency side?—Yes, exclusively.

13,308. We must come to that in the end, that the taxpayer is interested in efficiency?—Yes.

13,309. Have you seen Sir Ralph Knox's calculation of the cost to this country of providing India with a European army? Putting it in round figures he reckons the charge to England as 1,100,000*l.*, of which India repays 600,000*l.*

(*Sir Ralph Knox.*) That is what it was proposed that she should pay; she never has paid 600,000*l.*; she has never paid more than 540,000*l.*

13,310. (*Chairman.*) If this is an approximate, or anything like an approximate, statement, would you contend on the part of the War Office that, in the words of paragraph 22, England is able to show that India cannot complain that an excessive military charge is demanded from her, in fact, can show that the bargain has been made in a spirit of justice and consideration to India?—I think so; and I do not think I stated this before, but, when I left the War Office to come to the India Office, I was under the impression that India was charged more than she should be for the English army. I came to the India Office and was here for nearly two years in the India Council; and this was a subject that was constantly before me, and was one that I paid the most special attention to, and I was then very *au courant* with all the figures, which I am not at the present moment. I studied the question very thoroughly at that time in the year 1878-9, and I came to the conclusion, after I had been here for some time and had thoroughly gone into the figures, which I had not done in the War Office, that India had a very good bargain indeed, and did not pay so much as she ought to pay; and that was without any prejudice, because I came here prejudiced the other way.

13,311. (*Mr. Jackson.*) The India Office had better have kept you at the War Office?—Well, it was a subject that never came before me for close investigation in the War Office.

13,312. (*Chairman.*) Is there any other point that you would like to call our attention to in connexion with effective service?—I think that you have touched all the points that I made notes of—they are not very many—on the evidence that I have read, and I have been asked upon them all.

13,313. In the evidence of Sir Edwin Collen a good deal was said to us about the expensiveness of the depôts. The line which he seemed to take was this, that it would be very much cheaper to India if the Indian depôts were concentrated; that for one or two depôts the charge should be much lighter that for the number of depôts that now exist. I think the Commission would like to have your view upon that point?—I could not answer the question from the financial point of view without going very closely into it, and putting down the scale of staff that you would require for these proposed concentrated depôts and comparing them with the present condition of things; but I can answer you in a broader way than from the exclusively financial point of view, namely, that, as I said before, those are points on which, I think, the people who have charge of the administration of the army in England and who have to provide this army for all parts of the world, India included, are the best judges; and that they must be trusted to do for India and the Colonies what they do at home; that is to give them the best army upon the cheapest possible terms. As regards the big question involved of having these large depôts instead of having small ones, I may say that we should not get the recruits; that you must have scattered throughout England, all over the surface of Great Britain and Ireland, recruiting centres, in order to be able to obtain this large

number of recruits, which sometimes goes up to 40,000 men, that we require annually for our army; that you cannot merely have a recruiting depôt in London, in Canterbury, in Edinburgh, and in Dublin; that you must have them scattered throughout the country to obtain the numbers we now require. And then the whole of our army system at the present moment, which has been, I think most successful, and which has enabled us to obtain this increased number of recruits, which we now require in addition to what we required formerly, has been the localisation of our forces; that is, we have in each county in England a recruiting centre, and we supply from one recruiting centre, as far as it is possible to do so, the soldiers for the regiments of the county. That is part of our system, which would be destroyed entirely if you were to establish one or two or three great recruiting centres, such as formerly existed at Warley or at Chatham; and then, I would go beyond that and say from my experience at the Chatham depôt, which was a very large depôt, much larger than Warley was, that it was an abomination and a sink of iniquity. It was a place that fathers and mothers had the greatest horror of sending their sons to as officers even, it was so bad. The men belonging to the depôts were composed mostly of untrained boys, with a sprinkling of old fellows who had come back from India, old drunken fellows who had survived the cholera and various other diseases in India, and had come back to form part of the depôts, invalided to England; and a greater abomination than our old depôts it is very difficult to imagine. I do not mean to say that, if we established again a large depôt, it would be as bad as that one was; but the tendency would be for it to degenerate into something of the sort, whereas at the present moment our depôts are kept up in a very healthy way. They are very small, and as they collect 50 or 60 men they send them to the battalion representing the regiment at home which is also represented by another battalion in India and it is in that home battalion that the men are trained for India. They are trained under the most healthy associations from a moral point of view; they are well looked after by a large body of officers; they are trained efficiently as soldiers, and they are sent out to India not only as good soldiers but, I may say, as good moral citizens, men who have been taught all the good qualities that go to make a good subject of the Queen in any part of the world. Now those are qualities and qualifications which certainly were neglected in the olden days in the big depôt that I was associated with at Chatham, and which, I think, to a very large extent would be more or less reproduced, if you formed those very large depôts that you mentioned.

13,314. But at all events the depôt system is one that the War Office has thought out, and they believe that the depôt system, as they have organised it, is most efficient for the British army as a whole?—Yes.

13,315. Therefore, if it is most efficient for the British army as a whole, according to the best of their judgment, it is the best system for the portion of the British army which belongs to India?—Certainly, that is the way of shortly putting it.

13,316. Sir Edward Collen, in furtherance of his wish to get long service, suggested localised Indian regiments, which, as I understand, would be regiments belonging to the Queen's service, which would have their depôts in India; and would bring their recruits out from England to India. He did not explain himself very fully, but that I understood to be the meaning?—Yes; like the old Bengal Artillery depôt at Dum-Dum; you, Sir Donald Stewart, know a great deal more about it than I do; but I should not think that would be very good system.

(*Sir Donald Stewart.*) No; it would be practically the restoration of the old East Indian Company's service.

(*Chairman.*) The argument, you remember, Sir Donald, was that these regiments would be under the control of the War Office, but would merely get their recruits upon their own system.

13,317. (*Sir Donald Stewart.*) The permanent headquarters of the regiments were to remain in India for ever? —The headquarters remain in India for ever? That would be a local army, to go back to that would be as bad as bad could be.

13,318. (*Chairman.*) You have mentioned to us the difficulty that recruiting fell into in England, when the old Indian army was abolished and a much larger Queen's force was sent out to India. You were put to greater difficulties in getting your recruits, and consequently greater expense in getting them; do you not remember shortly after that time the question of raising the soldier's pay arising?—Yes.

13,319. It was recommended by a Royal Commission in 1867 and adopted about a year later. Would you, in any shape, attribute the necessity of giving that greater pay to the much larger demand made upon the recruiting market?—I think it arose entirely from it. It was not given—in fact, we never give either officers or men of the British army emoluments except when we cannot possibly avoid doing so—and we gave the increase of pay to the British soldier you refer to because we could not obtain him upon the old terms. We were, therefore, obliged to increase his pay.

13,320. That is a point that ought to be borne in mind. I do not want to attach too great importance to it, but when one is considering these changes in organisation, of which the Indian Government complain a great deal, it is very desirable that we should ascertain whether, and to what extent, India may be a contributing cause to bring about these changes; and in that case that must have been a contributing cause?—It was, I think, one of the principal causes.

13,321. Then our attention has been called by Sir Ralph Knox, in mitigation of what Sir Edwin Collen said about the charges put upon India by the changes in organisation, to the fact that several causes have led to a diminution of charge on India, which Sir Edwin Collen did not mention. He referred to the reduction in the number of companies in the regiments, which took place about 1870, and from which, I think, he calculated there was a saving of something like 250,000*l.* a year to India. He also pointed out that the good conduct pay, which increased with length of service, fell very greatly when short service came in. That, he reckoned, amounted to a saving of several thousands a year. He also pointed out that the penny on re-engagement was abolished, making a saving of 50,000*l.* a year. Without troubling you with the financial details of these changes, I would like to ask you whether you remember the fact of such changes having taken place, and the effect that they had in relieving India to a certain extent of the charge?—Certainly, I remember them all.

13,322. I only bring them forward to you as proofs that attention has been paid at the War Office to fair grounds, upon which the India charge might be reduced?—I am aware of that, and I am aware of the actual desire, which exists in the War Office, to reduce the charges, wherever it is possible to do so with any fairness to the English taxpayer.

13,323. (*Mr. Buchanan.*) But you are aware of the *per contra* and the various items, which have been laid before us, in which military charges have been imposed upon the revenues of India by the War Office without the consent of the military authorities in India?—Would you mention any?

13,324–6. Here is a statement, inclosed in a letter from the Government of India of the 27th February 1895, giving a list of certain "charges imposed on the revenues of India, "in consequence of orders by the War Office, issued, in all "cases, without the concurrence of the Government of "India, and in some cases without that of the Secretary "of State for India in Council, having previously been "obtained."

(*Chairman.*) But if the Commission remember aright, Sir Ralph Knox was under the impression that in most of these cases there had been communication with the Secretary of State for India; and it is for the Commission to consider whether a communication with the Secretary of State for India is not a communication with the Indian Government.

(*Sir Donald Stewart.*) I think nobody will dispute that.

(*Mr. Buchanan.*) There is the question of majors' pay. I should like to know in how many of those cases a communication was made to the Secretary of State for India?

(*Sir Donald Stewart.*) Yes; if the Secretary of State for India was not communicated with, the Indian Government was not.

13,327. (*Mr. Buchanan.*) This statement is headed "And "in some cases without that of the Secretary of State for "India having been previously obtained"?—I have run my eye very rapidly over these items, and I must say that I think that not one is a case where India has any just cause of complaint. We must decide in England for the big army that we keep up, whether it is necessary to increase the pay of the medical officers. I remark that the largest item of the lot, and it amounts to 250,000 rupees a year, is, to my astonishment, "Increase to the annual "allowance of practice ammunition of British troops in "consequence of a similar increase having been authorised

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"for the British troops at home." Well I cannot fancy anything more ridiculous than putting that in as a *per contra* against any charge made by England for the army in India. You might just as well say that the Indian Government should have the power of deciding that it was unnecessary to have any practice at all?

13,328. (*Sir Donald Stewart.*) I do not wish to interrupt you, but I do not think that they ever claimed that the expenditure on that account has been unnecessary?—Then why put it here as a *per contra?*

13,329. (*Mr. Buchanan.*) I gather that the substance of the complaint in that schedule is that this measure made a considerable change, and imposed a considerable charge upon the revenues of India, and that the India Office were not consulted about it before it was done?—I doubt whether the India Office is capable, practically, of giving any valuable opinion upon such a point. Of course, the India Office includes on its Council one of the greatest of our soldiers at the present moment; but barring himself, and practically taking the India Office as the India Office, it is not, as an office, calculated to go into the question as to whether the British soldier should fire 100 or 200 rounds of ammunition a year.

(*Sir Donald Stewart.*) Oh, no.

13,330. (*Sir Ralph Knox.*) Do you think it is a possible condition of affairs, that the Indian Government out in India should be consulted before we in this country lay down the number of rounds that the British soldier should fire in England?—No, I think the thing, if I may say so, is not worth while putting down on paper.

(*Sir Donald Stewart.*) I agree; it ought not to have been put down at all.

13,331. (*Mr. Buchanan.*) Then there are possibly other items which are more reasonable?—The next one is issue of extra ammunition to British corps for volley firing. I doubt whether the India Office understand what volley firing means.

13,332. Surely the point of the whole thing is that India employs one-half or one-third of the British forces, and if the military authorities here are going to make alterations which impose a large extra military charge, it is in the interest of good administration and management that they should consult this office which is responsible for one-half, or one-third, of the charge?—And do you think the India Office would be capable of giving an opinion as to the issue of extra ammunition to British corps for volley firing at extreme ranges and for field firing, in consequence of a revised scale having been laid down in the revised musketry regulations? The next item is increased allowance of practice ammunition to British troops in India owing to a representation from the Secretary of State for War to the Secretary of State for India, which comes to 70,000*l.*, and so on. Are those points that you yourself, as a man of business, would wish to have considered in the India Office, and not by the specialists who have to look after the army as a whole?

13,333. Not at all. I am not considering that at all. I know nothing about military matters myself, but what I say is this, that, in the interests of business and the good conduct and administration of the joint affairs of India and this country, surely it is desirable that the supreme military authorities in this country, when they are making an alteration which entails a charge upon the revenues of India, should consult the Secretary of State and his office here, which is responsible for the Government and the expenditure of India?—Well, I believe that is the rule, and I believe the exceptions must be very rare indeed where it is not carried out.

13,334. (*Chairman.*) Would you look at that account and say whether it is not somewhat misleading, as put before the Commission, for this reason, that it says "in some cases "without that of the Secretary of State." Surely, if the account purports to show where the Indian Government has been slighted, it ought to have made a separation, and marked those cases in which the Secretary of State had been consulted?—I think most business men would, certainly; this is not a business-like return, I think.

13,335. There are small matters in which the omission to consult India has occurred in the past two years; the return may not be absolutely correct all the way through, but the omission has occurred from time to time?—You are quite right, I suppose all offices make mistakes, and I suppose the War Office make mistakes like every other public office; and I have no doubt that the India Office has not been consulted in some cases that are mentioned in the return. I quite agree with you that it is wrong; I think in all cases the India Office ought to be communicated with. I do not mean to say we should consult them as to the number of rounds our soldiers should fire. You would not think of asking that as reasonable men. The last case I know of, where there has been a complaint brought forward to the War Office on this topic, was on the subject of farriers for cavalry regiments and artillery. We found ourselves obliged to offer some inducement to get better farriers; our farriers were bad—behind the time; the inducements to get good farriers were not sufficient: and, just as when we added 2*d.* a day to the pay of the British soldier, we had to do something for the farriers. And this increase—I cannot tell you what it was, I do not remember—was made without reference to the India Office. I am sorry that it was; it ought to have been referred here, but the India Office complained of it, and with some justice, because I think that they ought to have been told; but the question of supplying farriers, and seeing that farriers are good farriers and thoroughly up to the mark, surely must rest with the War Office.

13,336. Certainly?—And we cannot possibly give over to any office, the India Office or any other, a question of the education and the efficiency of the men whom we select to be farriers for the army generally; and I think the army in India would be the last people to wish to have inferior farriers. That is a question that we must decide for ourselves.

13,337. (*Mr. Buchanan.*) That is one of the cases which is set out in full in one of the papers which has been put before the Commission. There is only one general question upon the subject which I should like to ask you, Lord Wolseley. Is it within your knowledge that it has been a constant subject of complaint on the part of the Government of India that charges have been imposed upon them by the War Office without the consent of the India Office in some cases, and in many cases without the consent of the Government of India?—I was not aware of this.

13,338. You might assume that to be the case?—I assume it is because you say it; but I think it is a misconception.

13,339. Do you not think that that is a hardship upon India and a reflection upon our administration at home?—I do not know that India has suffered materially, but I think it is much better, it would facilitate the doing of public business, that when two offices are working together, they should keep one another absolutely informed as to what the other is doing. The last instance I was able to find, where we did make any important change that threw a money cost upon the revenues of India, was in consequence of the change of the system of colonial and Indian reliefs. I do not know whether you know that question. It is rather a complicated one. We had formerly two rosters for service abroad, one the colonial relief where the regiments made a tour in the colonies, and after some 10 or 12 years in the colonies, returned home. The other was that a regiment went to India for some 12 or more years' service there and then returned home. Now we have only one, each regiment going abroad for 17 years; the greater part of that period is in India, the remainder of it is in the colonies. We distribute the balance of payment between the colonies and India. I think that change took place in the year 1893–4. That was communicated to India, and India was consulted before it was done. I asked yesterday what was the last instance of any important change in our arrangements with India, and they told me that was the last important one.

13,340. (*Chairman.*) At all events you think India ought to be consulted?—Yes, and I think that India practically is.

13,341. Would you not say that a statement of that kind should not be put forward without first ascertaining the cases in which the India Office has been consulted?—I think the omission to do so makes the return of no value whatever.

13,342. The return as a ground for examination is not of much value until that has been done?—Quite so.

13,343. If in this case the Government of India had stated at the end of their return, that in 10 out of 12 of those cases they had no means of knowing whether the India Office had been consulted, really then the matter would lie between the Indian Government and the India Office, and it is not quite just to charge the War Office with a neglect of duty?—Quite so; the great theory we can go upon in working with the India Office is that the India Office has a Cabinet Minister of its own. Nothing can be done with regard to these charges, until the question is brought before the Cabinet; and the Secretary of State

for India, therefore, as a member of the Cabinet, knows of the proposal quite well; and I might say, as a rule—I do not say we always do it, for we sometimes make mistakes like other offices—we communicate all those proposed changes to the India Office; and perhaps the India Office in its turn makes a mistake occasionally, and does not communicate those facts and those circumstances to the Governor-General in India.

13,344. Does not this letter signed by Mr. Woodall, and dated 1894, put the question in a very fair way:—"In "reply, I am to inform you that, although, as stated "in the War Office letter of the 16th February, Mr. "Secretary Campbell-Bannerman regrets that no notification of these intended changes was made to the "India Office before the warrant was issued, he cannot accept the views expressed, that in publishing "any warrants or army orders which have a financial "bearing, it should be stated that they are not applicable "to India, and that no additional pay or allowances will, "under these provisions, accrue to officers or men serving "in that country. I am to point out that the members of "the Indian Government are not in a position to be aware "of the circumstances which render necessary reforms and "concessions in the British Army, and, as they are not "responsible for the recruiting of the army, nor for providing terms sufficient to secure the services of men, "the Secretary of State for War cannot leave it to the "Indian authorities to decide whether officers and men "serving in India should, or should not, have the advantage of alterations of pay, &c., which after full "consideration of all the circumstances have been adopted "by him, with the concurrence of the Commander-in-"Chief, for the army generally. It must be borne in mind "that the conditions on which the requisite number of "men can be procured are necessarily very much higher "than they would be if 70,000 men were not wanted for "service in India. The circumstances under which the "regulations in question have been issued were fully "explained in the War Office letter of the 16th February "above quoted, and the additional charge of 9,000*l.* a "year, which they entail upon the Indian Government, "is the only expense thrown upon Indian revenues as the "result of the recommendations of Lord Wantage's Committee; while a considerable saving, not far, if at all, "short of this extra charge, has accrued to Indian "revenues by the withdrawal of one battalion of infantry "from India without reducing the total force in that "country, a course which was adopted in deference to the "urgent recommendation of the same Committee, that it "was necessary to equalise the number of battalions "serving at home with those serving abroad. Care will "be taken in future to bring to the notice of the India "Office, as early as possible, any intended alterations "affecting the pay of the army generally, and Mr. Secretary Campbell-Bannerman hopes that the Secretary of "State for India in Council will take no steps to withhold "the issue of lance pay under the new regulations to the "British troops serving on the Indian establishment." Does not that represent fairly the position which should obtain as between the two Governments?—Entirely. To my mind that is an unanswerable letter.

13,345. (*Sir Donald Stewart.*) But, as a matter of fact, is it not the case that the officers of the British Medical Department at the present moment are not receiving the same pay, relatively, in India as they would in England?—That is quite true, and I think that is very wrong on the part of India.

13,346. (*Sir William Wedderburn.*) This is a question regarding the method of calculating the cost of the British army in India. I think you said that the test of the cost was the difference that would be made supposing that India did not exist, was altogether separate; the amount of saving supposing India were entirely separated?—Yes; supposing India did not belong to us.

13,347. Yes. That would show us what the actual cost of the British army in India is. But, I think, there is a separate question. Admitting that to be the mode of ascertaining the actual cost, there comes a separate question as to the apportionment of that cost, whether or not the United Kingdom should bear a portion of it. That is a separate question I think, and other considerations enter into that question?—Well, not according to my views. The whole cost should be borne by the country for which these establishments are created.

13,348. I understand that; and I have no objection to make as regards the mode of calculating the cost. But I should like to make some suggestions with regard to the second question, namely, whether the United Kingdom should bear some proportion of that cost, it having been ascertained in the way that you mention. The mode of ascertaining is by supposing a complete separation of India, and, if that separation existed, this country would have a large gain; it would save the whole cost of the army now in India, would it not? that is to say, it would no longer have to keep up that army. Of course there would be great losses, from the loss of the connexion with India, but there would be the relief of no longer having to keep up that army?—That would not be a direct financial loss; you refer, I presume, to the difficulties of recruiting. If the charges were all paid by India, of course, we should not lose anything by having India.

13,349. No, but the supposition would be that India would be altogether separated?—What I mean is supposing we did not own India.

13,350. That we did not own India?—Yes.

13,351. If we did not own India that would make a difference to India, would it not?—It would make a very great difference to India, because, I think, all the happiness and the greatness of India depend upon its connexion with England.

13,352. Yes; but for the purpose of Indian defence, she would no longer require British troops?—If she did not belong to us? Of course, we do not send troops to foreign countries. India would then be a foreign country.

13,353. And, for the purpose of defence, she would naturally employ her own subjects as her troops?—Well, you talk of a condition of things that never has existed, so it is difficult to follow you, because there never was an India until we made it. India never was a united empire under one rule. You talk of India as if it had been an united power of itself; it never was.

13,354. Under the Mogul emperors, I think it was?—There were still independent provinces.

13,355–6. But the point that I wish to see is, whether some principle can be laid down, by which we could distinguish between the army necessary for the home defence of India, and the army necessary to keep up the connexion with this country. For purposes of home defence, if India did not belong to this country, she would employ her own subjects as troops?—But what India are you speaking of?

13,357. I am taking your assumption, namely, that India should be quite separate?—But India would degenerate into a sort of bear garden.

13,358. But supposing that she remained as a country, as a self-governing nation, she would use Indian troops, that is to say, natives, for her own defence?—Against what?

13,359. For her own defence against any foreign aggression?—You call very largely upon my imagination, you know, with all this.

13,360. The assumption is not made by me. I think it was made when you took as a test the supposition of India not belonging to this country?—Mine was a very simple statement. It was that the expenses to be paid by India should be those which are incurred at the present moment for supplying India with an English army. That was my simple statement. I did not go into the question as to whether India was to stand alone, or to be an independent power or to be able to protect its frontier. I did not go into that question, because that is a very big matter, that would entail a very large amount of thought as regards the political condition of India.

13,361. Yes; but I am only wishing to illustrate the financial position, and my point is that the difference to India, the gain to India—of course, there would be great losses, I am not questioning that—would be the difference between the cost of native troops and the cost of British troops. That is the point that I wish to bring out?—I do not know what India would be. You are referring to an empire which never has existed, and never can exist.

13,362. But the whole assumption of the separation has not existed, and never can exist. It is only as a mode of distinguishing the financial position that I am referring to it. I am only following up your own illustration?—But you are creating a condition of things, or supposing a condition of things, that I cannot really follow.

13,363. I am only following up your own mode?—My own mode was a very simple one. If you withdraw the English garrison from India, the expense that would be saved by that measure would be the charges that ought

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to be borne by India. In fact, the difference between the two establishments required in the case of our having no India to provide for, and in the case of our having India to provide for, would give you exactly what charges should be paid by India.

13,364. And I follow that up by asking what would be the cost to India, if India had no England to draw troops from?—That is impossible.

13,365. It is the same assumption?—Except that one is a constituted empire and always has been a constituted empire, that is the Empire of England.

13,366. The difference would be the difference between the cost of British officers and men, and the cost of native officers and men. That is the question I wish to put. That is the point, whether that is not the measure of the financial difference from the separation which you assume? —No, I do not follow you, I confess.

13,367. (*Sir James Peile.*) Could an Indian force perform for India the services that the British army performs for India?—No, it certainly could not; that is a very easily answered question.

13,368. (*Sir William Wedderburn.*) I may just sum up my point by saying that what I want to understand is the difference between the cost of the home military defence of India, and the cost of maintaining the connection with Great Britain. That is the point?—Well, I have been asked the question in another way which I can answer quite easily, namely, can an Indian army do for India what the English army does now? I say no.

13,369. What I wish to illustrate is the cost; what is fairly debitable to India for her own home defence and what is debitable to this country for maintaining India as part of the British Empire; that is the whole point; I am trying to get some test by which that may be judged?—Well, I think it is answered by saying that there is no possibility of creating a native army that would do the work for India that the English army does; and that, therefore, the position is an impossible one.

(*Mr. Caine.*) I think what you are trying to get out is this; that the difference in cost between the 76,000 British troops in India, and what a similar force would cost, if they were all native troops, ought to be debited to this country; that is the point.

13,370. (*Sir William Wedderburn.*) Something of that sort?—That could be very easily calculated though I do not know what the calculation would be; but my answer then comes in which I have already given here, namely, that there is no amount of native troops which would replace or make up for the British garrison.

13,371. (*Chairman.*) I suppose the real answer to that is the mutiny, is it not?—Yes.

(*Chairman.*) We have had it once and seen what came of it.

13,372. (*Mr. Naoroji.*) Yes, but the Punjab raised a large army at the time of the mutiny?—I am very anxious to understand your question, and that I did not do so is due to my own stupidity. I did not follow you. If you put it in that way, I can answer you that there is no possibility in numbers by which you could replace the British army by native troops.

13,373. (*Sir William Wedderburn.*) Not for our purpose; but it is simply as a method of gauging the financial interest in this large army to India proper and to ourselves, that is to say, so far as the interests of India individually are concerned, and so far as the interests of the British Empire are concerned?—My answer to that would be, that the great need of India, as I conceive, is to maintain an English army in India of the strength that our army in India is at the present moment, in order to keep the country in a profound state of peace.

13,374. (*Mr. Caine.*) May I ask you a question, Lord Wolseley; you have a high opinion of the efficiency of the Indian cavalry, I expect, have you not?—I have a high opinion of the efficiency of all the Indian troops.

13,375. Do you think the Indian cavalry are equal, force for force, to any other cavalry in the world?—No, certainly not.

13,376. For fighting qualities?—No.

13,377. Are they equal to our own?—No, certainly not; nor to the French cavalry, nor to the German cavalry; and, if they were, we should not be able to hold India.

13,378. I do not agree with you there. Do you think we could safely discontinue sending British cavalry to India?—I should be very sorry to see India without British cavalry.

13,379. (*Sir Donald Stewart.*) It is a question for the Indian Government?—Yes, I think so. I think the Indian military authorities, of course, are much better qualified to give you an opinion than I am.

13,380. (*Mr. Caine.*) You do not think it would be safe to give up sending British cavalry to India, even if you replaced British cavalry with British infantry—not diminishing, that is to say, the total number of British troops in India?—I think not; you have quite as small a force of British cavalry in India as you can do with.

13,381. It is an absolute requirement?—Yes.

13,382. Have you any opinion as to the value of Eurasian regiments in India, and whether they could take the place of British troops?—I saw one Eurasian regiment, and I never saw a more wretched, useless, or miserable body of men in my life.

13,383. Thank you; that is a very definite opinion?—I saw them during the mutiny; they would not fight, they were always grumbling, they did nothing.

13,384. (*Mr. Naoroji.*) Our object in this Commission is to ascertain what apportionment should be charged to each country in matters in which both are interested. You say England has done so much for India, but India must pay every farthing. Now let me read you a short statement?—I cannot answer anything connected with the political condition of India. I am here to give you purely military opinions and to answer purely military questions.

13,385. (*Sir Donald Stewart.*) May I ask one question about the army medical establishment? Have you got any views upon the subject of the amalgamation of the two branches of the army medical service, the Indian and the British?—Yes, I think that would be a saving for India; I think it is a pity it is not done.

13,386. (*Chairman.*) Amalgamation of the two services?—To have only one medical service for India would be a saving to India and it would not hurt us, according to my notions.

13,387. (*Sir Donald Stewart.*) It would not disturb the efficiency?—According to my notion it would not.

13,388. (*Chairman.*) Mr. Naoroji, you heard what Lord Wolseley said. Of course it is for you to consider whether your questions go outside the line, upon which you can expect him to give an answer.

(*Mr. Naoroji.*) I have to put questions within our Commission's reference, and I should have answers from Lord Wolseley just as he thinks proper; but my questions should be put, because the question has to be considered from the Indian point of view.

(*Chairman.*) I am speaking in consequence of what Lord Wolseley said to you. We must bear in mind that questions must come within the scope of our reference. You say their subject comes within that scope, but I think you have gone rather close upon the limits of our reference occasionally.

(*Mr. Naoroji.*) Yes; but there are several statements made by Lord Wolseley which require to be controverted and especially one which I would just take—Lord Wolseley urged very strongly that England made India. Now that is a point upon which there is another side of the picture also, and I must therefore have that side put in; and besides he said that India is not a whole nation; that is not a necessity. India is like Europe, you may say, a large continent, and there were several native powers instead of one native power. That does not answer in any way the question I want to put; I want to say—perhaps the question has been misunderstood and muddled up a good deal—that our object here in the Commission is to ascertain what apportionment should be charged to each country for purposes in which both are interested. I want therefore to bring out those purposes in which both England and India are interested, and what England ought to contribute towards the apportionment as well as India. I am not saying that the whole benefit is British. I grant that in whatever is done in the whole administration, India has its benefit; but England also has its benefit and therefore what portion should England pay for all that administration; and that is what I have to bring out, because that is the principal question for which the Commission is formed.

13,388. (*Chairman.*) Just bear in mind what the scope of our Commission is, and also bear in mind what Lord Wolseley's position is?—If I might say so, those all are questions of relative advantages, but upon those I cannot be expected to give evidence; I can only give you evidence upon facts.

13,389. (*Mr. Caine.*) Lord Wolseley is an expert witness upon specific points?—On facts.

(*Mr. Caine.*) He really ought only to be examined upon matters upon which he himself is an expert witness.

13,390. (*Chairman.*) Quite so?—And upon facts. I am not prepared to enter into problematical questions as to what would be in the future.

(*Mr. Naoroji.*) I am not putting problematical questions. I wish to give facts as they exist, and I want to ascertain them from Lord Wolseley; if he says he cannot answer those questions——

(*Mr. Jackson.*) May we not have this question?

(*Chairman.*) Time gets on; please put your question.

13,391. (*Mr. Naoroji.*) Lord Wolseley,—you may have read an extract from Lord Kimberley's speech that I gave at the time of the examination of Sir Ralph Knox?—Yes; I read all the questions that you put to Sir Ralph Knox, and I am not prepared to answer any of them.

13,392. Very well, then, of course, if you are not prepared and will not answer——?—It is not a question of "will not."

(*Mr. Jackson.*) I do not think it ought to be put—here we are in the presence of reporters—that Lord Wolseley "will not" answer the question. I do not think that responsibility ought to be put upon Lord Wolseley.

13,393. (*Mr. Naoroji.*) Having had this definite answer, I am not going to put those questions now. I only put a question which arises from Lord Wolseley's assumption as to what England has done for India; he bases all his argument upon the assertion that England has done so much for India that India must pay every farthing.

(*Mr. Jackson.*) Will you not put the question?

(*Witness.*) That is a historical question, into which I am not prepared to enter. I am quite prepared to answer you any questions that you will ask me bearing on the establishment of the army or the efficiency of the army, either in England or in India, or anything that comes within the scope of my own duties, but nothing else.

13,394. (*Mr. Naoroji.*) Then it is very unfortunate that you made the remark several times that India was made by England what it was, and therefore India must pay every farthing for whatever England has to spend or whatever England imposes upon it, and you even demur to the word "imposing." Well, therefore, unfortunately these remarks being made I was bound to ask questions?—I am much obliged to you for your commentary on my evidence.

13,395. Of course, if I am not to put this question or go into this matter I, of course, yield to the decision of the Chairman. I only wanted to ask these questions because these remarks were made.

(*Mr. Caine.*) We ought to discriminate a little in the questions. I do not attach any importance to what Lord Wolseley says on historical questions, but I attach the highest importance to what he says on military questions; and, when we come to report, I do not suppose that we shall be influenced in the drafting of our report by any opinion that Lord Wolseley gives either on political questions or on historical questions?—They will be of no value.

13,396. We only deal with what he says on military questions?—These are the only remarks of value in this inquiry.

(*Chairman.*) I think we ought to go farther than that. I do not think that questions simply involving policy ought to be put to a witness like Lord Wolseley, because it is rather hard upon a witness to have to reply "I shall not," or "I cannot answer that question." I think the questions ought not to be put to him.

(*Mr Naoroji.*) I demur to the statement that I have said one single word to him upon a question of policy. I ask to put questions to Lord Wolseley, and he can make any answer to them he chooses.

(*Mr. Jackson.*) We have not heard the question. Let us hear it put.

(*Chairman.*) Perhaps you will put your question; we quite understand what the position is.

13,397. (*Mr. Naoroji.*) Very well; with regard to what England has done for India for her benefit or for her injury, I will just read a short statement?—Might I beg you to ask me a question. I shall be very glad to answer it. I do not want an essay read to me about what has taken place at some previous period of history. If you will ask me a question I will do my best to answer it; but to hear you read out some essay upon some problem would be of no use to me, and I am afraid I could give you no valuable reply to it.

13,398. If I ask my question I must explain what I mean. I will put the question at once. You state that England made India. I say that India has made England the most powerful, the richest, and the greatest country in the world, while the British administration, under the British authorities—not by the British people ——

(*Mr. Jackson.*) I think that should be given as evidence; that is not a question, is it?

(*Mr. Naoroji.*) I want to ask this question; what England has done for India? I want to point out that England has done the greatest possible material injury to India. I ask the question; is it so, or not?

(*Chairman.*) Is not that a matter for you to give in evidence?

(*Mr. Naoroji.*) Yes, I will give evidence.

(*Chairman.*) That is, expressing your own views. We should be glad to hear them.

(*Mr. Naoroji.*) Yes.

(*Chairman.*) But would it not be better to hear that from you, if you went into the witness chair?

(*Mr. Naoroji.*) Certainly, but when any witness makes a statement which ought to be controverted at once, I am obliged to intervene; otherwise, if I did not intervene, it might be taken to be my view. However, if my view is to be taken from my own evidence I am satisfied.

(*Chairman.*) If you will come in and give us evidence upon these points we shall be very glad, because it really is expressing your own view.

(*Mr. Naoroji.*) I am asking whether Lord Wolseley's view is the same or not.

(*Mr. Caine.*) Lord Wolseley on the subject you refer to only expresses a generally accepted opinion to which you demur and to which I demur too.

(*Mr. Naoroji.*) It is a wrongly accepted opinion altogether and therefore it should not go without being contradicted.

(*Chairman.*) Quite so. I know, Mr. Naoroji, your views upon this point, and I think it may be very desirable that you should have the opportunity of expressing them to us, but I think they would be expressed better in evidence than in questions to witnesses, which the witnesses cannot answer.

(*Mr. Naoroji.*) I do not want to put any questions that the witness cannot answer; but I am quite willing to give it up.

(*Chairman.*) If you wish to give us evidence.

(*Mr. Naoroji.*) That I have already offered. I think it is a fair way to put it.

13,399. (*Sir Ralph Knox.*) It has been suggested by Sir Edwin Collen that there should be one general training depôt. Up to the present time we have had one general depôt for training cavalry. Has that been found to be a satisfactory arrangement?—Well, we are going to break it up.

13,400. And it has not been found an economical arrangement?—No, it is an expensive process.

13,401. And, so far, therefore, as the experience of cavalry depôts is concerned, the system of having a separate depôt for the training of recruits for India is unsatisfactory, both from the economical point of view and also from the efficiency point of view?—I think so. I would put it the other way, and say it would be more effective and better for all concerned if the training of recruits were divided amongst several depôts, instead of being in one large amalgamated depôt.

13,402. And the system in the infantry of absorbing the men who may be surplus to the actual requirements of India, into the home battalion, is an economical system as regards India?—Very much so.

Viscount Wolseley, K.P., &c.

29 July 1896.

13,403. It relieves India of all that charge for waste, which accumulates round a regiment?—And which was a very heavy charge, I fancy, in the old Chatham time.

13,404. (*Mr. Mowbray.*) You do not recruit of course at all specially for India; you recruit for the army generally?—We recruit for a particular regiment, of which there is one battalion in India.

13,405. And what is wanted in that battalion in India goes out to it, and what is not wanted in it is kept for the battalion at home?—Yes, we undoubtedly send out to India the best men out of the battalion that is in England.

13,406. There is no special ear-marking of recruits?—No, none at all.

13,407. (*Mr. Jackson.*) In order to try to avoid any misapprehension arising from what you said when you spoke about a certain basis for ascertaining the cost of the charge to be made to India for the troops sent to India, I would ask you whether you were not expressing rather a principle than a practice?—Certainly.

13,408. I want to make clear that, although you expressed your opinion that the method of charge and the extent of the charge should be measured by the increased cost put upon this country by reason of having to provide those troops for India, it is not to be understood that that is the actual method of making the charge?—By no means: we do not charge India nearly as much as she would have to be charged if my humble proposals were to prevail.

The witness withdrew.

(For the portion of the 30th Day's Evidence relating to Apportionment, *see* page 153.)

INDIAN EXPENDITURE COMMISSION.

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APPENDICES.

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APPENDICES Nos. 1 to 8.

SECTION I.

FINANCIAL MACHINERY.

APPENDIX No. 1.

SYSTEM OF ACCOUNT IN INDIA.

Paper handed in by the Financial Secretary, India Office.

CIVIL ADMINISTRATION.

The Civil Administration of India is, for account purposes, divided into nine presidencies or provinces: Bengal, North-West Provinces and Oudh, Madras, Bombay, Punjab, Central Provinces, Burma, Assam, and India General (which includes various administrations and departments not under the Governors, Lieutenant-Governors, and Chief Commissioners, of the other provinces).

The following are the officers in the Civil Departments concerned in the estimates and accounts of expenditure in India:—

Financial Member of Council.
Financial Secretary.
Comptroller General.
Accountants-General of Provinces, or (in the smaller provinces) Comptrollers.
Treasury Officers.

to which must be added the Heads of Departments and the Local Governments.

System of revenue and expenditure.

The revenues are collected and held in local civil treasuries throughout the country, under the supervision of the Accountant-General in each province, acting under the general direction of the Comptroller-General. It is their duty to provide for the payments at those treasuries, and to move the money from one to another as required. The funds are not, as in England, remitted to one great central banking account, nor are the disbursements of the military, civil, public works, or other services met from one central source, but they are supplied from the civil treasuries.

Treasury officers.

The revenue officers who supervise the local treasuries are, in matters of account, in direct subordination to the Accountants-General of the provinces in which the treasuries are situated. The rules governing the preparation of the estimates and accounts, and the expenditure of money by civil officers, are contained in the Civil, Public Works, and Military Account Codes.

A treasury officer may not make any payment unauthorised by the code, unless under an express order *to himself* from the Government, and he must at once enforce any order from the Accountant-General disallowing a payment. If the local government overrules the Accountant-General, even temporarily, reference must at once be made to the Government of India.

Provincial finance.

Under the system of provincial finance, the local governments are permitted to retain for their own purposes a certain portion of the revenue which they collect, on condition that they meet therefrom a certain portion of the expenditure. According to the last quinquennial arrangement, made in 1892, the local governments may retain the whole of the provincial rates, three-fourths of the revenue from stamps, one-half of that from assessed taxes, forest, and registration, one-fourth of that from land revenue and excise, and most of the departmental receipts, (except those from railways, which are mainly imperial,) while, as a final adjustment, either a further portion of the land revenue is granted or a deduction is made therefrom, according to the circumstances of each province. On the other hand, they have to pay the cost of collection of the land revenue (including the charges of district administration, and, except in Bengal, of survey and settlement), and of the revenue from salt (in Bengal and Lower Burma, and partly in Madras), provincial rates, and customs (except in Bombay), three-fourths in the case of stamps, half in the case of assessed taxes, forest, and registration, one-fourth in connexion with excise, and nearly all the charges under the heads of general administration, law and justice, police, marine, education, medical, superannuation, stationery and printing, famine relief (unless very severe), irrigation, and civil works, besides a certain proportion of some other heads. If in any year the expenditure of a provincial government falls short of its revenue, the surplus is credited to its balance and debited as Imperial expenditure; if, on the other hand, the revenue falls short of the expenditure, the excess is taken out of the provincial balance and credited to the Imperial government in diminution of the total expenditure of the year. Each provincial government is bound to estimate for a certain minimum balance at the close of the year.

Powers of, and restrictions on, provincial governments.

Without the previous consent of the Government of India, a local government cannot sanction, even provisionally, any purely Imperial charge of a permanent nature. It may sanction an increase of charge in a fixed establishment, if it be met by an immediate equivalent reduction in the same establishment or a similar one in the same department,—petty increases, if there be sufficient budget provision under the same head of charge, but not any appointment with a salary exceeding Rs. 50 a month,—and revision of establishments under certain rules if the additional expense be met by reduction under the same major head. Certain powers are given to the heads of Imperial departments, that is, those whose operations extend over several provinces, and whose accounts are collected under a single officer,—such as the Survey of India, Northern India Salt Department, Meteorological Department, Civil Veterinary and Horse Breeding Department, Archæological Survey, Geological Survey, and Museums; but, except the first-mentioned, they cannot sanction permanent and unusual charges.

As regards provincial revenue and expenditure, the local governments are subject to the general supervision and control of the Government of India, whose powers they exercise. This includes the Imperial portion of such heads as are divided. But without the previous sanction of the Government of India—

(1) No additional taxation may be imposed, and no change made in any existing system of revenue management.
(2) No new general service or duty may be undertaken.
(3) No appointment may be created with a pay of more than Rs. 250 a month, and no addition made to the pay and allowances of an officer if they exceed or would thereby exceed that sum.
(4) No such appointment may be abolished or the pay reduced.
(5) No class or grade of officers may be created or abolished, nor may the pay be raised or reduced.
(6) The rates of discount upon the retail of stamps and court fees labels must not be altered.
(7) Nor the rates of duty on spirits and drugs, if the alteration would affect the excise arrangements of another province.
(8) No addition may be made to the pay of an officer or class, if it would lead to increase in the emoluments of others, and produce inconvenience in other provinces.
(9) No money may be removed from the public treasury for investment or deposit elsewhere.
(10) No alteration may be made in the form or procedure of the public accounts.
(11) No services rendered to or by departments not under the control of the local government may be diminished or increased.
(12) No line of through communication may be abandoned or allowed to fall out of repair.

A local government must exercise its powers according to the ordinary rules of the budget system; and must submit for the orders of the Government of India any representation by an audit officer which it does not promptly accept.

A local government cannot, without reference to the Government of India, sanction expenditure which will cause any excess over the budget grant for a major head which is wholly Imperial. It may, however, without reference to the Government of India, sanction expenditure in excess of the budget grant,

(*a*) Under any provincial or local major or minor heads, provided the increase does not cause the aggregate budget grant for provincial and local expenditure to be exceeded, specific re-appropriation being made;
(*b*) Under major heads divided in a fixed proportion between Imperial and provincial, and under minor heads (subordinate to other major heads) similarly divided, provided that specific re-appropriation from Imperial and provincial grants respectively is made.

Compensation for dearness of provisions may be given, when necessary, at the discretion of local governments, under certain rules. They may also prescribe the nature and limit of charges that may be incurred as contingent expenses.

Fortnightly and monthly returns.

Each local accountant-general receives from the various treasuries in his province accounts of their receipts once, and issues twice a month, which he classifies and records; he also receives in the middle of the month a statement of the balance in the treasury. An abstract of the Treasury accounts is sent, by post or telegraph, on the second of each month to the Accountant-General, who must test it by the balances, and telegraph the totals to the Comptroller-General by the 8th of the month. On the 15th of each month the Accountant-General telegraphs to the Comptroller-General the revenue and expenditure of the past month under the chief heads, the net monthly issues to the Military Department, and the Public Works Revenue and Expenditure, under various main heads.

Revised and Budget estimates.

In the preparation of the budget estimates by the Accountant-General, he will give advice to the local government, but the responsibility lies with the government, without whose authority he must not enter or alter any figures. The revision of the estimate for the current year, however, which is made concurrently with the Budget estimate, is on the sole responsibility of the Accountant-General. In the preparation of the estimates, every head of an office is to prepare a complete estimate, including salaries and all other charges of his establishment; otherwise, local governments may make such arrangements for the collection of details, &c., as they think best. If they propose to provide for any considerable expenditure out of accumulated balances, the proposals must be forwarded to the Government of India in advance of the estimates, for separate consideration.

The fact of a charge which requires special sanction having been included and passed in a budget is no authority for its payment.

Distribution of budget grants.

The grants as made by the supreme Government are for the service of a whole department, or for *major* heads. With the district distribution of the grant the supreme Government does not concern itself, nor does it interfere with the transfer of an ascertained saving on one section of a department to meet new wants of another; but a saving on a minor head is not available for redistribution if the grant for the major head is likely to be exceeded.

Additional expenditure.

Expenditure which cannot be met from the grant made at the beginning of the year for the service of the department to which it appertains, requires, *ipso facto*, and apart from all other rules, the sanction of the Government. Every application for such sanction should be accompanied by a statement showing how it is proposed to meet the expenditure.

Save for exceptional reasons, expenditure for which no provision has been made in the estimates of the current year should not be proposed, and cannot be sanctioned. In the absence of special arguments, the Government of India assumes that any expenditure proposed is to have effect from the beginning of the following financial year.

Unless the excess is trifling, or could not be foreseen, application for additional grants must be made, and sanction obtained, before any expenditure not provided for in the estimates is incurred.

The Accountant-General is bound to check any departure from orders, and to bring it to the notice of the local government and of the Government of India.

Audit.

Audit.

The duty of an auditor, as regards payments, is to see that the expenditure is warranted by orders of Government, special or general, and that it has been provided for in the sanctioned estimates; that the expenditure is necessary for the public service, and not greater than the occasion demands; that payment has been made to the proper person; and that it has been so acknowledged and recorded that a second claim against the Government on the same account is impossible; and, as regards receipts, to see that all sums due to be received are duly paid to the proper officer, and brought to credit by him. The greater part of the payments are made by Treasury officers, either before audit or upon an audit of a limited character by controlling departmental officers; and the payments are then accounted for to the Audit Department. For service payments at a chief provincial town, the vouchers are usually submitted to the Audit Department before payment, and the payment made only on audited bills. Besides the Civil Account Code, the Civil Service Regulations and numerous detached orders of the Government of India and of the local governments contain minute instructions about pay and allowances, leave and pension, and expenditure on supplies and services and contingencies; and these instructions are rigidly enforced in audit, no relaxation of any rule being permitted except under the express order of the authority competent to sanction it. If a local government authorises a charge which requires the sanction of the Government of India, it is placed under objection, which is not removed till such sanction is obtained by the local government. Similarly, if expenditure be authorised by the Government of India which requires the sanction of the Secretary of State, the auditor refuses to pass it until that sanction is obtained.

Dist[illegible] audit.

One clerk in the Accountant-General's office, known as the district auditor, is primarily responsible for the audit of all the accounts of a district. When the first list of payments is received, the audit should at once commence, so that any error may be notified to the officer immediately concerned, or, through the objection statement, to the Treasury officer, before the next month's payments are made. The audit of every voucher must be reviewed by a gazetted officer or superintendent attached to the Accountant-General's office, and all objections entered in a book, to which the Accountant-General is directed to pay special attention. The audit clerk, or district auditor, is responsible for watching the adjustment of objections raised on vouchers passed by him; and the gazetted officer in charge, when passing a new bill, should see what objections are still outstanding. The district auditor is responsible for following up an objection and watching the recovery. Constant care and attention are bestowed on the audit work by the gazetted officers in immediate charge, and by the head of the Account Office himself; all doubtful matters are brought to their notice, and are either decided by them or referred for the orders of the Government. The objections receive their continuous attention, and are formally reviewed once a quarter; and, when the officers immediately concerned are slow to comply with the directions of the Audit Office, the matter is brought to the notice of the controlling authorities, or of the Government in case of necessity.

Audit [illegible] receip[illegible]

Efficient audit of expenditure ensures that money which has once entered the treasury shall not leave it without sufficient authority; but it is the duty of the Accountant-General to watch receipts also, and, as far as possible, to see that under every head Government receives all its dues. In the case of departmental revenue the detailed check is entrusted to the revenue-controlling authorities, the Accountant-General's functions being confined to reporting to these authorities the amounts brought to account, which they compare with the departmental returns of demands and realisations.

Comptroller and Auditor-General.

Functions of the Comptroller-General.

Besides being the authority on all questions affecting classification and adjustment in the public accounts, the Comptroller-General compiles for the Government of India a complete monthly account of the receipts and expenditure of the whole empire of India, from the accounts submitted to him by the civil accountants-general and comptrollers, the accountants-general in the Military and Public Works Departments, and the comptroller of the Post Office. But, before the complete accounts are ready, he reports (by telegraph, if necessary,) to the Finance Department the approximate receipts and issues from treasuries, in detail of departments, on the 9th of the following month, and fuller details of the chief heads of civil revenue and expenditure on the 16th of the following month. He also publishes on the 9th the approximate cash balances at the treasuries, of which a revised edition is published on the 16th on the receipt of more accurate information. On the 25th of every month he submits to the Government an estimate of the probable receipts and payments, and the cash balances of that month and the two following months. He makes, for comparison with the budget prepared in the Financial Department of the Government of India, an independent compilation of the estimates of the various Accountants General (civil, military, and public works), and submits it to that department with his own estimate of the debt heads, interest, exchange, and ways and means; reviewing the other estimates with special reference to the state of the cash balances. At the end of the year he prepares the finance and revenue accounts for submission to Parliament, and draws up an Appropriation Report for the whole of India, including the Military and Public Works Departments, in which the variations of the

actual revenue and expenditure from the estimates and from the actuals of the preceding year are explained. He also reviews the balances of the public accounts annually, and satisfies himself how far these represent the admitted assets and liabilities of the Government.

Inspection and Test Audit.

As Auditor-General, he, through his deputies, inspects and conducts a test audit of all offices of account, so as to satisfy the Government that the detailed audit conducted by the local and departmental account offices is efficient, that the regulations and orders of the Government are duly enforced, and that the procedure in those offices is in accordance with the Codes and suitable for the efficient performance of their duties.

Appropriation Report, Revision of Estimates, &c.

Appropriation report.

The accounting officers are required to submit to the Government of India, through the local government, by the 5th of October, a statement showing the aggregate budget grants and the actual expenditure for the year ending on the preceding 31st of March, divided into Imperial, provincial, and local, with special reference to any excess of expenditure, and a copy of the appropriation report.

Revision of estimates.

A revision of the estimates for the current year must be sent by the 20th of November, based, if possible, on a consideration of the six-months' actuals. It is a very important part of an Accountant-General's duty to warn the local government immediately of the first appearance of any excessive *proportionate* outlay under any grant. Any large differences that are likely to arise, as compared with the budget or the six-months' estimate, should be reported as soon as reason is seen for expecting them; this is especially required in connexion with the accounts for November and January. Transactions affecting the cash balance are of equal importance, though not technically revenue or charge. The revision of the estimate for the current year and the preparation of the budget for the coming year have been mentioned above.

Quarterly returns.

A quarterly statement of fresh charges in Imperial departments sanctioned by the local governments is to be submitted to the Government of India within one month of the end of each quarter; quarterly statements are also required of assets and liabilities.

Annual returns.

Annual returns are required for the accounts submitted to Parliament, with particulars under numerous heads. A return of expenditure on stores is also prepared, distinguishing those procured through the Secretary of State from those purchased locally.

PUBLIC WORKS DEPARTMENT.

Public Works' Department.

Funds are supplied to the Public Works Department by means of letters of credit on the local treasuries, showing the limit up to which the officers named therein may draw cheques. The Treasury officer is to settle with the executive engineer monthly. In the case of open lines of State railway, remittances of cash to the Treasury are made by the accounts officer of the railway daily, as far as possible.

The general principles laid down in the Public Works are similar to those of the Civil Account Code, but there are special regulations as to the power of the controlling authority to transfer or re-appropriate grants. Money unspent at the end of the year lapses, and has to be again granted for the new year.

Sanction of projects.

The limit of power to sanction an ordinary Imperial project is as follows:—By the Government of India, 10 lakhs; Madras and Bombay, 2 lakhs; Bengal, North-West Provinces, and the Punjab, and the Director General of Military Works, Rs 50,000; Chief Commissioners, Resident at Hyderabad, and Governor General's Agents in Rajputana, Central India, and Baluchistan, Rs. 20,000; Superintendent of Port Blair, Rs. 5,000. In each case the limit is raised by 25 per cent., to include establishment and tools and plant. Works exceeding 12½ lakhs, or attended with unusual engineering difficulties, require the Secretary of State's sanction. Local governments can sanction provincial works up to 12½ lakhs.

Proposals for expenditure on buildings occupied by the heads of local governments or administrations must be submitted to the Government of India, if involving outlay above Rs. 15,000 in any one year.

MILITARY DEPARTMENT.

The following officers in the Military Department are concerned in the estimates and accounts of the military expenditure of India:—

The Military Member of Council.
The Military Secretary.
The Military Accountant-General.
The Military Controllers in the three Presidencies.
The Military Examiners.
The Military Disbursers.

Disbursing officers.

Funds are placed at the disposal of military disbursing officers by annual assignment estimates in their favour, issued to treasury officers by the local Accountant-General, on the application of the Controller of Military Accounts.

Payments are made by Treasury officers against these assignments, provided that the disbursements do not exceed the amount for which provision has been made up to that period in the annual estimate.

In case of emergency, military disbursing officers in need of funds may obtain an additional credit on a civil treasury on the authority of a station or district order. In time of war a civil officer may be directed to incur expenditure for the Military Department in procuring or collecting baggage animals, or supplies, or in other ways; he should at once report to the Controller of Military Accounts the best estimate he can form of the amount he will expend, and the probable time during which his payments will be made, thus forming a check on the complete estimate furnished to the Military Department by the authority requiring the supplies.

Before the officer commanding the station gives an order for such extra funds, he must satisfy himself of the propriety of the advance for which application is made. The disbursement ordered is at once reported to the head of the department concerned, and to the Controller of Military Accounts, by the officer authorising the advance, as well as by the officer receiving the money.

Examiners of accounts.

Disbursing officers submit their cash and store accounts monthly to the examiners of accounts, whose duty it is to check the expenditure in military departments in detail, and to compile the accounts. The estimate and regulations are the basis of their audit; in cases of doubt they will refer to the Controller of Military Accounts, but otherwise they act independently. They are required to check effectually outstanding balances of money or stores, as well as all excesses in stock, reserves, or allotments. All new contracts must, before being sanctioned, be scrutinised by the examiners, and the prices tested and compared with rates paid for like supplies. A report is to be submitted quarterly on the economy with which direct purchases are effected by departments at the several stations, or in districts.

Controllers.

Controllers of military accounts have immediate charge of the arrangements for the annual departmental estimates of cash requirements; and letters of credit or assignments on civil treasuries, for such cash as may be required for military services, are issued on their application by the Civil Accountants-General. The check of the Controllers upon the aggregate expenditure is maintained by scrutiny of the estimates and a clear record of all details, by watching the application of the sanctioned grants, and observing the measures of the year which affect military expenditure, and by reviewing the actual expenditure at the time it is incurred, and again at the end of the year, in close connexion with the sanctioned estimates. Immediately on its being ascertained that the total provision under any grant is likely to be exceeded, the controllers are required to report the fact to the Government of India, showing the amount and cause of such excess, and whether it can be met by savings under any other grant.

The controllers must telegraph to the Accountant-General in the Military Department on the 20th of each month the total military expenditure by military-disbursing or civil officers in the previous month; and on the 26th, the total debits for military expenditure incurred in other departments as received through the central adjusting accounts. These accounts may, especially in war time, contain very important transactions; and controllers should use their best endeavours to ascertain their value at the earliest possible date; to obtain information regarding what is likely to be incurred, in anticipation of payments; and to keep the Accountant-General informed at once regarding such probable expenditure.

They are not to rest satisfied with information coming to them in the usual course, but to place themselves in communication, officially or demi-officially, with heads of the spending departments, whether in India or in the field, and with the general officers

charged with operations, so as to be able by independent inquiry to supplement and complete the information obtained from disbursing officers.

Whilst a careful scrutiny of the financial results of executive departmental administration is most essential, great care must be exercised that the limits of the duty are not exceeded, and a strict observance must be maintained of the broad distinction between financial and administrative control.

With a view to diminish references to the Military Department of the Government of India, controllers are empowered to finally sanction expenditure not provided for by regulation, up to a limit of Rs. 500 in each case, but not exceeding Rs. 1,000 in any month.

Controllers will examine and control all the offices of examination, account, disbursement, or issue, attached to the command; and will arrange for the periodical inspection locally of the accounts of such regiments and departments in their commands as they may select. They are responsible for accounting for all money or stores obtained for the military service.

Accountant-General in the Military Department.

The Accountant-General is the head of the Military Accounts Department, and is in charge of the head office of army accounts; the estimates are collected by him, and, after revision, submitted to the Department of Finance, through the Military Department of the Government of India. He corresponds with the controllers, and he assists the Government with his opinion upon every question relating to military expenditure which may be referred to him. He prepares and forwards to the Comptroller and Auditor-General each year an appropriation audit report on the expenditure of the department.

The Accountant-General is ex-officio Deputy Secretary for Finance in the Military Department, in which capacity it is his business to deal with all matters that arise in connexion with military finance or with the Military Accounts Department. It is his duty to obtain the fullest information, from the controllers especially, but from other officers also, for purposes of check or early information, regarding military receipts or outgoings, and to keep the Government informed regarding their progress.

He is responsible for submitting monthly to the Military Department the total preliminary figures of military expenditure as furnished by the controllers, and for bringing to notice any difference between these figures and the reports of cash issues from treasuries, or the figures of the Civil Accountants-General, or any other circumstances which lead him to doubt the substantial accuracy of the compilation of the preliminary figures. He is also responsible for explaining any serious discrepancy between them and the final figures recorded in the military accounts.

While the Comptroller and Auditor-General is responsible for compiling the general figures of all accounts rendered to him, and keeping the Government of India in the Department of Finance informed regarding the receipts and expenditure on military account, it is the duty of the military account officers to maintain the more detailed accounts and statements necessary for the information of the Government of India and the effective financial control over military expenditure.

Powers of the Military Department.

No order involving an abandonment of revenue, or for expenditure not provided for in the budget, or not specially sanctioned, may issue without previous reference to the Department of Finance. But in cases requiring great secrecy or despatch the Military Department may act at once, making the reference subsequently, and in the meantime informing the Finance Department that extra expenditure will arise, and an estimate will follow in due course. The Military Department may also sanction expenditure not involving outlay in excess of its total budget grant, or a transfer from one grant to another. Savings under one grant cannot be appropriated to another without the previous sanction of the Department of Finance, but the Military Department may make transfers from one command to another under the same grant.

The responsibility for the sufficiency and moderation of the military estimates, and for the control of the current expenditure, rests with the Military Department.

Powers of the Commander-in-Chief and Lieutenant Generals Commanding.

The Commander-in-Chief in India can finally sanction expenditure not provided for, but not beyond the power of sanction of the Military Department, up to a limit of Rs. 2,500 in each case, and not exceeding Rs. 10,000 in any month, provided that the amount can be met from the sum allotted under the particular head of the grant affected. The lieutenant-generals commanding have similar powers up to Rs. 1,000 in each case, and Rs. 2,500 in a month. Even if there are no funds available, according to the budget or by transfer, the commander-in-chief may give such sanction up to Rs. 50 in each case, and Rs. 500 in a month, and the lieutenant-generals half that amount.

H. WATERFIELD.

2nd August, 1895.

APPENDIX No. 2.

FINANCIAL CONTROL AND APPROPRIATION AUDIT.

Handed in by the Financial Secretary, India Office.

Communication.	Date.	No.	Page.	Communication.	Date.	No.	Page.
1. Despatch to India -	Jan. 27th, 1881 -	46	6	13. Extract from letter from India.	April 23rd, 1889 -	126	36
2. Letter from India -	March 14th, 1881	67	7	14. Extract from despatch to India.	June 20th, 1889 -	131	36
3. Despatch to India -	May 26th, 1881 -	167	17	15. Letter from India -	Aug. 3rd, 1889 -	229	37
4. Letter from India -	Oct. 1st, 1881 -	249	17	16. Letter from India -	Sept. 7th, 1889 -	279	40
5. Letter from India -	Nov. 12th, 1881 -	292	19	17. Despatch to India -	Nov. 7th, 1889 -	250	41
6. Despatch to India -	Jan. 19th, 1882 -	23	29	18. Letter from India -	May 13th, 1890 -	136	42
7. Despatch to India -	March 23rd, 1882	103	29	19. Despatch to India -	July 3rd, 1890 -	132	42
8. Letter from India -	Sept. 8th, 1882 -	278	30	20. Despatch to India -	July 14th, 1892 -	127	42
9. Despatch to India -	Dec. 21st, 1882 -	401	32	21. Resolution by the Government of India.	March 4th, 1893 -	916	42
10. Extract from despatch to India.	July 26th, 1888 -	190	33				
11. Letter from India -	Aug. 11th, 1888 -	209	33				
12. Extract from despatch to India.	Sept. 27th, 1888 -	247	35				

No. 1.

DESPATCH to the GOVERNMENT OF INDIA, January 27th, 1881, No. 46.

My Lord Marquis,

Para. 1. At the conclusion of my despatch of the 4th of November, No. 368, I informed your Excellency that I had appointed a Committee in this country to inquire, with reference to the recent error in the estimates of the cost of the war in Afghanistan, into the system of military account and estimate in India, and as to the relations existing between the Military Account Department and the Comptroller General, and to report whether any defects exist therein, and, if so, the best mode of remedying them.

2. I now forward, for the information of your Excellency, a copy of the report of that Committee, dated the 22nd ultimo, and of the evidence taken by them.*

3. The Committee observe that the system of treating the audited charges only as the expenditure of the year,

* *See* Parliamentary Paper 86, of 1881.

though one which works well in time of peace, must be misleading in a period of war, when the true measure of the financial position is only to be found in the issues from the Civil Treasuries. While, therefore, they consider that the Government of India had at hand the means of readily ascertaining its position, the Committee consider it necessary that, with the view of preventing the recurrence of such an error as occurred last year, measures should be introduced which are calculated to inform the Government automatically and accurately of the aggregate receipts and issues of the expired portion of the year, as compared with the Budget Estimate, and also of the balances available at any time.

4. They further consider it necessary to define more clearly the duties of the Comptroller General and of the Military Accountant General, and they make certain specific recommendations, which are detailed in the 23rd paragraph of their report, and of which I approve.

5. I have, accordingly, to request that instructions may be given for the preparation, in the manner therein explained, of a monthly statement showing the cash transactions of the expired portion of the official year compared with the results of the previous year, and with the Budget estimate for the current year, to be regularly submitted to the members of your Government and (in triplicate) to the Secretary of State.

6. The Committee suggest that, in the finance accounts, the issues from the Civil Treasuries for military and other services shall be treated as expenditure, and forms are appended to their report for the purpose. In these forms the revenues are inserted exclusive of Army receipts, and the issues alone are entered as the expenditure. For the proposed monthly statements these forms appear to be well adapted, although the treasurers will apparently have no military receipts to bring to account unless from exceptional sources. In the finance account, however, some modification seems necessary. The effect of eliminating the Army receipts would be that the expenditure would be stated net, in opposition to the practice of the Indian accounts. It will, therefore, be necessary, in the series of finance accounts, to include the receipts on the revenue side, and on the expenditure side to show the amount of the issues from the Civil Treasuries, including the cash receipts which have passed into the disbursers' hands. It is not, however, requisite to include many of the remittance and other transactions which are at present shown on both sides of the account, and which do not affect the true expenditure on the Army.

7. The monthly abstracts of audited accounts will continue to be sent by each Accountant General, and will be consolidated by the Comptroller General, and forwarded to your Government and to the Secretary of State.

8. The final accounts of audited military expenditure should be prepared in the manner suggested in the Committee's third recommendation. The total amount of the charges shown in the Form No. 7 would be very nearly the same as the aggregate in Form No. 5 of the issues to the Army including the Army receipts. Any discrepancy arising from the expenditure of money taken from the deposits or otherwise should be explained.

9. While I do not wish to enjoin too strictly adherence to the precise forms of account thus sketched out, I request that the general principles may be accepted and acted on.

10. I concur in the views expressed in the fourth recommendation of the Committee as to the duties of the Comptroller General and of the Military Accountant General, and desire that orders may be given for carrying them into effect.

11. I have also to request that the Comptroller General may be instructed to prepare annually a report comparing the accounts of the last year with the Budget for that year, and with the accounts of the preceding year, with explanations of any important variations; and that, after this report has been considered by your Government, it may be transmitted to me with your observations at as early a date as possible.

12. Although I have not had the opportunity of learning the views of your Excellency on the proposed changes in the system of military accounts, I am glad to perceive from the papers which accompanied the letter from your Government, dated the 3rd of August, No. 249, and the letter from the President in Council, dated the 9th November, No. 379, that there is a general harmony between the recommendations of the Committee, and the proposals which had suggested themselves to the financial authorities in India.

13. I shall be glad to learn the views of your Excellency on the point, regarding which the members of the Committee differed in opinion, whether it is desirable that the duty of conducting the appropriation audit should be delegated to the Comptroller General, or to another officer, free from all administrative functions.

14. In conclusion, I have to express my entire concurrence in the opinion expressed by the Committee, that the importance of obtaining accurate information regarding the issues from the Civil Treasuries for military services during the war, ought not to have been overlooked by the many high authorities concerned in the preparation or acceptance of the estimate, and that the adoption of the measures indicated in the Committee's report will not suffice to prevent irregularities, unless constant watchfulness is exercised by the financial department, under the direction of the financial member of your council.

I have, &c.
HARTINGTON.

No. 2.

LETTER from the GOVERNMENT OF INDIA, March 14, 1881, No. 67.

MY LORD MARQUESS,

WE have the honour to acknowledge the receipt of your Lordship's despatch, No. 46 (Financial) of the 27th January 1881, enclosing the Report of a Committee appointed by your Lordship to enquire into the system of Military Accounts and Estimates in India. Our thanks are due to the Committee for the valuable Report which they have compiled.

2. We propose to deal separately with each of the important points raised by the despatch now under reply. For the present, we confine our attention to the first of the proposals contained in the 23rd para. of the Report of the Committee. This proposal deals with the necessity of obtaining, for the purposes of current finance, information in respect to the receipts and issues of the several treasuries, at a much earlier period than that at which accounts of audited expenditure could under any circumstances be rendered.

3. Before proceeding to explain the steps which we have taken to carry out your Lordship's instructions, it will be well to advert briefly to the actual condition of affairs.

4. Mainly owing to the energy and intelligence displayed by Mr. Westland, the present Comptroller General, of whose services we cannot speak too highly the information now at our command is, in many respects, far more perfect than that which alone was obtainable when the events occurred which gave rise to the appointment of the Committee.

5. The information on which we can at present rely in respect to our current finances is as a follows:—

(1.) We have perfectly accurate and complete information of our receipts and disbursements, prepared and classified in the form in which they will ultimately figure in the Accounts. This information is generally obtainable six or seven weeks after the close of the month. We enclose a copy of the monthly consolidated account as it is now prepared up to the end of December 1880. Your Lordship will observe that this return was ready by the 21st of February. Copies of this return will in future be sent every month to your Lordship.

(2.) We have an estimate prepared at the end of each month, or even before the month has expired, of the Treasury transactions of the month. Under ordinary circumstances reliable material exists for framing this estimate, and the monthly statement of the closing cash balances affords a means for testing its accuracy.

(3.) We have the closing cash balance of most of the treasuries. Except in the case of a few of the most distant treasuries, this information is generally available by the 9th of the month.

(4.) We have by the 16th of each month a statement collected from the Civil Accountants General of the receipts and issues of the civil treasuries upon military account, and from the 20th to the 24th of the month we receive statements,

from each province, also based upon the actual treasury accounts, of the receipts under the chief heads of revenue (land revenue, salt, customs, opium, stamps, &c.). For some of these we also, independently, get telegraphic information from departmental officers.

6. The information now at our command, although far more perfect than that which existed a year ago, does not, in our opinion, preclude the necessity of adopting some such measure as that proposed by the Committee. Orders have accordingly been issued to the officers in charge of the several treasuries to classify roughly their receipts and expenditure, and to send them with the least possible delay to the Accountant General at the close of each month. We enclose a copy of the circular (No. 2255 of the 12th February, 1881) which has been issued by the Comptroller General to the several Accountants General.

7. In the exercise of the discretion left us by para. 9 of your Lordship's despatch, we have departed to some slight extent from the precise forms recommended by the Committee.

First, we have directed the Treasury officers to send their returns to Provincial Accountants General, instead of directly to the Comptroller General. This step involves no delay in the final compilation of the figures by the Comptroller General, inasmuch as the Accountants General are all in telegraphic communication with Calcutta, and it gives us a security for the correctness of the returns which otherwise we should not have. For the Comptroller General has not, while the Accountant General has, the detailed knowledge necessary to enable him to criticise and question the returns when first received, and to examine them afterwards in the light of completed account, with a view to tracing and correcting errors of compilation.

Second, we have found it necessary to add a separate figure for Post Office receipts and issues, and also for guaranteed railway transactions. The Post Office has recently become a very large remitting department, as it now has the management of the money order business; and the Treasury Officers have no means of distinguishing between the issues and receipts on account of the department which are connected with revenue and expenditure, and those which are connected with purely remittance operations. The transactions of guaranteed railways are also large and altogether peculiar, and they affect a very few treasuries only. We accordingly considered that there would be much less risk of mixing up revenue and expenditure with pure debt and remittance, if we caused these figures to be separately reported.

8. We have thought it advisable to prescribe the 15th of each month, at first, as the date of the compilation. The Committee considered it might be ready by the 9th; but, while we have it in contemplation to bring forward the fixed date as soon as we can, we thought that to expect too much at the outset would be to endanger the success of the measure.

We have, &c.
RIPON.
F. P. HAINES.
RIVERS THOMPSON.
D. M. STEWART.
E. BARING.

Enclosure 1 in No. 2.

CIVIL ACCOUNTS of the GOVERNMENT OF INDIA for the Nine Months ending December 1880.

GENERAL STATEMENT OF ACCOUNT.

[*The Figures are all Thousands of Rupees.*]

RECEIPTS.

Receipts.	Account No.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W. P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Net Receipts Nine Months.
I.—Civil Revenue	1	1,61,40	68,99	1,12,75	50,19	12,59,26	6,17,63	2,28,84	5,55,86	5,96,25	36,51,17	16,82,21
II.—Civil Debt Heads	2	63,26,84	1,02,86	97,60	1,04,21	11,68,39	7,98,24	14,50,76	10,11,55	29,73,15	1,40,33,60	−5,50,01
III.—Civil Departments	3	47,13	25,99	36,57	11,06	68,32	27,55	50,90	26,78	46,16	3,40,46	−16,14
IV.—Guaranteed Railways	4	5,67,13	—	—	—	—	—	—	—	—	5,67,13	2,05,41
V.—Military Department	5	52,93	19,07	1,95	1,84	1,50	8,47	41,17	9,16	21,96	1,58,05	−13,20,84
VI.—Public Works Department.	6	3,37,46	8,35	38,80	5,61	1,07,28	1,03,06	98,65	15,18	1,47,56	8,61,95	−3,23,38
Total Receipts	—	74,92,89	2,25,26	2,87,67	1,72,91	26,04,75	15,54,95	18,70,32	16,18,53	37,85,08	1,96,12,36	−3,22,75
Balance, April 1st, 1880	—	1,72,39	46,05	56,65	35,75	2,32,02	1,82,74	1,13,71	2,31,06	2,32,62	13,02,99	—
Grand Total	—	76,65,28	2,71,31	3,44,32	2,08,66	28,36,77	17,37,69	19,84,03	18,49,59	40,17,70	2,09,15,35	—

OUTGOINGS.

Outgoings.	Account No.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W. P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Budget Estimate Net.
I.—Civil Expenditure	1	5,88,23	43,09	49,94	24,16	4,41,32	1,96,15	1,10,47	2,51,44	2,64,16	19,68,96	+26,74,90
II.—Civil Debt Heads	2	60,22,98	1,16,41	1,68,20	1,26,23	20,44,42	9,77,32	8,27,71	12,80,68	30,19,66	1,45,83,61	−14,80,80
III.—Civil Departments	3	16,25	12,94	18,51	5,19	71,80	69,19	65,29	34,24	63,19	3,56,60	+3,78
IV.—Guaranteed Railways	4	3,61,72	—	—	—	—	—	—	—	—	3,61,72	+2,78,00
V.—Military Department	5	2,51,25	42,09	28,14	12,99	18,57	1,44,96	5,68,88	1,16,39	2,95,62	14,78,89	−13,56,49
VI.—Public Works Department.	6	2,05,65	28,01	52,21	11,09	1,62,49	1,42,19	2,65,89	56,99	2,60,81	11,85,33	−3,29,48
Total Outgoings	—	74,46,08	2,42,54	3,17,00	1,79,66	27,38,60	15,29,81	18,38,24	17,39,74	39,03,44	1,99,35,11	−2,10,09*
Balance, December 31st, 1880.	—	2,19,20	28,77	27,32	29,00	98,17	2,07,88	1,45,79	1,09,85	1,14,26	9,80,24	—
Grand Total	—	76,65,28	2,71,31	3,44,32	2,08,66	28,36,77	17,37,69	19,84,03	18,49,59	40,17,70	2,09,15,35	—

* Net expenditure by estimate 2,74,89, less net inter-departmental 64,80.

21st February 1881.

J. WESTLAND,
Officiating Comptroller General.

Abstract of Civil Accounts.

(Enclosure 2 in No. 2.)

ABSTRACT OF CIVIL ACCOUNTS

ACCOUNT No. 1.—CIVIL

Credit Heads of Account.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W. P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Budget Estimate.
CIVIL REVENUE.											
I.—Land Revenue	4,40	33,19	46,24	22,44	1,76,20	4,32,79	1,50,08	2,43,41	1,19,43	12,28,18	22,06,20
II.—Tributes, &c.	17,23	59	—	—	—	—	1,45	19,48	4,42	43,22	69,80
IV.—Excise on Spirits, &c.	1,56	13,33	15,93	14,18	63,52	25,39	8,29	45,10	39,12	2,26,42	2,78,20
V.—Assessed Taxes	—	1,09	—	—	13,17	12,55	4,72	4,11	13,46	49,10	53,50
VI.—Provincial Rates	12	2,51	1,20	2,40	41,05	75,41	20,72	31,78	5,90	1,81,09	2,76,40
VII.—Customs	—	—	31,36	—	66,30	—	—	18,51	56,29	1,72,46	2,17,50
VIII.—Salt	1,07,43	—	1,45	—	1,83,19	—	—	1,15,77	1,09,05	5,16,89	7,54,10
IX.—Opium	—	1,44	2,67	3,68	5,78,22	2,78	1,88	—	1,70,06	7,60,73	9,41,00
X.—Stamps	1,89	8,78	5,84	4,51	83,46	40,00	23,63	42,25	32,23	2,41,59	3,19,40
XI.—Registration	5	44	12	27	7,72	4,44	1,72	4,48	2,18	21,42	26,50
XII.—Mint	1,97	—	—	—	—	—	—	3	6,53	8,53	19,60
XIII.—Post Office (Local only).	—	—	—	—	1	—	27	—	—	28	*See* Account No. 3.
XV.—Minor Departments	48	2	2	—	2,16	57	43	1,02	20	4,90	6,17
XVI.—Law and Justice	2,70	3,88	3,54	1,20	12,15	8,06	5,58	5,25	6,18	48,54	68,00
XVII.—Police	6	1,53	1,55	47	3,38	2,82	1,44	3,21	2,89	17,35	23,20
XVIII.—Marine (Provincial only).	—	—	1,10	—	8,59	—	—	7	34	10,10	13,52
XIX.—Education	22	49	26	17	3,66	1,33	52	1,58	3,02	11,25	13,70
XX.—Medical	2	1	6	1	1,27	9	12	97	54	3,09	3,82
XXI.—Stationery, &c.	66	13	3	1	75	76	82	[redacted]	24	3,81	4,50
XXII.—Interest	13,92	17	6	9	6,66	1,64	90	5,56	13,29	42,29	64,10
XXIII.—Superannuations	4,66	2	4	1	51	16	24	2,72	3,37	11,73	29,17
XXIV.—Miscellaneous	1,66	76	71	20	3,36	1,89	1,37	5,18	1,82	16,95	26,20
*XXVI.—Irrigation (in charge Civil Officers).	—	—	—	—	—	—	—	80	—	80	4
XXVII.—Other Public Works (in charge Civil Officers only).	16	61	48	55	3,72	6,94	4,62	3,52	2,22	22,82	5,00
XXX.—Gain by Exchange (excluding Guaranteed Railways and Money Orders).	2,16	—	9	—	21	1	4	1,65	3,47	7,63	9,45
Total Civil Revenue	1,61,40	68,99	1,12,75	50,19	12,59,26	6,17,63	2,28,84	5,55,86	5,96,25	36,51,17	54,29,07

* Includes Madras Irrigation and Canal Company's Accounts.

FOR THE MONTHS ENDING DECEMBER 1880.

REVENUE AND EXPENDITURE.

Debit Heads of Account.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W. P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Budget Estimate.
CIVIL EXPENDITURE.											
1. Interest on Debt	2,41,55	—	—	—	—	31	—	—	—	2,41,86	3,30,91
2. Interest on other accounts	15,73	—	—	—	3	8	—	4,67	8,39	28,90	39,84
3. Refunds and Drawbacks	43	51	1,42	45	9,40	2,06	1,04	2,76	7,01	25,08	31,80
4. Land Revenue	5,69	5,67	10,67	5,66	23,30	47,08	17,36	53,28	39,50	2,08,21	2,99,44
6. Excise on Spirits, &c.	8	44	11	8	1,95	1,00	42	1,32	3,35	8,75	11,10
7. Assessed Taxes	—	—	—	—	1,45	5	2	8	20	1,80	2,00
8. Provincial Rates	—	—	7	2	1,62	3	1,31	23	33	3,61	5,30
9. Customs	—	—	2,02	—	5,14	—	—	1,69	6,12	14,97	20,40
10. Salt	8,66	—	3	—	38	—	—	11,63	7,14	27,84	36,80
11. Opium	—	—	—	—	1,79,46	—	1	—	22	1,79,69	2,15,95
12. Stamps	5	13	10	14	1,92	49	65	1,10	1,11	5,69	7,75
13. Registration	3	21	5	18	4,78	2,12	97	3,03	1,66	13,03	16,60
14. Mint	2,72	—	—	—	—	—	—	17	2,81	5,70	9,15
15. Post Office (Local only)	6	34	21	11	2,18	1,39	1,02	81	67	6,79	See Account No. 3.
17. Administration	29,38	3,03	3,18	1,39	13,46	11,20	8,92	9,73	11,90	92,19	1,24,55
18. Minor Departments	13,09	63	31	7	2,67	2,43	1,05	2,65	1,90	24,80	41,51
19. Law and Justice	11,54	8,98	10,17	4,73	64,37	39,74	23,77	36,34	39,05	2,38,69	3,35,09
20. Police	2,34	8,58	12,97	5,57	28,84	43,03	21,14	31,58	28,28	1,82,93	2,51,30
21. Marine (Provincial only)	—	—	1,56	—	6,42	—	—	54	30	8,82	15,88
22. Education	1,05	3,98	2,10	1,51	18,07	11,81	7,89	10,24	15,20	71,85	1,01,58
23. Ecclesiastical	1,32	33	37	14	1,15	1,72	1,45	2,51	2,33	11,02	15,86
24. Medical	1,03	2,22	1,44	74	10,41	6,83	4,96	10,26	9,10	46,99	70,14
25. Stationery, &c.	6,14	57	73	28	13,28	2,53	2,13	3,13	2,31	31,10	41,57
26. Political Agencies	16,22	3	57	53	17	55	3,72	76	5,39	27,94	39,30
27. Allowances, &c.	37,84	4,29	—	39	9,55	8,72	5,86	10,84	22,98	1,09,47	1,82,43
28. Civil Furlough Allowances, &c.	5	—	4	—	25	—	—	—	13	47	30
29. Superannuations	8,28	1,04	88	34	9,56	8,54	5,19	14,81	13,84	62,48	64,63
30. Miscellaneous	1,20	42	53	49	4,03	1,27	1,32	6,14	2,96	18,36	24,33
31. Famine Relief	—	—	—	—	—	2	—	—	—	2	50
*33. Irrigation, &c. (in charge Civil Officers only).	—	—	—	—	1	2	—	2,63	—	2,66	1,00
34. Other Public Works (in charge Civil Officers only).	26	1,69	41	1,34	27,17	2,53	26	17,27	—	50,93	70,00
Total, excluding Exchange	4,04,74	43,09	49,94	24,16	4,41,32	1,96,15	1,10,46	2,49,20	2,34,18	17,53,24	24,13,07
37. Loss by Exchange (excluding Money Orders)	1,83,49	—	—	—	—	—	1	2,24	29,98	2,15,72	3,41,10
Total Civil Expenditure	5,88,23	43,09	49,94	24,16	4,41,32	1,96,15	1,10,47	2,51,44	2,64 16	19,68,96	27,54,17

* Includes Madras Irrigation and Canal Company's Accounts.

ACCOUNT No. 2.—

Credit Heads of Account.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W. P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Net Receipts Nine Months.
ADJUSTING ACCOUNTS.											
Adjusting Accounts	—	13,08	—	3,09	31,02	64,00	49,57	64,62	1,14,71	3,40,09	—
DEBT.											
Imperial Loans	4,44,33	—	—	—	—	—	—	—	—	4,44,33	3,07,01
Provincial Debentures	2,03	—	—	—	—	—	—	—	—	2,03	2,03
Temporary Debt	30,00	—	—	—	—	—	—	—	—	30,00	30,00
Special Loans	—	—	—	—	—	—	—	—	—	—	—
Treasury Notes	13,86	—	—	—	—	—	—	—	—	13,86	−52
Service Funds	34,45	—	—	—	—	—	—	18,26	7,97	60,68	18,81
Savings Bank Deposits	3,59	2,78	1,80	3,03	35,71	11,41	10,04	14,74	66,27	1,49,37	98,27
EXCLUDED LOCAL FUNDS.											
Excluded Local Funds	4,32	69	11,95	4	3,41	6,38	2,31	2,93	4,71	36,74	3,22
POLITICAL, &C., FUNDS.											
Political Funds	80	—	—	—	—	—	—	—	—	80	−68
Railway Funds	1,32	—	—	—	—	—	—	—	—	1,32	78
DEPOSITS, ADVANCES, &C.											
Civil Deposits	28,78	20,54	15,35	4,5	2,02,46	1,65,48	1,06,14	1,18,49	60,45	7,22,23	44
Advances	13,64	2,31	1,20	1,12	5,27	4,58	9,63	8,79	14,87	61,41	1,08
Permanent Advances	11	—	1	2	—	1	16	5	9,01	9,37	8.90
Accounts with Foreign States	20,07	—	—	—	4,53	—	42	3,12	2,58	30,72	9,39
Suspense Accounts	58,46	4	10	10	4,78	27	89	80	47	65,91	85
Cheques and Bills	—	3,12	—	—	1,47,48	—	31,12	40,48	47,33	2,89,53	−2,12
Coinage Accounts	1,01,91	—	—	—	—	25,12	—	2,07	2,98,88	4,27,98	6,73
Departmental Accounts	25,54	4	9	1,00	23,02	1,21	2,25	16,06	2,90	73,01	14,52
Loans to Municipalties, &c.	6,62	59	20	—	2,48	1,93	60	30	5,95	18,67	3.41
Cash Remittances and Adjustments.	4,72,83	36,26	37,80	28,85	5,48,74	2,97,58	3,26,19	5,57,16	13,39,69	36,45,10	5,72
Remittances by Bills	2,33,37	10,43	17,05	37,51	43,30	80,92	1,45,05	29,30	2,51,51	8,48,44	−43,10
Miscellaneous	20,27	—	—	—	—	—	—	—	2,11	22,38	15,62
ACCOUNTS BETWEEN PRESIDENCIES.											
Accounts between Civil and Civil India and other Governments.	20,19,95	9,23	9,26	22,83	12,63	92,52	5,87,51	1,07,24	4,04,60	32,65,77	82,23
Other Governments	—	3,75	2,70	2,08	1,01,22	46,82	1,78,42	3,46	1,42,51	4,80,96	−13,93
ACCOUNTS BETWEEN INDIA AND ENGLAND.											
Council Bills*	27,76,65	—	—	—	—	—	—	16,44	1,76,58	29,69,67	−11,36,18
Receipts in India for payments in England.	13,67	—	9	—	1,44	1	16	6,94	20,05	42,36	41,80
Receipts in India on account of Imperial Exchequer.	27	—	—	—	—	—	—	30	—	57	−3,99
Total Civil Debt Accounts	63,26,84	1,02,86	97,60	1,04,21	11,68,39	7,98,24	14,50,76	10,11,55	29,73,15	1,40,33,60	−5,50,01

* For the purposes of this account, this head includes the deposit head of "London Bills Payable."

CIVIL DEBT HEADS.

Debit Heads of Account.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W. P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Budget Estimate, Net.
ADJUSTING ACCOUNTS.											
Adjusting Accounts	—	13,08	—	3,09	31,02	64,00	49,57	64,62	1,14,71	3,40,09	—
DEBT.											
Imperial Loans	1,37,32	—	—	—	—	—	—	—	—	1,37,32	— 1,70
Provincial Debentures	—	—	—	—	—	—	—	—	—	—	—
Temporary Debt	—	—	—	—	—	—	—	—	—	—	—
Special Loans	—	—	—	—	—	—	—	—	—	—	—
Treasury Notes	14,38	—	—	—	—	—	—	—	—	14,38	+ 27,50
Service Funds	27,95	—	—	—	—	—	—	11,37	2,55	41,87	+ 12,00
Savings Banks Deposits	97	1,06	1,06	1,66	19,39	4,76	3,82	7,58	10,80	51,10	+ 9,67
EXCLUDED LOCAL FUNDS.											
Excluded Local Funds	4,32	62	10,81	6	3,16	6,25	2,09	1,67	4,54	33,52	—
POLITICAL, &c., FUNDS.											
Political Funds	1,48	—	—	—	—	—	—	—	—	1,48	— 6,80
Railway Funds	54	—	—	—	—	—	—	—	—	54	
DEPOSITS, ADVANCES, &c.											
Civil Deposits	33,58	21,07	14,80	4,90	1,94,66	1,57,21	1,01,15	1,20,49	73,93	7,21,79	+ 1,07,38
Advances	16,35	2,19	1,88	1,11	4,39	7,79	8,31	4,67	13,64	60,33	
Permanent Advances	2	6	5	2	5	1	16	6	4	47	
Accounts with Foreign States	11,04	—	—	—	4,35	—	47	2,87	2,60	21,33	—
Suspense Accounts	57,99	5	10	9	4,30	22	82	40	59	65,06	—
Cheques and Bills	45	3,07	—	—	1,48,94	—	31,21	40,65	47,33	2,71,65	—
Coinage Accounts	87,97	—	—	1,96	—	28,83	—	9,30	2,93,19	4,21,25	—
Departmental Accounts	4,99	81	2	9	20,85	77	4,51	17,07	9,38	58,49	—
Loans to Municipalities, &c.	—	1	—	—	—	5	4,69	41	10,10	15,26	— 1,90
Cash Remittances and Adjustments.	4,71,31	36,26	37,79	28,85	5,48,67	2,96,64	3,26,49	5,56,78	13,36,89	36,39,68	—
Remittances by Bills	2,38,12	12,05	19,54	41,83	45,52	84,95	1,48,76	33,02	2,68,05	8,91,84	+ 8,60
Miscellaneous	5,08	—	—	—	—	—	—	—	1,68	6,76	—
ACCOUNTS BETWEEN PRESIDENCIES.											
Accounts between Civil and Civil India and other Governments.	11,66,81	4,09	81,44	41,72	10,10,27	1,76,06	1,14,29	2,48,44	3,40,42	31,83,54	—
Other Governments	—	21,07	63	85	8,33	1,49,77	31,31	1,34,99	1,47,01	4,94,89	—
ACCOUNTS BETWEEN INDIA AND ENGLAND.											
Council Bills*	37,38,41	—	—	—	—	—	—	25,68	3,41,76	41,05,85	— 16,90,00
Payments in India on account of Receipts in England.	1	2	8	—	2	—	—	30	13	56	+ 54,45
Amounts advanced, recoverable from Imperial Exchequer.	3,89	—	—	—	—	1	6	31	29	4,56	
Total Civil Debt Accounts	60,22,98	1,16,41	1,68,20	1,26,23	20,44,42	9,77,32	8,27,71	12,80,68	30,19,66	1,45,83,61	—14,80,80

* For the purpose of this account, this head includes the deposit head of "London Bills Payable."

ACCOUNT, No. 3.—

Credit Heads of Account.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W. P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Net Receipts, Nine Months.
FOREST DEPARTMENT.											
III. Forests - - -	45	4,98	7,79	98	2,60	3,34	2,77	4,15	7,75	34,81	8,25
Forest Remittances - - -	1,10	8,28	13,68	2,18	4,90	6,80	6,19	98	4,10	48,21	2,00
Total Forest Account -	1,55	13,26	21,47	3,16	7,50	10,14	8,96	5,13	11,85	83,02	10,25
POST OFFICE DEPARTMENT.											
Account Current between Civil and Post Office.	39,51	12,47	11,84	7,31	47,64	15,87	34,46	17,41	21,40	2,97,91	− 15,30
TELEGRAPH DEPARTMENT.											
Account Current between Civil and Telegraph.	5,93	26	3,25	59	12,21	1,54	7,48	4,22	11,55	47,03	4,79
MARINE DEPARTMENT.											
Account Current between Civil and Marine.	14	—	1	—	97	—	—	2	1,36	2,50	− 15,88
Total Civil Departments	47,13	25,99	36,57	11,06	68,32	27,55	50,90	26,78	46,16	3,40,46	− 16,14

ACCOUNT, No. 4.—

XXV. Railways:—											− 31,39
Guaranteed Railways: Revenue and Revenue Advance Accounts.	2,25,70	—	—	—	—	—	—	—	—	2,25,70	2,25,70
XXX. Gain by Exchange:—											
On Capital Transactions of Guaranteed Railways.	7,29	—	—	—	—	—	—	—	—	7,29	7,29
Guaranteed Railways: Capital Accounts.	2,52,91	—	—	—	—	—	—	—	—	2,52,91	− 58
Guaranteed Railways: Suspense Accounts.	81,23	—	—	—	—	—	—	—	—	81,23	4,39
Total Guaranteed Railways - - -	5,67,13	—	—	—	—	—	—	—	—	5,67,13	2,05,41

ACCOUNT, No. 5.—

Account Current between Civil and Military, Bengal.	33,56	9,90		1,84	1,49	8,43	40,80	2	4,74	1,00,82	−8,02,32
Account Current between Civil and Military, Madras.	70	8,76	1,91	—	1	—	22	9,05	—	20,65	−1,74,43
Account Current between Civil and Military, Bombay.	18,67	41	—	—	—	4	15	9	17,22	36,58	−3,44,09
Total Military - -	52,93	19,07	1,95	1,84	1,50	8,47	41,17	9,16	21,96	1,58,05	−13,20,84

ACCOUNT, No. 6.—

XXV. Railways:—											
State Railways: Gross Traffic Receipts (Provincial only).	—	—	8,02	—	18,97	75	—	—	—	27,74	10,40
XXVI. Irrigation (in charge Public Works Officers).	—	—	13	—	8,12	19,68	3,26	73	—	31,92	5,27
XXVII. Other Public Works (in charge Public Works Officers).	—	10	31	5	− 11	20	—	64	3,35	4,54	− 86,24
Account Current between Civil and Public Works Department (Ordinary Branches).	7,07	5,72	16,20	5,56	44,26	56,86	35,43	13,81	33,49	2,18,40	−2,52,81
Account Current between Civil and Public Works Department (Railway Branches).	3,30,39	2,26	14,14	—	36,04	25,57	59,96	—	1,10,72	5,79,35	
Total Public Works Department, - -	3,37,46	8,35	38,80	5,61	1,07,28	1,03,06	98,65	15,18	1,47,56	8,61,95	− 3,23,33

CIVIL DEPARTMENTS.

Debit Heads of Account.	India.	Central Provinces.	British Burmah.	Assam.	Bengal.	N.-W.P. and Oudh.	Punjab.	Madras.	Bombay.	Total.	Budget Estimate, Net.	
FOREST DEPARTMENT.												
5. Forests	88	2,50	3,00	72	1,95	3,19	3,13	3,78	7,41	26,56	+16,08	68,84 −52,76
Forest Remittances	1,04	7,97	12,31	2,03	4,68	7,02	6,07	98	4,11	46,21	—	
Total Forest Account	1,92	10,47	15,31	2,75	6,63	10,21	9,20	4,76	11,52	72,77	16,08	
POST OFFICE DEPARTMENT.												
Account Current between Civil and Post Office.	4,59	1,87	64	97	57,13	57,09	51,90	21,52	27,50	2,23,21	−3,58	1,00,80 −1,04,38
TELEGRAPH DEPARTMENT.												
Account Current between Civil and Telegraph.	9,24	60	2,29	95	1,69	1,89	4,19	7,88	13,51	42,24	+8,22	46,31 −38,09
MARINE DEPARTMENT.												
Account Current between Civil and Marine.	50	—	27	52	6,35	—	—	8	10,66	18,38	−16,94	9,08 −26,02
Total Civil Departments	16,25	12,94	18,51	5,19	71,80	69,19	65,29	34,24	63,19	3,56,60	+3,78	
GUARANTEED RAILWAYS.												
32. Railways:—												
Guaranteed Railways: Interest and Surplus Profits Accounts.	31,39	—	—	—	—	—	—	—	—	31,39	2,49,10	2,82,50 −33,40
											14,25	Exchange
Guaranteed Railways: Capital Accounts.	2,53,49	—	—	—	—	—	—	—	—	2,53,49	14,65	
Guaranteed Railways: Suspense Accounts.	76,84	—	—	—	—	—	—	—	—	76,84	—	
Total Guaranteed Railways	3,61,72	—	—	—	—	—	—	—	—	3,61,72	2,78,00	
MILITARY DEPARTMENT.												
Account Current between Civil and Military, Bengal.	1,33,27	21,95	3	12,99	16,86	1,44,63	5,61,88	6	11,47	9,03,14	—	
Account Current between Civil and Military, Madras.	26,23	19,37	28,02	—	1,55	6	2,98	1,13,27	60	1,95,68	—	
Account Current between Civil and Military, Bombay.	91,75	77	9	—	16	27	4,02	6	2,83,55	3,80,67	—	
Total Military	2,51,25	42,09	28,14	12,99	18,57	1,44,96	5,68,88	1,16,39	2,95,62	14,78,89	−13,56,49	
PUBLIC WORKS DEPARTMENT.												
32. Railways:—												
State Railways: (Provincial only).	—	—	5,41	—	11,34	47	12	—	—	17,34	14,41	43,00 −28,59
33. Irrigation (in charge Public Works Officers).	—	—	2,96	—	11,38	10,38	6	1,87	—	26,65	13,25	55,37 −42,12
34. Other Public Works (in charge Public Works Officers).	23	4,90	10,17	4,36	15,46	15,52	12,18	7,11	20,85	90,78	−1,77,85	35,17 −2,13,02
Account Current between Civil and Public Works Department (Ordinary Branches).	21,58	9,49	18,98	6,73	79,31	1,15,04	85,53	48,01	1,53,20	5,37,87	−1,79,29	
Account Current between Civil and Public Works Department (Railway Branches).	1,83,84	13,62	14,69	—	45,00	78	1,68,00	—	86,76	5,12,69		
Total Public Works Department	2,05,65	28,01	52,21	11,09	1,62,49	1,42,19	2,65,89	56,99	2,60,81	11,85,33	−3,29,48	

Enclosure 2 in No. 2.

From the COMPTROLLER GENERAL to each ACCOUNTANT GENERAL, February 12, 1881, No. 2255.

SIR,

THE Government of India having desired me to establish a system of gathering (by direct returns from the treasuries, in anticipation of the regular accounts) the main facts concerning the revenue and expenditure of each month, I have the honour to explain to you the intended system, and to request you take immediate measures to bring it into operation.

2. The first business of each treasury at the close of a month is the ascertainment of its cash balance, which, under present rules, has to be immediately communicated to you. Thereafter comes the compilation of the cash account, with its final list of payments; and the system of treasury account is so regulated that the cash account can be made ready within the first day after the close of the month. The cash account affords the Treasury officer the means of ascertaining every figure that is required for the proposed returns.

3. Taking the figures in order of ascertainment, the first will be the total of receipts and issues on account of the Military Department. As these are in every treasury shown in separate schedules and separately totalled, they can be stated without difficulty.

4. The next are the receipts and issues on account of the Public Works Department, which includes State railways, but not guaranteed railways (*N.B.*—the East Indian is a State railway, and not a guaranteed one). The issues are all made on cheques, and are separately scheduled. The receipts also are usually scheduled; and, if they are not so at present, schedules should be introduced, so that the Treasury officer may be able, upon his cash account, to show separately the *whole* of the Public Works transactions.

5. The next figures to be taken out are those of the Post Office. This head is represented on the receipt side by the separate schedule of Post Office receipts, including postage-stamps; and on the expenditure side, either by a separate schedule or by items in the body of the list of payments, for which now a separate register and schedule should be introduced, so that the items may readily be taken out.

6. Guaranteed railways.—Very few treasuries have anything to do with these, but there is no difficulty in stating the receipts and issues, and the Accountant General in each case will give special instructions to the treasuries concerned.

7. After the above figures are taken out, the remaining ones belong to the purely Civil section of the accounts, and are either revenue and expenditure, or debt and remittance.

8. Revenue and expenditure are for the most part well understood, but it must be remembered that they include a few items which are dealt with in the treasury accounts in a special manner with reference to subsequent procedure in the account offices. Such are interest upon Government paper, Simla payments (in the Punjab), Presidency payments (in Bengal), and, in some places, the payment of particular pensions. In the following cases receipts and issues are not, strictly speaking, revenue and expenditure; but, as they are receipts from special officers of the revenue which they receive, and issues to them of funds for expenditure, and as, for the purpose of these preliminary returns, we are to look to the treasuries, and cannot wait for the further information to be gathered from the separate accounts of the officers concerned, the Treasury officers must regard them as revenue and expenditure. The receipts and issues so to be dealt with are—

From and to officers of the Forest Department;
" officers of the Opium Department;
" officers of the Telegraph Department;
" collectors of sea customs;
" Commissioner of Opium (Bombay);
" officers of the Inland Customs Department in Northern India, and the Salt Departments in Madras and Bombay;
" superintendents of stamps;
" officers of the Marine Departments (*i.e.*, payments on account of sea-going vessels and dockyards, made under advices from the Bengal Controller of Military accounts);

and other officers whom each Accountant General can name.

9. The receipts and issues of incorporated local funds must be dealt with on the same principle. They are for the most part revenue and expenditure, and the Treasury officers have not always the information that would enable them to separate out the few items of incorporated local funds that are not revenue and expenditure; it is better in such cases to assume the whole to be revenue and expenditure. As excluded local funds are not to be treated as revenue and expenditure, each Accountant General will carefully indicate to the Treasury officers which of the local funds, of which he is authorised to keep account, are incorporated, and which are excluded.

10. The debt and remittance items, which complete the account, are those—

(1) in which the receipt of money involves a liability to subsequently repay it (such as Imperial or provincial loans, savings bank deposits, excluded local funds, municipal funds deposits, receipts for bills issued on other treasuries); or

(2) in which the payment of the money is discharged by a subsequent receipt or recovery, such as advances, loans, remittances to other treasuries (remittances of other kinds are already provided for).

(3) Repayments of items of the first kind, and recoveries of items of the second kind.

11. In the forms of cash account and lists of payments supplied for Treasury use there are almost always two columns, and, where there are not, a second column can, for the present, be ruled by hand. The Treasury officer, in posting his cash account, should enter in the first of the two columns the items which he is above instructed to classify as civil revenue and expenditure; and the other items should go into the second column. The two columns should then be totalled separately, thus:—

	Rs. A. P.	Rs. A. P.
Total - - - -	2,734 1 10	3,672 2 5
Add first column - - - -	- -	2,734 1 10
Total of both - -	- -	6,406 4 3

He will thus obtain at once, in the total of the first column, the figures that are to be shown as civil revenue and expenditure; and when he has deducted from the total of the second column, the figures of military, Public Works, and Post Office, the remainder will be the total of the debt and remittance items.

12. It is hoped that there will be no difficulty in doing this at every treasury upon the second day of the month, so that the figures may be despatched to the Accountant General the day following the cash account. Each Accountant General will issue instructions indicating from what treasuries the report may be sent in by post and from what treasuries it should be sent by telegram. The postal form will be the following, the figures being stated only in even hundreds of rupees:—

ABSTRACT ACCOUNT of the Month of TREASURY for the 188 .

Receipts.	Rs.	Outgoings.	Rs.
(1.) Civil revenue - -	32,700	(7.) Civil expenditure	63,200
(2.) Civil debt and remittance.	63,400	(8.) Civil debt and remittance.	14,700
(3.) Post Office - -	12,600	(9.) Post office - -	13,500
(4.) Military Department	3,600	(10.) Military Department.	64,900
(5.) Public Works Department.	24,200	(11.) Public Works Department.	53,300
(6.) Opening balance -	1,27,200	(12.) Closing balance -	54,100
	2,63,700		2,63,700

The telegraphic form corresponding to the above would be—

327 634 126 36 242 1272 632 147
135 649 533 541.

13. On receipt of each statement, the Accountant General will at once test it (1) by comparing the balances (6th and 12th figures) with those already known to him, and (2) by seeing that the two sides produce equal totals. He will take the earliest measures to post the figures and make a total for the whole province, and, when he has compiled the whole, will telegraph the 12 figures, *in thousands*, to me.

[illegible] a date for the [illegible] I shall have all the figures by the latest on the 15th of the month, and the Accountant General must not delay the return of his province by waiting for the precise figures of an outlying or distant treasury, but should substitute for the actual figures such estimate as he can make. They will be, from the nature of the case, comparatively unimportant treasuries.

15. There may be a little difficulty at first in getting returns which accurately anticipate the final outturn of the regular compilation of accounts; but it is hoped that the issue of careful instructions in the first place will aid the Treasury officers in understanding precisely what is required, and that a comparison of their returns with the compilations made from their cash accounts will enable the Accountant General to see exactly where difficulties or misapprehensions arise, and thus gradually to develop a system of preliminary returns which will put the Government in very early possession of the actual facts of its accounts. The experience of the first two or three months will enable us to see how early the information can be given; but, as just explained, I think it best at first simply to say that it should be sent us early as possible, and not later than the 15th.

16. To give time for the issue of the necessary instructions, the accounts of April will be the first ones for which the proposed Treasury returns will be required.

I have, &c.
J. WESTLAND,
Comptroller General.

ABSTRACT ACCOUNT of the Month of TREASURY for the 188 .

(To be despatched by Post on the evening of the 2nd Day of the Month.)

Receipts.	*Rs.	Outgoings.	*Rs.
(1.) Civil revenue - -		(7.) Civil expenditure -	
(2.) Civil debt and remittance.		(8.) Civil debt and remittance.	
(3.) Post Office - -		(9.) Post office - -	
(4.) Military Department		(10.) Military Department.	
(5.) Public Works Department.		(11.) Public Works Department.	
(6.) Opening balance -		(12.) Closing balance -	
Total - -		Total - -	

* Figures to be stated only in even hundreds of rupees.

Station _____
The _____ 188 . } Treasury Officer.

No. 3.

DESPATCH to the GOVERNMENT OF INDIA, May 26, 1881, No. 167.

MY LORD MARQUIS,

PARA. 1. I have considered in Council your Excellency's letter, dated the 14th of March, No. 67, reporting the measures adopted for the reform of the Military Accounts and Estimates up to the date of your letter.

2. I observe with pleasure the testimony borne by you to the energy and intelligence of the officiating Comptroller General, Mr. Westland, who has been able to compile, by the 21st of February, an abstract statement of account of the receipts and disbursements of the Civil Treasuries throughout India to the 31st of December preceding, that is, within a little more than seven weeks of the latest date to which the transactions refer.

3. As regards the form of this account, it is doubtless useful for the Financial Department in India to have in one statement the particulars for each of the various provinces. I think, however, that for the information of your Government, and for the transmission to this office, it would be desirable to prepare an abstract omitting these provincial details, and showing, side by side, the total receipts and expenditure, and the net receipts for the period recorded, the corresponding figures for the previous year (when time has elapsed for such a record), and the Budget Estimates for the 12 months. The return in the fuller form, with provincial details, might, however, be also forwarded for reference, if needed.

4. You state that you have directed the Treasury officers to send their returns to the Accountants General, instead of directly to the Comptroller General, a step which, however, will involve no delay in the final compilation of the figures by the latter officer, while it will afford an opportunity for the Accountants General to criticise the accuracy of the returns. You have also allowed these returns to be furnished by the 15th of the month, instead of the 9th, as the Committee which sat in this country recommended.

5. I do not question the judgment of your Excellency in issuing these orders in the first instance; but, as much importance was attached by the Committee to the early receipt of the Treasury returns by the Comptroller General, I await with interest your report on the result of these instructions, and I shall be glad, when time has been afforded for their working, to learn whether you consider that further steps can be usefully taken in the direction aimed at by the Committee.

6. The separation of the transactions of the Post Office and Guaranteed Railways from the other figures appears to be judicious.

I have, &c.
HARTINGTON.

No. 4.

LETTER from the GOVERNMENT OF INDIA, October 1, 1881, No. 249.

MY LORD MARQUIS,

WE have the honour to reply to that portion of your Lordship's Despatch No. 46 (Financial) of 27th January 1881, which deals with the question of establishing in India an independent appropriation audit to supplement the present departmental audit. We regret the delay that has occurred in answering this despatch. The subject, however, is one of considerable difficulty and importance, and requires very careful study and deliberation.

2. With a view to arriving at a sound conclusion upon the point on which your Lordship has invited our opinion, we have thought it desirable to study the systems in force, not only in England, but in France, Germany, Austria, &c. We find that, in respect to certain main features, the organisation for the proper control of State expenditure is very similar in the principal States of Europe. In every case the accounts of the disbursing officers are subject to examination and verification. They are obliged to prove to the satisfaction of the auditing authority that the money which they have disbursed has been spent on the service of the State, and in accordance with certain prescribed regulations. In countries where parliamentary institutions have taken deep root, the auditing authority is rendered wholly independent of the Executive. In other countries where parliamentary institutions are less deeply rooted, the degree of subordination of the auditing authority to the Executive Government is greater; but even in these cases great precautions appear to have been taken to prevent any undue exercise of authority on the part of the Executive. Such precautions take the form of investing the auditing authority with judicial powers, of rendering the auditors irremovable save under certain specified conditions, or of placing them in direct subordination to the highest authority in the State, such as the Emperors of Germany and Austria, rather than to the ministerial head of any department. In every case the auditors are precluded from exercising any other functions under the State than those appertaining to their peculiar office of audit. Lastly, it appears to be almost universally held that the functions of audit are those of verification, and not of control; that is to say, that the duty of the auditors is to see that the money has been spent in accordance with the manner prescribed by competent authority, and that it is no part of their duty to discuss whether the money so spent has been well spent, or the reverse. The limit to the power of the auditing authority in this respect is most sharply drawn in countries like England, where, in view of the large powers possessed by Parliament, it is thought necessary to preserve against encroachments on the power of the Executive. It is less sharply

drawn in countries like Austria, where the powers of the Executive are wider, less clearly defined, and less under the control of popular institutions.

3. The Indian system differs materially from those of which we have given a general description above.

4. The whole of the accounts of the Government are eventually centred in the hands of the Comptroller General. He receives nine civil accounts from the Accountants General and Comptrollers of the different provinces, four Public Works Accounts from the Accountant General of the Public Works Department, three Military Accounts from the Controllers of Military Accounts, and three Postal, Telegraph, and Marine Accounts from their respective comptrollers. He does not personally conduct any administrative audit. Indeed, in dealing with such vast and varied transactions, it would be quite impossible that he should conduct any such audit. The administrative audit, by which we mean the verification by vouchers that the money issued from treasuries has been spent in the manner in which it is entered in the accounts, and in accordance with existing regulations, is conducted, in the case of the civil expenditure by the Accountants General, in the case of the military expenditure by the examiners of Military Accounts acting under the military controllers, in the case of Public Works expenditure by the examiners of Public Works Accounts acting under the Accountant General of the Public Works Department, and in the case of the Postal, Marine, and Telegraph Departments by the three Comptrollers of those departments. It is to be borne in mind that the Accountants General in India occupy a position which differs essentially from that of the Accountant General of the War Office, for instance, in England. The latter, if we understand rightly, is a departmental officer of the War Office. He is in constant communication with the Treasury; but he is not an officer of the Treasury. He takes his orders from the Secretary of State for War. The Accountants General in India, on the other hand, are officers of the Financial Department. They are wholly dissociated from the departments whose accounts they audit. The Military Controllers and Public Works Examiners are not Financial Department officers. They owe allegiance to the Military and Public Works Departments respectively. It results from this condition of things that the control of the Financial Department over Civil expenditure is more effective than it is over Military or Public Works expenditure.

5. It appears to us that the principle that the whole of the accounts of the State should, so far as is possible, undergo examination by some officer more or less independent of the Executive Government, is sound and of general application, and that the present Indian system does not adequately provide for an examination of this description. The question of how best to improve this system is one of considerable difficulty. We think that we must discard altogether any attempt to institute a close analogy between India and England or other countries possessing parliamentary institutions, and that we must therefore take as a point of departure the principle that the auditing authority should report to the Executive Government.

6. The dissenting members of the India Office Committee say "that, if an officer other than the Comptroller General be appointed to the duty" (*i.e.*, the duty of conducting an independent audit), "he should "be subordinate to the Governor General in Council, "but to him only." We are not quite clear as to what is meant in this passage. We are not sure whether it was intended to convey that the auditing authority should report to the Governor General individually, or to the Governor General in Council in his collective capacity. The report should certainly not be made to the member of council in charge of the Financial Department. Whether it should be made to the Governor General or to the Governor General in Council is, we think, a matter of less importance. We incline to the opinion that it should be made to the Governor General in Council. It is not usual to separate the Governor General from his Council; and we think, on the whole, that in this particular case the arguments tend against any such separation. We think, therefore, that the auditing authority should report to the Governor General in Council, and not to the Governor General.

7. Some further measures may, we think, be adopted, in order to confer dignity and independence on the auditing authority, without encroaching on the powers of the Executive Government to a degree which would be politically objectionable.

8. In the first [illegible] authority may be m[illegible] public. We are [illegible] the report of the pa[illegible] year should not [illegible] lished before the financial statement made at the close of the subsequent year is either discussed in the Legislative Council or published in the "Gazette of India." This would practically afford members of the Legislative Council and the press the means for using the information contained in that report when the budget discussion, if there is one, comes on. At the same time, it would, of course, be competent for the Government of India to publish any explanatory observations on the report. The report should state whether in all cases the orders of the Secretary of State and of the Government of India have been obeyed. A further special point, to which, we think, attention should be directed, is whether the proceeds of any special funds included in the accounts have been devoted to the objects prescribed by law.

9. Further, in order that personal considerations shall, to the least degree possible, shackle the auditing officer in the free expression of his opinions, he might, we think, be made irremovable, save with the sanction of the Secretary of State in Council; and, in order that any independent expression of opinion should not injure his chances of promotion, he might be made to rise to the pay of a secretary to Government after 20 years' service.

10. Further, we might advantageously adopt the portion of the English practice which is described by Mr. Welby (Q. 350) as a *test audit*; that is to say, we think that the auditing authority, either himself or by one of his deputies, might examine in detail the accounts of any one department or a portion of them whenever he shall think fit to do so. This proposal would of necessity lead to an increase of establishment, and, therefore, of expenditure. But to this we should have no objection.

11. Lastly, the authority of law might be given to the increased powers and higher position of the auditor, which would result from these proposals, by passing an Act through the Legislative Council rather than proceeding by a resolution of Government.

12. The next point to be decided is whether a separate auditor general should be appointed, or whether the duty of conducting the appropriation audit may be performed by the Comptroller General. The dissenting members of the India Office Committee were of opinion that the executive functions performed by the Comptroller General would interfere with his duties as Auditor General. The organisation would certainly be far more perfect if the Auditor General and his subordinates exercised no executive or administrative functions whatsoever. The question is mainly one of money. It is obvious that, if the Auditor General and his subordinates were to carry out annually in detail an administrative audit of the whole of the accounts in all departments, a very large establishment would be required. The expense of such an organisation would be so great that we think the idea may be at once set aside. But, if the duties of the Auditor General were confined to (1) appropriation audit, (2) a general supervision of the system of administrative audit, (3) a test audit, applied every year to some one or more departments or branches of departments, the following establishment would, we think, be sufficient:—

Appointment.	Salary per Mensem.			Annual Cost.
	Minimum.	Maximum.	Average.	
	Rs.	Rs.	Rs.	Rs.
1 Auditor General	3,500	4,000	3,833	45,996
1 Auditor	1,750	2,000	1,916	22,992
1 Auditor	1,250	1,500	1,416	16,992
1 Auditor	1,000	1,250	1,166	13,992
1 Auditor	800	1,000	935	11,196
		Cost per annum		1,11,168
Clerks and establishment				20,000
Office rent and contingencies				10,000
Travelling allowance				12,000
		Total		1,53,168

The increase is, no doubt, considerable; but, on the whole, we think that it would be worth spending Rs. 1,53,000 a year in order to improve our financial organisation in the manner proposed.

13. Your Lordship will observe that the pay which we propose to assign to the auditors is the same as that given to the officers in the 1st, 2nd, 3rd, and 4th classes, respectively, of the Financial Department. We think that, on the whole, the best plan will be to add one officer to each of these classes. If an entirely separate service of auditors were created, promotion would probably be very slow, and there might be a difficulty in getting officers to remain at their posts. On the other hand, frequent changes would be exceedingly undesirable. Moreover, the work of account and audit is sufficiently allied to render interchanges amongst the accounting and auditing staff unobjectionable. An officer well trained in the Account Branch would find but little difficulty in making himself acquainted with the work of audit, and *vice versâ*. It would, however, be difficult to provide four qualified auditors at once without crippling our Account Branch. Moreover, we are not as yet satisfied that so large a staff as that proposed above will be required. Whilst, therefore, we ask your Lordship's general sanction to the scheme now proposed, we would at the same time request that a discretionary power be left to us as to the time and manner of bringing it fully into operation. We propose, in the first instance, to appoint the Auditor General, who would be requested to submit to us, as soon as possible after his appointment, a report showing what portion of the establishment now proposed is immediately required. The establishment might then be increased up to the full numbers for which sanction is now requested, as further experience would appear to render necessary.

14. The amount we have entered in our estimate for "clerks and establishment" (Rs. 20,000) is relatively small. We consider it in the essence of the scheme now proposed that the work should be done by the Auditor General and the auditors themselves, and that no facility should be offered for its being passed on to a highly-paid subordinate staff.

15. We think that the Auditor General should be entrusted with the duties of head commissioner of currency.

16. We observe that the dissenting members of the Committee (Sir George Kellner, Mr. Welby, and Mr. White) proposed that there should be "a final "review of the Indian accounts in England under the "direction of the Secretary of State for India in "Council, by a committee composed in great part of "members of the Indian Council or officers of the "India Department, supplemented by one or two "persons altogether independent of India."

17. If the proposals we now make are adopted, your Lordship will no doubt consider that any further audit in England will not be necessary. We need not, therefore, at present discuss the proposal in question; but we wish to remark that, in our opinion, the appointment of any such committee as that proposed is open to many objections.

18. In the course of our deliberations on the subject raised in your Lordship's despatch now under reply, some collateral points have come under our consideration.

19. We are not altogether satisfied with the system under which our treasuries undergo periodical inspection. We have not as yet, however, matured our plans for the introduction of any reformed system. Should we eventually decide on the adoption of any changes of sufficient importance to require reference to your Lordship, we shall deal with the matter in a separate despatch. We mention this point at present, as it is not impossible that we may eventually think it desirable to utilise the services of the auditors in the work of Treasury inspection.

20. A further point which we have considered is the degree of control now exercised by our Financial Department over the expenditure of public money. In the exercise of the powers conferred on him by section VIII. of the Indian Councils Act, 1861, his Excellency the Viceroy and Governor General is about to frame a rule under which the control of the Financial Department will be strengthened by an arrangement which will prevent the spending departments from exceeding the aggregate sum allotted to them, or transferring the amount sanctioned under one main head of account to another without reference to the Financial Department.

21. We should be glad, if possible, to receive an answer to this despatch not later than the middle or end of December. This will enable us, should our proposals be adopted, to pass a Bill through the Legislative Council in the course of the month of January, before the heavy work involved in the preparation of the budget begins.

We have, &c.
RIPON.
D. M. STEWART.
W. STOKES.
RIVERS THOMPSON.
J. GIBBS.
E. BARING.
T. F WILSON.

No. 5.

LETTER from the GOVERNMENT OF INDIA, Nov. 12, 1881, No. 292.

My Lord Marquis,

We beg to acknowledge the receipt of your Lordship's despatch, No. 167, dated the 26th of May last, on the subject of obtaining information regarding the receipts and disbursements of the civil treasuries throughout India at an earlier date than formerly.

2. We have now had eight months' experience of the new form of monthly account, which was introduced in consequence of the suggestion contained in paragraph 25 of the Report of the Committee on Military Accounts in India, and are glad to say that it is now found possible to furnish it to us by the 9th or 10th of the month succeeding that to which it relates. We are satisfied, however, that no material gain in time, but some additional risk of error, would result from the Treasury officers communicating directly with the Comptroller General instead of through the local accountants general. With regard to accuracy, we find that, although errors have on a few occasions found a place in this account in the first instance, they have within a few days been detected either by the Comptroller General or the Financial Secretary, and they have in no case been of such magnitude as to cause serious inconvenience, or of a nature to have escaped detection for any length of time. With regard to utility, we find that though, through the operation of adjustments of various kinds, the figures usually differ to some extent from those received six weeks later in the "Civil Accounts," they are, notwithstanding, very valuable as a check upon the progress of our finances, and as a guide to expenditure on administrative measures. We enclose a statement showing these differences for the first five months of the year.

3. We have found it desirable to add another column to the form, showing Forest, Telegraph, and Marine, separately from other civil revenue and expenditure, and also, at the foot, a summary showing the progress of the receipts and expenditure from the beginning of the year, contrasted with the Budget Estimate for the same period. Considering the whole to be suitable for general information, we have caused it to be published regularly in the "Gazette of India" since August last.

4. Of the statement thus amended, and also of another statement (indicated as W) which the Comptroller General also submits to us, we now enclose copies, and shall be glad to know whether either or both of them will meet your Lordship's requirements as expressed in paragraph 3 of the despatch under reply.

5. We take this opportunity of informing your Lordship that the whole system of financial and other returns and information furnished to this Department has undergone a thorough revision at the hands of our Financial Secretary, Mr. T. C. Hope, the nature of which will be fully apparent from the note by that gentleman which we enclose.

We have, &c.
W. STOKES.
J. GIBBS.
E. BARING.

Enclosure 1 in No. 5.

STATEMENT showing the differences between the "Preliminary" and "Final" Actuals for the first Five Months of the Year 1881-2.

	April 1881.			May 1881.			June 1881.			July 1881.			August 1881.			Total.		
	Statement V.	Statement L.	Difference more + or less − in L.	Statement V.	Statement L.	Difference more + or less − in L.	Statement V.	Statement L.	Difference more + or less − in L.	Statement V.	Statement L.	Difference more + or less − in L.	Statement V.	Statement L.	Difference more + or less − in L.	Statement V.	Statement L.	Difference more + or less − in L.
RECEIPTS.																		
Civil Revenue, including Forest, Telegraph, and Marine.	4,47,15	4,47,20	+ 5	5,27,84	5,21,27	− 6,57	5,48,81	5,56,47	+ 7,66	4,04,04	4,09,21	+ 5,17	3,33,39	3,45,07	+ 11,68	22,61,23	22,79,22	+ 17,99
Guaranted Railways (net)	41,34	40,29	− 1,05	45,15	44,71	− 44	33,38	27,17	− 6,21	17,78	16,77	− 1,01	20,45	17,29	− 3,16	1,58,10	1,46,23	− 11,87
Military Department	8,65	8,74	+ 9	7,93	10,32	+ 2,39	10,17	18,33	+ 8,16	7,07	9,03	+ 1,96	5,15	9,13	+ 3,98	38,97	55,55	+ 16,58
Public Works Department	55,81	55,96	+ 15	58,46	66,34	+ 7,88	57,10	64,60	+ 7,50	54,51	56,66	+ 2,15	53,18	62,45	+ 9,27	2,79,06	3,06,01	+ 26,95
Total	5,52,95	5,52,19	− 76	6,39,38	6,42,64	+ 3,26	6,49,46	6,66,57	+ 17,11	4,83,40	4,91,67	+ 8,27	4,12,17	4,33,94	+ 21,77	27,37,36	27,87,01	+ 49,65
Opening Balance	13,45,34	13,37,10	− 8,24	11,92,72	11,95,13	+ 2,41	11,53,28	11,63,89	+ 10,61	13,07,80	13,07,85	+ 5	13,18,49	13,19,07	+ 58	—	—	—
Grand Total	18,98,29	18,89,29	− 9,00	18,32,10	18,37,77	+ 5,67	18,02,74	18,30,46	+ 27,72	17,91,20	17,99,52	+ 8,32	17,30,66	17,53,01	+ 22,35	—	—	—
OUTGOINGS.																		
Civil Expenditure, including Forest, Telegraph, and Marine, but excluding loss by Exchange.	2,95,05	2,67,84	− 27,21	2,33,85	2,26,84	− 7,01	1,97,78	1,97,87	+ 9	1,96,49	1,96,97	+ 48	2,33,75	2,37,75	+ 4,00	11,56,92	11,27,27	− 29,65
Post Office (net)	1,70	1,48	− 22	− 42	1,82	+ 2,24	14	21	+ 7	− 18	− 1,06	− 88	1,61	25	− 1,36	2,85	2,70	− 15
Military Department	1,25,92	1,27,25	+ 1,33	1,23,51	1,26,67	+ 3,16	1,17,29	1,25,56	+ 8,27	1,06,69	1,08,32	+ 1,63	99,92	1,07,82	+ 7,90	5,73,33	5,95,62	+ 22,29
Public Works Department	99,69	1,01,05	+ 1,36	82,37	85,44	+ 3,07	89,77	91,91	+ 2,14	79,22	81,89	+ 2,67	81,70	84,18	+ 2,48	4,32,75	4,44,47	+ 11,72
Civil Debt heads (net), including loss by Exchange.	2,01,34	1,96,54	− 4,80	2,37,29	2,33,11	− 4,18	90,03	1,07,06	+ 17,03	88,66	94,33	+ 5,67	− 80,19	− 69,65	+ 10,54	5,37,13	5,61,39	+ 24,26
Total	7,23,70	6,94,16	− 29,54	6,76,60	6,73,88	− 2,72	4,95,01	5,22,61	+ 27,60	4,70,88	4,80,45	+ 9,57	3,36,79	3,60,35	+ 23,56	27,02,98	27,31,45	+ 28,47
Closing Balance	11,74,59	11,95,13	+ 20,54	11,55,50	11,63,89	+ 8,39	13,07,73	13,07,85	+ 12	13,20,32	13,19,07	− 1,25	13,93,87	13,92,66	− 1,21	—	—	—
Grand Total	18,98,29	18,89,29	− 9,00	18,32,10	18,37,77	+ 5,67	18,02,74	18,30,46	+ 27,72	17,91,20	17,99,52	+ 8,32	17,30,66	17,53,01	+ 22,35	—	—	—

Enclosure 2 in No. 5.

Periodical Returns for the Financial Secretary's Office.

ON receiving charge of the office of Financial Secretary to the Government of India, my first care was to ascertain what means were at my command for maintaining a constant and effective supervision over the various branches of financial administration for which this Department is more or less directly responsible, and for keeping the honourable financial member duly informed, both of the general progress of the finances and of features requiring a remedial action which might at any time be developed.

2. The responsibility of this Department may be defined as embracing, first, the finances proper, that is, the final control (subject to the Executive Council and the Secretary of State) of the revenues and expenditure of India, the framing and maintaining observance of the annual budget, and the keeping of the accounts; secondly, the direct administration of the mints, with the metallic and paper currency, of the Post Office, the Salt Department, the Opium Revenue, the Savings Banks, and the Public Debt (including the balances with the Presidency banks or elsewhere); thirdly, there is the statistical branch of the office, which prepares the Monthly and Annual Trade and Navigation Statements, and the extensive executive responsibilities connected generally with questions relating to Commerce, Customs, Stamps, and Excise. This third head is beyond the scope of the present note.

3. In connexion with the first and second of the above matters only, I found that this office received 32 periodical returns from the Comptroller General, and 56 more from other officers and departments, and kept up 39 registers of information received. The Comptroller General's returns, moreover, were undergoing considerable revision at the hands of the recently appointed incumbent, Mr. J. Westland, who had addressed himself energetically to reforms even before the failure of the War Estimates of 1880-81 had become fully known. At the same time it seemed to me that this abundance of information did not result in abundance of light, but the reverse. Most of the returns received were simply filed. There was no organisation in the office told off for, or even capable of, their regular and intelligent scrutiny; and, though much regarding any particular point might, no doubt, be extracted by a person deliberately and patiently sitting down for the express purpose, neither the Financial Secretary nor any one else had any practical "touch" of the daily passing situation.

4. To effect a change in this respect I at once addressed myself, with the co-operation of the Comptroller General, which has been very cordially given, and our arrangements are now so far matured that a description of them may be useful, and will enable the Honourable Financial Member to decide whether any further improvements are necessary.

5. After modifying or discontinuing numerous returns, statements, and registers, and instituting some new ones, the whole are now divided into two series—the financial, or lettered, and the administrative, or numbered. Three principles have governed the reorganisation—(1) that it is the business of the Comptroller General or other officers, as the case may be, to supply, and to be responsible for, all facts and figures which the Financial Department may require; (2) that the latter must digest and compile from day to day the information thus supplied, in such form as it may deem suitable for maintaining "touch" of the whole; and (3) that nothing shall be supplied to it which it does not intend regularly to scrutinise, check, and apply to some practical use. In pursuance of the second and third principle, the financial series has been assigned to one clerk in this office, and the administrative series has been apportioned between three others, one of whom (belonging to the first grade) has also a general supervision over and responsibility for the whole. It is to be hoped that, after a reasonable amount of training, they will all become efficient in their novel duties and helpful.

6. For a complete description of the two series, I must refer to the schedules appended to this note; but a general sketch of them in this place may be useful.

7. The Financial Series may be divided into three groups, namely, estimates, accounts, and checks. The "estimates" are principally intended to insure due provision of ways and means, and embrace the current month when half has elapsed, the coming month, and the second month ahead. The "accounts" are principally of two kinds—"preliminary," which are obtained in outline within nine days, and in rather more detail in from 16 to 18 days, after the close of the month; and "final," which are obtained in very sufficient fulness six weeks after date, and are completed, by the addition of the detail of the departmental accounts, after a lapse of about three months. The "checks" consist of—(1) two statements prepared by the Comptroller General, which test by distinct methods and contrast with the Budget Estimate the receipts and outgoings of the year, and the monthly progress of the accounts from estimate to actual; (2) three statements concentrating the information received by the Financial Secretary, and working up to the final cash balance on the one hand, and the Budget surplus on the other; (3) two apportionments or rearrangements of the Budget Estimate, in new forms to suit the check statements just described.

8. The general result of the Financial Series thus constituted is threefold. The entire receipts, outgoings, and balances of British India are known with pretty close accuracy in nine days after the close of each month. Taking the 25th of any month as a standpoint, an examiner looking backward knows the approximate accounts of the current month, the "preliminary actual" figures (with amplifications H) of the past month, the "final actuals," or "civil accounts," of the second month back, and the same, in greater detail as regards certain departments, for the third. Looking forward, he has an approximate estimate in some detail for the coming month, a rough forecast with revised balance for the second month ahead, and a general monthly estimate up to the end of the year. Lastly, the Financial Secretary's X, Y, and Z register the progress of the accounts and estimate of all kinds up to date, and offer the nearest approach of which the circumstances will admit, to either the actual cash balance or the actual surplus at the end of the year.

9. The Administrative Series consists of such returns from outside, and such registers compiled in the Financial Secretary's office, as are necessary for the direct control or the general supervision of the departments and other matters respectively, which are within the responsibility of the Financial Department. Of these, salt and opium demand the most constant attention; the rest usually need only regular observation of a general nature, with special action under certain circumstances. The number of returns and registers connected with some of these branches has been materially reduced, in accordance with the principles already explained in paragraph 5; but it is believed that everything really necessary is now provided.

T. C. HOPE.

Simla, the 20th October 1881.

SCHEDULE I. in Enclosure 2, in No. 5.

FINANCIAL SERIES.

Letters.* New.	Letters.* Original.	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.†
		Estimates.			
A	B.	First Approximation.	A rough estimate of the probable receipts and outgoings in all India during the coming month, intended primarily for resource (or "ways and means") purposes.	Comptroller General.	25th.
B	B	Second Approximation.	A pretty close estimate, in the same form as the above, of the receipts and outgoings of the current month, prepared from statements sent by the Accountants General to the Comptroller General when about half of the month has elapsed, and intended primarily to show how resources are holding out.	Ditto - -	25th.
C	C	Resource Forecast	A review of the condition of the resources, based on the second approximation for the current month, the first approximation for the coming month, and on other rough materials for the second month ahead, and also forecasting the probable cash balance at the end of each.	Ditto - -	25th.
		Accounts.			
E	A	Cash balances -	A statement of the cash balances in the public treasuries and at credit of Government in the Presidency banks and their branches at the end of the month in each province in India, together with, for the purpose of comparison, the figures of preceding months of the current and four past years. This is compiled from telegrams sent by the Accountants General to the Comptroller General on the 8th of the succeeding month.	Ditto - -	9th.
F	V	Preliminary Actuals	This statement is in two portions. The upper portion shows for each province separately and under seven groups the receipts and outgoings, as also the opening and closing balances and the remittance adjustments, for the month just expired. It is compiled from telegrams received from the several Accountants General by the Comptroller General, which are based on accounts or telegrams sent to them on the 1st of the succeeding month from each public treasury under their control. This is the statement suggested in paragraph 23 of the Report of the Military Accounts Committee of 1880, and referred to in paragraph 25 of the Honourable Major Baring's Financial statement for 1881-82. The lower portion is a very brief summary of the accounts, actual and preliminary, from the commencement of the current year to date, and a comparison of the total with the Budget Estimate for the same period. The statement is published in the "Gazette of India" next following the date of its despatch.	Ditto - -	9th.‡
G	A	Cash Balances, Revised.	A statement similar to E, but revised according to reports posted to the Comptroller General by the Accountants General about the 12th of the month, after scrutiny of the detailed balance reports received from Treasury officers	Ditto -	18th.

* Certain letters have been now omitted, so that returns may hereafter be inserted in any group without deranging the series.

† When the Government of India is at Calcutta, the statements from the Comptroller General are due in the Financial Secretary's Office on the evening of the above dates; when at Simla, on the third day following.

‡ When the Government of India is at Simla, the totals of this statement under each head are telegraphed to the Financial Secretary as soon as they are ascertained.

FINANCIAL SERIES—*continued.*

Letters. New.	Letters. Original.	Name of Statement.	Description.	By whom supplied	Date fixed for Despatch.
		Accounts—cont.			
H*a*	F*a*	Land Revenue -	These eight returns are all "expansions" of the first column, headed "Civil Revenue," in the "Preliminary Actuals," statement F, and are framed from telegrams sent by the Accountants General, which are based upon the actual cash accounts received by them from the treasuries. They severally give the receipts under the eight main heads of revenue in each province during the preceding month; in both the monthly and the progressive form. The figures of the preceding six years are added for comparison. When sending in the return, the figures for the second preceding month are converted from "Preliminary Actual" into "Actual" from statement L, which has by that time been prepared.	Comptroller General.	18th.
H*b*	F*b*	Excise Revenue.			
H	F*c*	Assessed Taxes.			
H	F*d*	Provincial Rates.			
	F*e*	Customs Revenue.			
H*f*	F*f*	Salt Revenue.			
H*g*	F*g*	Opium Revenue.			
H*h*	F*h*	Stamp Revenue.			
I*a*	G*a*	Opium Expenditure	This return is framed on the same system as the eight revenue returns just referred to, and is an excerpt of opium out of the "Civil Expenditure" total in statement F. Under the head of "Bengal," the Behar and Benares agencies are distinguished from Calcutta.	Ditto - -	18th.
I*b*	G*b*	Military Expenditure.	This return is in two parts - - - Part A shows the net "military issues," or disbursements (including postal and telegraph debits), so far as known, from all civil treasuries in India to the agents of, or on account of, the military department; as also the military balances. Part B shows the net classified and audited expenditure in India upon the army according to the departmental accounts of the controller of military accounts. It is necessarily behind Part A, about four months behind at present. Both parts are given in progressive as well as in monthly form.	Ditto - -	16th.
K	H	Council Bills -	This is in two parts—the first giving the allotments in rupees and sterling, and a comparison of the actual loss by exchange with the Budget Estimate; the second showing the bills advised by India Office letter and paid or otherwise. The return is issued every Monday, so as to contain the latest mail advices, but is otherwise posted up to date by telegraph.	Ditto - -	Every Monday.
L	L	Final Actuals -	This statement, otherwise called the "Civil Accounts," is made up about six weeks after the close of the month to which it relates, and is for ordinary purposes a "Final Actual" account, though its figures are eventually subject to various corrections and adjustments, especially at the end of March. It comprises one main account of civil revenue and expenditure, another of civil debt heads, and five minor accounts, viz., for civil departments, guaranteed railways, military and the public works, railway and ordinary branches. The figures are progressive, and the receipts and outgoings, with opening and closing balances, are summarised on the first page.	Ditto -	18th.
M*a*	—	Forest Account -	These seven accounts are "expansions" of the corresponding heads in the "Final Actuals," and are made up and furnished to the Comptroller General by the Departments to which they severally relate. They are progressive like the "Final Actuals." They come in irregularly, from two to four months after date.	Ditto, from the Departments concerned.	Uncertain.
M*b*	N	Post Office Actuals.			
M*c*	P	Telegraph Actuals.			
M*d*	Q	Marine Actuals.			
M*e*	R	Military Actuals.			
M*f*	S	Public Works Actuals.			
M*g*	M	Guaranteed Railways Actuals.			
M*h*	T	Index Sheet to the preceding six.			

FINANCIAL SERIES—*continued.*

Letters. New.	Letters. Original.	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.
		Accounts—cont.			
N	--	Home Treasury Account.	An account, framed on the progressive system, of the receipts and disbursements of the Home Treasury. Copies are sent by the Financial Secretary to the Military and Public Works Departments.	Under Secretary of State for India.	A month after the end of the month to which it relates.
O	None	Home Railway Account.	This shows quarterly the capital accounts of guaranteed railway companies. It is sent by the Under-Secretary of State for India to the Public Works Department, who send a copy to the Financial Secretary. A register, condensing the return, is kept up in this office.	Public Works Department.	About a month after the end of the quarter to which it relates.
		Checks.			
S	None	Budget Estimate -	This contains the figures of the Budget Estimate for the year, entirely recast and expanded into the form adopted for the "Final Actuals" and their expansions. It affords to the Comptroller General a standard up to which the latter should gradually work from month to month.	Comptroller General.	Annually on the 1st May.
T	Original E.	Monthly Apportioned Budget Estimate.	This statement contains the figures of the Budget Estimate for the year, with a few authorised alterations made by the Comptroller General in view of what he expects to be the actual transactions of the year, including debt heads, and the actual closing balance, irrespective of outstanding demands upon it provided for in the Budget. The figures are shown for each month, first separately and afterwards progressively, in a form more condensed than that of statement S. The amounts of the more complicated heads are shown nett. The statement is used by the Comptroller General as a standard of reference, and its figures are transferred into statements X and Y prepared in the Financial Secretary's Office.	Ditto - -	Annually on the 20th April.
V	Revised E.	Progressive Account Estimate.	This gives the same heads as statement T, but shows the ever-progressing transition from estimate to actual which goes on throughout the year. Thus, in any month the first approximation, second approximation, preliminary actuals, and final actuals, in turns replace each other, while the forward balances, as first estimated, come in time under the influence both of the Resource Forecast (C) and of improvements, or the reverse, in the receipts and outgoings. Information as to both past and future is thus presented at one view, at the period of the month when it is both most complete, and, on the whole, most recent.	Ditto - -	26th.
W	W	Comparative Account Estimate.	This statement provides a means of checking the actual receipts and outgoings of the year totally distinct from that afforded by statement V. Two processes are adopted on the two opposite pages. On the left hand, the figures of the last month but one, in the same classification as that of V, are taken from statement L and contrasted with the figures of the same month of the last year on one hand, and with the monthly portion of the Budget Estimate (taken from T) on the other. The same is next repeated progressively. Lastly, the "Preliminary Actuals" of the last preceding month (taken from F) are given, and supplemented by the details which H and I afford. On the right-hand page, the process is to augment each monthly figure (from L) by those of the eleven months preceding it, and to contrast the total with that of the "regular" estimate, and the actuals, when obtained, of the past financial year on one side, and of the Budget Estimate of the current year on the other. There is thus presented, for contrast with the two, a year ever-progressing from the former to the latter.	Ditto - -	20th.

FINANCIAL SERIES—*continued.*

Letters. New.	Letters. Original.	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.
		Checks—cont.			
X	Y	Monthly Estimate —Actual Comparison.	This statement, as also Y and Z which follow, is compiled in the Financial Secretary's Office, and embraces the whole year, the several columns being filled in from time to time whenever the returns to which they relate come in. The classification of headings adopted is a condensed one based upon, and harmonising with, the Comptroller General's returns F (Preliminary Actuals), L (Final Actuals), T (Monthly Apportioned Budget Estimate), V (Progressive Account Estimate), and W (Comparative Account Estimate). The statement presents side by side (1) the Comptroller General's estimates for the whole year taken from S; (2) the month's apportionment *not* of the same, but of the probable real receipts, from T; (3) the first approximation, A; (4) the second approximation, B; (5) the "Preliminary Actuals" from F, supplemented from K, and a week later, from the eight parts of H and from I*a*; and (6) the "Final Actuals" from L. It will be understood that, as this statement is an abstract and comparison of others which deal with the entire transactions of the year of all kinds, it comprises net items and debt heads, and works up to the probable cash in hand at the close of the year, not to the surplus in the Budget Estimate. It is, in fact, a simple banking account ignoring unliquidated claims and liabilities.	Financial Secretary's Office.	O.
Y	Z	Progressive Estimate — Actual Comparison.	This statement is similar to X in classification and principle, and differs from it only in that (1) the figures are progressive; (2) the approximations are omitted; and (3) columns are added showing the amounts by which the preliminary and final actuals are better or worse than the month's portion of the estimate. The balances in this statement are necessarily progressive in a different sense from the receipts and disbursements; they are therefore placed outside and cannot be totalled with them.	Ditto - -	O.
Z	None	Progressive Budget —Actual Comparison.	This statement differs from X and Y in that it works up to, and compares throughout with, the gross figures and *surplus* of the Budget Estimate, whereas those statements work up to the Comptroller General's estimates (T) of the probable transactions of all kinds and ultimate *cash balance*, and therefore contain net items and debt heads on both sides. The comparison, moreover, extends only to the "Final Actuals," supplemented from the seven parts of statement M. 2. The apportionment of the Budget totals between the several months is necessarily the foundation of any monthly comparison, and on the mode in which it is framed the aspect, for better or worse, of every entry depends. In this statement, the monthly apportionment of the heads named in the margin is taken from the Comptroller General's statement T, dated 18th July 1881; that relating to the Telegraph and Public Works Departments has been supplied by the Accountant General, Public Works Department; while that for the remaining heads has been framed in this office on the basis of the monthly actuals of past years. *Revenue.* II.—Tributes. IV.—Excise. V.—Assessed Taxes. VI.—Provincial Rates. VII.—Customs. VIII.—Salt. X.—Stamps. XI.—Registration. *Expenditure.* 3. Refunds. 4. Land Revenue. 11. Opium. 27. Allowances and Assignments.	Ditto - -	O.

FINANCIAL SERIES—*continued.*

Letters. New.	Letters. Original.	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.
		Checks—cont.	3. For the reasons above explained, the monthly apportionments in this statement differ from those in X and Y in the following instance:— 4. *Land revenue.*—Here taken from the actuals of 1879–80 instead of 1880–81. IX. *Opium.*—Here calculated (1) for Bengal, by multiplying the number of chests to be sold by the Budget estimated rate of Rs. 1,000; (2) for Malwa, by applying the rate of duty to the average number of chests which passed the scales at Indore from month to month for the last 13 years; (3) for excise opium, from the monthly receipts of each province in past years. 1. *Interest.*—Here the figures are taken from statement T, except that 13·40 have been added in April on account of outstandings, and deducted in March 1882. 37. *Loss by exchange.*—Up to the end of September (when the statement was started), the monthly portions are the actual drawings taken at the Budget estimated rate of 1s. 8*d.* per rupee; for the remaining months, the losses estimated in T have been adopted, with the difference added in March to make up the Budget total. The actual losses will be substituted for the T figures from month to month in future.		

SCHEDULE II.

ADMINISTRATIVE SERIES

Numbers. New.	Numbers. Original.	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.
		Postal Department.			
1	None	Postal Operations	A new statement affording, for administrative purposes, a general view of the progress of the department in each of the principal branches comprised in its operations.	Director General of Post Office.	20th.
2	Ditto	Correspondence Returns.	A new statement, showing the number of letters, post-cards, parcels, books, and patterns, passing through the Post Office, and other information.	Ditto	Half-yearly.
		Salt.			
3		Indian Salt Revenue.	This statement shows progressively the quantity of salt which paid duty and the amount realised in each of the six great salt divisions —viz., Bengal, Northern India, Madras, Bombay, Sind, and British Burma. It excludes miscellaneous items, but otherwise tallies approximately with statement H*f*, supplied by the Comptroller General about a week earlier. It is published regularly in the "Gazette of India." A register is compiled from it, having two parts—1st, a copy of the statement; 2nd, an abstract of the monthly amounts.	Statistical Branch of the Financial Department.	26th.

ADMINISTRATIVE SERIES—*continued.*

Numbers. New.	Numbers. Original	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.
		Salt—cont.			
4	5	Northern India Salt Revenue.	This statement shows progressively the receipts under the eight minor heads of the estimates, as also the quantity and the kinds of salt disposed of, and a contrast with the figures of the Budget and the realisations of the past five years. It is made up to the 7th, 15th, 22nd, and last days of each month, and despatched from the Commissioner's Head Office at Agra. At the foot of the return are monthly details for Lower Bengal and Orissa supplied by the Bengal Board of Revenue. A register, showing the revenue under the eight minor heads, is posted up weekly from the above.	Commissioner, Inland Customs	About a week after date.
* 5	None	Calcutta Salt Prices	A register of these prices is posted up from Messrs. Mullick and Co.'s "Salt Price Current."	Mullick and Co. -	Weekly.
		Mints and Currency.			
6	19	Mint Operations -	The Calcutta and Bombay Mints each send a return—the former in two parts, the latter in three—showing the bullion received and coined during the month, the mint operations, including particulars of charges, and the balance on the last day. The value of coin and bullion received, and of silver coined, are excerpted and communicated to the Financial Secretary, India Office, and the Press Commissioner. A register, in two parts, for Calcutta and Bombay, and showing the principal points in these returns, is compiled regularly.	Mint Masters -	Monthly.
7	22	Movements of Gold and Silver.	This shows the monthly imports of gold and silver. A copy is sent to the Financial Secretary, India Office, and the Press Commissioner. A register of the contents of the above is compiled regularly in the Financial Secretary's Office.	Statistical Branch of the Financial Department.	Ditto.
8	18	Currency Note Administration.	This shows the notes in circulation, the coin and bullion in reserve, and the investment of Government securities. From it four registers are compiled, as under:— Register *a*, posted weekly, in two parts—1st, note circulation, and reserves against it; 2nd, distribution among the circles of the coin in reserve. Register *b*, posted weekly, showing in detail the circulation in each circle. Register *c*, in eight parts, giving for each of the seven circles the circulation on the last day of each month of the current year and of preceding years since 1862–63, and the total of all circles. Register *d*, giving the same information as Register *c*, but arranged in a different form. An extract from concluding return of each month is published in the "Gazette of India."	Head Commissioner of Currency.	Weekly.
9	—	Currency Note and Coin Distribution.	- - - - - -	Comptroller General.	—
10	29	Money Market -	A register giving a variety of useful details connected with the money market, compiled in the Financial Secretary's Office daily, or on occasion, from newspapers and other sources.	—	—
		Public Debt.			
11	28	Promissory Note Enfacement.	This includes Madras and Bombay, and shows fortnightly, in considerable detail, the enfacement of promissory notes to and from London for payment of interest there. A register, in two parts, giving the chief particulars in the above, is compiled in the Financial Secretary's Office.	Bank of Bengal -	About three or four days after date.

ADMINISTRATIVE SERIES—*continued.*

Numbers. New.	Numbers. Original.	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.
		Banks.			
12	25	Presidency Bank Assets and Liabilities.	These show the affairs of the banks in the form usually employed by banks generally for the purpose. From them are compiled three registers, viz.:— Register *a*, giving the same particulars as the returns for each bank separately. Register *b*, the same more condensed, with totals of the three banks together. Register *c*, a compilation of principal statistics weekly, compared with the same week for ten years past.	Each Presidency Bank.	Weekly.
13	26	Presidency Bank Profits and Dividends.	These are the ordinary half-yearly reports which the banks issue to their shareholders and the public. A running statement is compiled from these reports, and comprises the principal figures since 1859.	Ditto	Half-yearly.
14	27	Savings Banks	This is a running statement compiled in the Financial Secretary's Office from the "Final Actuals." It gives the net deposits in all savings banks during the month and to the end of the month; is progressive from the beginning of the year, and closes with the total balance of deposits.	Financial Secretary's Office.	Monthly.
		Opium.			
15	33	Poppy Cultivation	These show the area of land sown, the area on which the crop may have failed, and the estimated produce. A register of the above is kept up.	Opium Agents, Behar and Benares.	Weekly during the season.
16	32	Central India and Rajputana Passes.	These show weekly the number of chests which pass the scales at Ahmedabad and Ajmere.	Deputy Collector, Ahmedabad. Commissioner, Ajmere.	Weekly.
			This return shows the chests passing the seven scales at Indore, Rutlam, Dhar, Ujjain, Udaipur, Jaora, and Bhopal. A register is compiled in the Financial Secretary's Office showing the whole of the above figures.	Deputy Opium Agent, Indore.	Ditto.
17	32	Malwa Opium Passes.	This shows the number of chests for which passes have been granted at the Malwa scales for either export to China or consumption in the several provinces of India, and the duty levied thereon.	Deputy Opium Agent, Indore.	Last day of the month.
18	35	Opium Revenue	Shows the result of the monthly sales at Calcutta.	Secretary, Bengal Board of Revenue.	Monthly.
			Shows the amount credited in Bombay on account of opium revenue, and the portion of it transferred to other Governments or Native States, or to "Excise" for home consumption. A register is kept up showing the chief figures in Nos. 16, 17, and 18.	Accountant General, Bombay.	Last day of each month.
19	34	Market Prices	This gives the daily prices per chest in Calcutta of Behar and Benares opium, and the time bargain prices for the next sale.	Secretary, Bengal Board of Revenue.	Weekly.
			This shows the daily price of old and new opium in Bombay, and at Hong Kong and Shanghai by the latest advices. A register is kept up showing the prices in India from the above, and in China from the "China Overland Trade Report," received in the Financial Secretary's Office fortnightly.	Commissioner of Customs, Opium, and Abkari, Bombay.	Ditto.
20	36	Opium Trade	These two returns show the number of chests exported to China from Calcutta and Bombay, with name of vessel, &c.	Secretary of Bengal Revenue Board and Commissioner of Customs, Opium, and Abkari, Bombay.	Monthly.

ADMINISTRATIVE SERIES—*continued*

Numbers. New.	Numbers. Original.	Name of Statement.	Description.	By whom supplied.	Date fixed for Despatch.
		Opium—cont.			
—	37	Opium Trade -	This is a return supposed to be a check on the two preceding, as all opium is said to enter China through Hong Kong.	Colonial Secretary, Hong Kong.	Monthly.
—	38	Ditto -	This shows the imports into and exports from Singapore, Penang, and Malacca.	Colonial Secretary, Straits Settlements.	Ditto.
—	39	Ditto -	This shows merely the number of chests imported and their value.	Consul General, Siam	Annually.
—	41	Ditto -	This gives the quantity and value of both imports and exports between New South Wales and other countries.	Colonial Secretary, Sydney.	Ditto.
—	41	Ditto -	Ditto for Victoria - -	Colonial Secretary, Victoria.	Ditto.

No. 6.

DESPATCH to the GOVERNMENT OF INDIA, January 19, 1882, No. 23.

MY LORD MARQUIS,

Para. 1. I have considered in Council your Excellency's letter, dated the 12th of November last, No. 292, stating that, after eight months' experience of the new form of monthly account, showing the receipts and disbursements at the Civil treasuries, you find it possible to obtain the record of each month within nine or ten days of its close.

2. I consider this to be satisfactory, and do not desire further to press the suggestion of the Committee on Military Accounts, that the information should be communicated directly by the Treasury Officers to the Comptroller General, instead of through the Local Accountants General. I refrain from doing so all the more, because, in the view of your Government, some additional risk of error would be caused, with no material gain in time.

3. I am glad to observe how slight have been the discrepancies between the preliminary returns and the figures shown in the accounts, notwithstanding the various adjustments which have to be made in the preparation of the latter.

4. The Statement V. (or new F) is, in my opinion, well adapted to bring to view the progress of the receipts and expenditure compared with the Budget Estimate. I notice with pleasure the care and labour which have been bestowed by your Financial Secretary and Comptroller General in reorganising the system of the periodical returns required for use in the office of the former, and I request that I may continue to be supplied with such of the revised forms as show the progress of the revenue and expenditure, the state of the cash balances, and other information not too detailed for practical use in this country.

I have, &c.
HARTINGTON.

No. 7.

DESPATCH to the GOVERNMENT OF INDIA, March 23, 1882, No. 103.

MY LORD MARQUIS,

Para. 1. I have considered in Council your Excellency's letter, dated the 1st of October 1881, No. 249, on the subject of the establishment in India of an independent appropriation audit to supplement the existing departmental audit.

2. This question was discussed by the Committee which was appointed by me in 1880 to report on the system of Military Accounts. They were unanimous in recommending that the detailed audit with vouchers, which is effected by the local Accountants General, and the results which are monthly reported to the Comptroller General, should be supplemented by an appropriation audit, which would be embodied in a comparison and report for the year, analogous to that made by the Auditor General in this country to the House of Commons. The members of the Committee differed, however, as to the officer by whom the appropriation report should be prepared; the one half of the Committee considered that the proper officer was the Comptroller General, who would review the reports of his subordinate officers, without incurring the expense that would ensue from the creation of another appointment; the other half of the Committee held that the Comptroller General, if entrusted with this duty, or, as they proposed to term him, the Auditor General of India, should be divested of all executive functions, and be subordinate to the Governor General alone.

3. Your Excellency has given your careful attention to the subject, and the following are the conclusions to which you have come, after a review of the systems of audit in force in the principal countries of Europe:—

1. The whole of the accounts of the State should, so far as is possible, undergo examination by some officer more or less independent of the Executive Government, and the present Indian system does not adequately provide for such an examination.
2. The auditing authority should report to the Executive Government, that is, to the Governor General in Council.
3. The report should be published, previously to the discussion or publication of the financial statement made about a twelvemonth later than the close of the year to which the report relates; the Government of India publishing with it any observations they desire. It should state whether in all cases the orders of the Government have been obeyed, and whether the proceeds of any special funds included in the accounts have been devoted to the objects prescribed by law.
4. The auditor should be irremovable, save with the sanction of the Secretary of State in Council, and his pay should, after 20 years' service, be made equal to that of a Secretary to Government.
5. He should have the power of, either himself or by deputy, examining in detail the whole or a portion of the accounts of any Department.
6. An Act should be passed through the Legislative Council, in order to give the authority of law to the auditor's increased position and powers.
7. The Auditor General should be an officer distinct from the Comptroller General, should have no executive or administrative functions whatsoever, and should have a staff under him, the strength and cost of which would be hereafter determined, but which is now estimated, as a maximum, at

four auditors with a small body of clerks and establishment, the salaries of the whole, including the Auditor General himself, being reckoned at Rs. 1,53,168 per annum.

8. The Auditor General should be entrusted with the duties of Head Commissioner of Currency.

4. After a very careful consideration of the reasons given for removing all executive functions from the officer charged with the duty of appropriation audit, I am of opinion that the case of India is not to be governed by the rules laid down in European countries. In the United Kingdom the supplies are annually voted by Parliament, which exercises a very jealous control over the Executive Government in the disposal of those supplies, and requires that an officer independent of the Government shall report to it whether the law has been in all cases observed, and the moneys distributed according to the intention of the House of Commons. In India the case is different; although the taxes are only imposed by the authority of the Council for making laws and regulations, the allotment of the supplies is made by the Governor General in Council; and it is, therefore, primarily for his satisfaction that an appropriation audit is needed, in order that he may have brought before him in a clear and precise manner any deviations which have occurred in the expenditure of the year from the original intentions of the Budget.

5. In saying this, I do not mean to imply that the auditor's report is not to be sent to the Secretary of State, which I consider essential, or that it is not to be published, which seems highly desirable; but I think that the object to be attained may be effected without the expense of instituting an independent office of very high standing in addition to the existing establishment.

6. In my opinion, the Comptroller General is the proper officer to conduct the appropriation audit. His position in the service is so high as to render him a thoroughly independent officer, who can be trusted to do his duty conscientiously and fearlessly. Receiving the detailed reports of his subordinate officers, the various Accountants General, which have been audited with vouchers, he is in a position to satisfy himself, and, if necessary, to call for further information, regarding the extent and cause of every variation from the Budget grants, and how far any deviation has been covered by subsequent sanction; and he has at his command a competent staff which can in no other way be supplied without very great expense. The Accountants General, in which term I include those of the Military and Public Works Departments, should prepare the appropriation audit for their respective provinces and departments, and forward them to the Comptroller General by a certain date; and it would be his duty to consolidate the reports, and submit them to your Government with such comments as are needful, regarding any divergence from the original allotment, or from the legitimate application of special funds. It would probably be more convenient that he should be bound to report in what cases the orders of the Government of India have been disregarded, or not fully complied with, than that they have in all cases been obeyed.

7. As to the time of the publication of the Report, it is of more importance that it should be a careful and complete summary of the year's transactions than that it should be issued at an early date; and, since the accounts are not closed till nearly the end of the calendar year, it is doubtful whether it could always be considered by your Government in time for publication before the Budget of the ensuing year.

8. The Comptroller General, under such an arrangement, might properly be designated Comptroller and Auditor General, in order to give prominence to his special duties of audit. But he should continue, as heretofore, to be charged with the task of consolidating the estimates and accounts of the empire, of controlling the Accounts Department generally, and of managing the cash balances and the Currency Department. It would doubtless be necessary to afford him all requisite assistance for the discharge of his various functions, and he should be relieved of any executive duties he now performs in his capacity of Accountant General to the Government of India, for which purpose it may be necessary to appoint a comparatively minor officer to supervise the accounts of Ajmere and Coorg, and any similar work.

9. For the application of a check of test audit, whenever he deems it desirable, he should depute the Inspector of Accounts or some similar officer; and for the attainment of this object I should make no objection to a moderate addition to the staff of the Financial Department.

10. The higher salary proposed by your Excellency after 20 years' service seems inapplicable under the arrangement above described; that period is shorter than has been usually passed by an officer selected to be Financial Secretary, and the pay assigned to the Comptroller General is, in my opinion, sufficient, even with the duties of Auditor General attached to his office.

11. Your Excellency will probably concur with me in thinking that, under the arrangement I would recommend, no necessity exists for special legislation.

12. I trust that, after considering the points to which I have thus drawn your attention, you will find no difficulty in devising a scheme by which the essential objects will be secured, at considerably less cost than by the plan which you have proposed.

I have, &c.
HARTINGTON.

No. 8.

LETTER from the GOVERNMENT OF INDIA, September 8, 1882, No. 278.

My Lord Marquis,

In accordance with your Lordship's Despatch No. 103 (Financial), dated 23rd March 1882, on the subject of the establishment in India of an independent appropriation audit, we have the honour to submit revised proposals based on a consideration of the suggestions made by your Lordship.

2. In our Despatch No. 249, dated 1st October 1881, we made proposals for the appointment of a separate Auditor General for India, with a staff of auditors, at a total cost of Rs. 1,53,168 per annum. Your Lordship has not accepted these proposals, and has suggested the adoption of another scheme under which the appropriation audit will be made by the Comptroller General, and consequently the total additional expenditure will not be so great.

This scheme is briefly as follows:—

(1.) The Comptroller General should be relieved of any executive duties he now performs in his capacity of Accountant General to the Government of India.

(2.) He would continue, as at present, to be charged with the task of consolidating the estimates and accounts of the Empire, of controlling the Accounts Department generally, and of managing the cash balances and the Currency Department.

(3.) The various Accountants General (in which term are included those of the Military and Public Works Departments) should prepare the appropriation audit for their respective departments and provinces, and forward them to the Comptroller General, who should consolidate the reports and forward them to the Government of India, with such comments as might seem needful regarding any divergence from the original allotment, or from the legitimate application of special funds.

(4.) A moderate addition would be made to the staff of the Financial Department, in order to allow of an officer being occasionally deputed to perform a test audit.

3. Although we regret that we are unable to agree with the view which has been taken by your Lordship on the question of the appointment of a separate officer as Auditor General, we are of opinion that a very considerable and beneficial reform can be made in the existing system of audit by a scheme based on the proposals made by your Lordship. We estimate that such a scheme would cost about Rs. 55,500 per annum, and may thus be expected to result in a saving of nearly a lakh of rupees a year as compared with our former proposals.

4. The most important of your Lordship's proposals is that which is contained in the 8th paragraph of your despatch, to the effect that the Comptroller General should be relieved of the executive functions which he now performs in his capacity of Accountant General to the Government of India. In this proposal we entirely agree; we have no doubt that the Comptroller General is very much overworked; and, even if we had received no proposal from your Lordship on this special branch

of the question, we should probably have deemed it necessary to adopt some measure with a view to relieving him of some portion of his work, as we believe it would not be possible, even without the addition of an appropriation audit, to delay much longer the relief of the Comptroller General, either by an independent or a senior quasi-independent officer being placed in charge of the accounts of the India Treasuries.

5. The amount of work which the Comptroller General in his capacity as Accountant General to the Government of India has heretofore performed appears; however, to have been under-estimated. In your Lordship's despatch it is stated that, in order to relieve the Comptroller General of these executive duties, "it "may be necessary to appoint a comparatively minor "officer to supervise the accounts of Ajmere and "Coorg, and any similar work." The supervision of the accounts of Ajmere and Coorg is but a very small portion of the Comptroller General's work in this respect, and we deem it desirable to enumerate some of the principal executive duties of the Comptroller General which, as an essential part of your Lordship's scheme, it appears to us should be placed under a separate officer.

These duties are—

(1.) The direction of the payments at, and the audit and compilation of the accounts rendered by, 16 Treasuries under the administration of the Government of India, including Ajmere and Coorg, as well as Bhopal, Gwalior, Indore, Port Blair, and other political treasuries.

(2.) The examination and audit of the daily account rendered by the Bank of Bengal of the cash transactions of the Government of India with the Bank at Calcutta, including all the remittance transactions of the Government.

(3.) The compilation of the accounts of all expenditure at Head-quarters, Calcutta and Simla, on account of officers and establishments serving directly under the Government of India, including the Civil Administrative Departments of the Supreme Government.

(4.) The supply of funds to, and the compilation of the accounts of, the following Departments, which deal directly with treasuries in all the Provinces in India:—

The Northern India Salt Department.
The Survey of India.
The Geological and Archæological Surveys.
The Meteorological Department, Horse-Breeding Department, Thuggee and Dacoity Department, and some others.

(5.) The compilation of the accounts of interest on the Public Debt.

6. In dealing with such a variety of accounts, much work necessarily devolves on the Comptroller General in connexion with the preparation and the disposal of the accounts-current rendered by or to him in his capacity as an accounting officer of the first stage; but this work also, under the arrangement we now propose, would be removed from him and placed under a separate officer. In considering the position and standing necessary in the officer to whom these duties are to be entrusted, it has to be borne in mind that he will have to deal with political officers and a number of heads of departments, in respect to whom the exercise of financial control is a work of considerable difficulty, and should be carried out by an officer of high authority; and the transactions included in the accounts which it is proposed to place under him are frequently of an intricate nature, and involve much more labour, care, and scrutiny, than the ordinary transactions of Treasury accounts. For these reasons we are of opinion that the officer should be of the status of an Accountant General, acting, as other Accountants General do, under the Comptroller General; but we consider that the designation "Accountant "General to the Government of India" would convey an erroneous idea of the nature of the functions of the office, and we would recommend that the officer be styled "Accountant General, India Treasuries." We propose to assign to the office a fixed pay of Rs. 2,000 a month, and we are of opinion that, owing to the special and technical nature of the work, differing as it does in many respects from that of Provincial Accountants General, it is very desirable that frequent changes in the incumbency of the office should be avoided.

7. The new office appears to be one of those which should under the statute be ordinarily reserved for the Covenanted Civil Service, though this would not, of course, preclude the nomination to it of a distinguished uncovenanted officer of the enrolled list of the Account Department. We think, however, that it would be detrimental to the public service that the officer holding this appointment should look for promotion in the ordinary course, under the existing organisation of the Financial Department, as sanctioned in your Lordship's despatch, No. 233, dated 15th July 1880, to the more highly paid appointments of Provincial Accountants General; and we accordingly recommend that, in the event of a covenanted civil servant being appointed to be Accountant General, India Treasuries, the pay of the appointment should in such case be interchangeable with that of the Provincial Accountants General, so that the officer holding it might obtain promotion to higher pay without a change in office being necessary, and in this way we would hope to prevent the inconvenience resulting from frequent changes of officers.

8. With regard to the additional staff required for the application of a test audit—a matter of great importance, and to which allusion is made in paragraph 9 of your Lordship's despatch—we would recommend that an additional Deputy Comptroller General should be appointed; and, on a careful consideration of the nature and extent of the work which must be entrusted to him, we are of opinion that he should occupy a position in the Financial Department equal to that of either of the present Deputy Comptrollers General (one of whom holds the office formerly styled Inspector of Local Account Offices), and we propose that his salary should be Rs. 1,750, rising by five equal annual increments to Rs. 2,000 a month. This is the pay of the first class of the enrolled officers of the Department, by which class the two deputy comptroller generalships are ordinarily held at present; and our proposal, therefore, is that an appointment be added to that class. The mean cost of the appointment will be Rs. 22,500 a year.

9. We do not anticipate that any extra establishment will at present be needed for the Accountant General, India Treasuries, as the change will merely involve the transfer to him of a portion of the Comptroller General's existing establishment; but it has been represented to us that the existing clerical establishment is insufficient to cope with the enormous increase in the work of the India Treasuries that has taken place of recent years, and we are advised that before long some increase will be needed. But for the additional Deputy Comptroller General, who will be required to assist in making the appropriation audit, and to visit personally various account offices throughout the country, some clerical assistance will be required; and on this account we estimate an expenditure of about Rs. 6,000 a year.

10. We are also of opinion that steps should be taken to place the office of Comptroller General on a slightly different footing. The duties of this officer have greatly increased both in magnitude and complexity of late years. The proper working of the system of Indian accounts depends upon the zeal and ability of the Comptroller General; and a wide experience of the Indian administrative systems, as well as a thorough knowledge of technical details, are becoming more and more necessary every day for the proper discharge of the duties of the office. The offices and accounts of the Military Controllers and of the Examiners of Public Works Accounts are open to inspection by the Comptroller General and his inspecting officers; and it is our wish and intention that the responsibility of the Comptroller General for the proper working of our whole system of accounts shall be more strictly enforced in future than has hitherto been the case. Although we have made proposals for relieving the Comptroller General of a portion of the work of account which at present falls to him, we are of opinion that the extension of responsibility which we now desire to enforce, and the addition of the duties of making an appropriation audit, will, so far as the personal responsibility of the Comptroller General is concerned, do more than counterbalance any relief which may be afforded in this way. There are few, if any, of our officers on whose personal efficiency so much depends as on our Comptroller General; and not merely is it desirable that we should be able to attract to the Civil Account Department the highest talent at our disposal for this branch of the public service, but it is of even greater importance that the officer who is

the head of the Account Department should be placed in a position which will remove any inducement to seek for advancement to more highly paid offices. For this purpose it is necessary that the salary of the office should not be less than that which is attached to the highest office to which any officer of the Indian service can ordinarily look forward. The salary of the Comptroller General is at present less than that of a Chief Secretary to the Government of Madras or Bombay, or of a member of the Board of Revenue in the Lower Provinces, or of the Civil Secretaries to the Government of India. We cannot hope to attract to the Account Department, or to retain in it permanently in contentment, the officers who are most competent to fill the position of Head of the Department, unless the emoluments of the Comptroller General are ultimately made equal to those of the offices just enumerated. The lowest salary which will suffice for this purpose is a salary of Rs. 3,500 rising after completion of 20 years' service to Rs. 4,000 by annual increments of Rs. 100 a year; and for the reasons now stated we would ask for a reconsideration of the decision contained in paragraph 10 of your Lordship's Despatch No. 103, dated 23rd March 1882, and we beg strongly to recommend that the pay of the appointment be fixed on the scale which we now propose.

11. Our proposals, therefore, involve a total expenditure of Rs. 55,500 per annum, namely,—

	Rs.
Salary of an officer to be styled Accountant General, India Treasuries	24,000
Salary of an additional Deputy Comptroller General - - -	22,500
Clerks for appropriation audit work under the Deputy Comptroller General - - - - -	6,000
Addition to salary of Comptroller General - - - - - -	3,000
Total - - -	55,500

This expenditure is very nearly one lakh of rupees a year less than the amount previously proposed. We hope that, by the scheme which we now submit for your Lordship's approval, the essential objects of an appropriation audit will be secured, and the office of Comptroller General finally placed on a sound footing, and we trust that our proposals may receive your Lordship's sanction.

12. For your Lordship's information, we give below a list of the principal departments of work which will remain to the Comptroller General, besides the duty of supervising and directing the work of the Accountants General and Controllers:—

(1.) Appropriation Audit.
(2.) Control of *personnel* of Civil Account Department.
(3.) Inspection of all Offices of Account.
(4.) Management of the Currency Department.
(5.) Compilation of the Central Accounts, both monthly and yearly.
(6.) Compilation of Estimates and comparison of current facts therewith.
(7.) Resource—that is, the providing of money, both by increasing the balances as a whole, and by transferring them to the points where they are required.
(8.) Management of the Public Debt, now including Stock Notes.
(9.) Accounts of District Savings Banks.
(10.) Adjustment of Accounts of Guaranteed Railways.
(11.) Account with London, and probably also those with the Colonies.
12.) Management of the Reserve Treasuries and Bank Balances.
(13.) Central Accounts and custody of Securities held in trust by Government officers.
(14.) General direction of Coinage and Mint operations.
(15.) Verification of Deposit, Advance, and other Debt Balances.
(16.) Collection of Mutual Accounts of Accounting Officers.
(17.) Audit of such Accounts as Administrator General's and other Law Officers', Emigration Agencies of Colonies, &c.
(18.) The Accounts of the Forest Department.
(19.) Examination of Accounts of Service Funds.

13. This despatch was drafted before affairs in Egypt had assumed their present aspect. The reforms which we propose are so desirable that we should be unwilling to postpone them. At the same time the uncertainty of the charge which will eventually be thrown on the Indian treasury by reason of Egyptian war expenditure is such, that it may become necessary for a while to avoid any increase of expenditure, even to attain so desirable an object as that involved in our present proposals. In requesting your Lordship's sanction to these proposals, we would, therefore, desire to be left a discretionary power as to the time when effect shall be given to them.

We have, &c.
RIPON.
D. M. STEWART.
J. GIBBS.
E. BARING.
T. F. WILSON.
C. P. ILBERT.
S. C. BAYLEY.
T. C. HOPE.

No. 9.

DESPATCH to the GOVERNMENT OF INDIA, December 21, 1882, No. 401.

My Lord Marquis,

Para. 1. Your Excellency's letter, dated the 8th of September, No. 278, submitting revised proposals regarding the establishment in India of a system of appropriation audit, has been considered in Council.

2. The first of your recommendations is the relief of the Comptroller General, by removing from him the duties connected with the treasuries under the Government of India, with the examination and audit of the daily cash transactions of the Government with the Bank of Bengal at Calcutta, including the remittance transactions of the Government, with the accounts of expenditure by officers and establishments serving directly under your Government, with the Northern India Salt Department, the Survey Department, the Meteorological, Horse Breeding, Thuggee, and Dacoity, and other minor departments, and with the accounts of interest on the public debt. These duties you would entrust to an officer of the status of an accountant general, acting under the Comptroller General, to whom you propose to assign the designation of "Accountant General, India Treasuries," with a fixed pay of Rs. 2,000 a month. You consider that the new office should, under the statute, be ordinarily reserved for the Covenanted Civil Service, though this would not preclude the nomination to it of a distinguished uncovenanted officer of the enrolled list of the Financial Department. As, however, it would be detrimental to the public service that this officer should look for promotion, in ordinary course, to the more highly paid appointments of provincial accountants general, and as it is desirable to avoid frequent changes in the incumbency of the new office, you recommend that, if it be held by a covenanted civil servant, the pay of the appointment should be interchangeable with that of the provincial accountants general.

3. I approve of your Excellency's proposal to place the duties mentioned in the charge of an officer subordinate to the Comptroller General. The work to be assigned to him differs, however, considerably from that of the provincial accountants general, who are, to a great extent, the financial advisers of the several local governments. In the case under consideration, the duties are much more strictly those of an accountant, and do not appear specially to need the qualifications of a member of the covenanted civil service for their due discharge. The appointment should, apparently, be added to the first class of the enrolled officers of the department, the salary of which is Rs. 1,750, rising to Rs. 2,000, and the designation of the officer should be that of Deputy Comptroller General. The officer selected should be the one who, in the opinion of your Government, is best fitted for the appointment, whether he be a covenanted or an uncovenanted officer of the Financial Department.

4. Your next propositions refer to the application of a test audit, for which purpose you recommend the appointment of an additional deputy comptroller general, in the first class of the enrolled officers, with

a clerical staff of which the cost is estimated at Rs. 6,000 a year.

5. I sanction these recommendations.

6. The last proposal refers to the salary of the Comptroller General, whose responsibility for the proper working of the whole system of accounts you desire more strictly to enforce, and whose duties will, in your opinion, be enhanced thereby, when coupled with the appropriation audit which he is henceforth to conduct, in a greater degree than he will be relieved by the foregoing propositions; and you strongly recommend that the salary of the appointment be fixed at Rs. 3,500, rising after the completion of 20 years' service to Rs. 4,000, by annual increments of Rs. 100 a month.

7. In my predecessor's despatch of the 23rd of March last, No. 103, he expressed his opinion that the pay of the Comptroller General was sufficient for the office, even with the duties of Auditor General attached thereto; and I regret that I am compelled to adhere to that view. In consideration, however, of your Excellency's strong recommendation, and in recognition of the zeal shown by Mr. Westland in the discharge of the additional duties entrusted to him since he was nominated to the appointment, I am prepared to sanction such a personal allowance, commencing from the date of the receipt of this despatch, as you may think fit to recommend.

8. The mean annual cost of these proposals will be Rs. 51,000, in addition to Mr. Westland's personal allowance; and I trust that by this increased expenditure the system of account and audit will be placed on a satisfactory footing.

I have, &c.
KIMBERLEY.

No. 10.

EXTRACT from DESPATCH to INDIA, dated July 26, 1888, No. 190 (Financial), paragraph 32.

32. There is one other point on which I wish to remark, namely, the importance of increasing in every possible way the power of the control of your Financial Department over the expenditure. So strongly do I feel on this point, that I should be prepared to sanction any addition to the cost of that secretariat which may be found really necessary for the purpose. It is the standing order, as embodied in the Civil Account Code, that, "save for exceptional reasons, expenditure for "which no provision has been made in the estimates "of the current year should not be proposed, and "cannot be sanctioned." I am of opinion that this rule should be enforced much more strictly than seems to be the practice, in dealing with applications for an increase of expenditure during the current year; that, in the really exceptional cases where it has to be incurred, the Financial Department, if able to do so, should specially report that the expenditure can be met by savings in other directions, or from the surplus provided in the Budget; and that, if this is impracticable, your Government should, before authorising the expenditure, consider the question of the manner in which the cost is to be defrayed, before submitting the proposals to the Home Government for sanction.

No. 11.

LETTER from the GOVERNMENT OF INDIA, August 11, 1888, No. 209.

MY LORD,

WE have the honour to address your Lordship regarding the necessity which exists for strengthening our finance secretariat.

2. The gazetted staff of this office consists now, as it has consisted for 16 years, of one secretary (Rs. 4,000), one under secretary (Rs. 1,300), and one assistant secretary on varying pay according to the standing in the enrolled list of the Finance Department. In 1879, on the abolition of the Department of Revenue, Agriculture, and Commerce, the whole of the "Commerce" section, with the statistical branch, was transferred to the Finance Department without any increase being made to the gazetted staff of that Department. The duties thus transferred comprise all matters affecting merchant shipping, native passenger ships, ports, port dues and lights, pilots, port trusts, statistics, salt, customs, and trade generally. A very large share of the assistant secretary's time is claimed by these duties. This transfer of business was accompanied by a saving of Rs. 1,000 a month, that being Mr. O'Conor's pay in the abolished appointment of assistant secretary in the Department of Revenue, Agriculture, and Commerce.

The sanctioned pay of the appointment was Rs. 700 rising to Rs. 1,000; but Mr. O'Conor was drawing Rs. 1,000 in 1879, when his services were transferred to this Department; and, had the appointment not been abolished, he would of course have continued to receive at least that salary.

3. As your Lordship is aware, the duties devolving on our Finance Department are of such a nature that mere statistics of work can only convey a very imperfect idea of the labour involved in discharging them. The preparation of the Budget, the disposal of current accounts and statistics bearing on them, the consideration and treatment of fiscal measures, and the correspondence that arises on them with your Lordship, are of a special character, and involve a great deal besides that which is ordinarily implied by secretariat work. A statistical branch is also included in the business of the Department which is employed in collecting, tabulating, and publishing, the returns of customs, trade, and navigation, for the whole of India.

4. We abstain from displaying any comparative statistics of the work of the various departments of the Government, because mere comparisons of figures would require very much explanation before conclusions could be based upon them. But we may point at once to the main distinction in the organisation of the Financial and the other departments, out of which arise the difficulties which by our present proposals we seek to obviate. In the Public Works and Military Departments, and, in some of their branches, also the Home and the Revenue Departments, the secretaries have the direct assistance of deputy secretaries, or of heads of departments attached to the secretariat. These officers either themselves dispose of a large amount of routine work, or at least they prepare it for the secretary, so as to relieve him to a large extent of the demand which would otherwise be made upon his time. The Financial Secretary has no assistance of this character; and thus not only has a larger share of the current work of the Department to pass through his hands than is the case with other secretaries, but the member in charge is also affected by the necessity of independently studying that not inconsiderable class of cases in which the concurrence of two officers of the experience of a secretary and deputy secretary would in practice be taken as almost conclusive of the proper consideration to apply to the circumstances.

5. The increase in the ordinary work discharged by the Finance and Commerce Department has been as follows,—1879 being taken as the starting point, because in that year the Commerce Section was transferred from the old Revenue, Agriculture, and Commerce Department:—

Year.	Total Cases for Disposal.	Cases referred by other Departments of the Government of India.
1879	11,927	4,847
1880	14,669	4,579
1881	15,698	5,206
1882	16,114	5,593
1883	16,037	5,293
1884	16,229	5,596
1885	15,467	4,918
1886	16,828	5,912
1887	18,474	7,445

For the current year the receipts are at the rate of about 20,000 a year; and, having regard to the fact that April is a light month owing to the tours of members of Government, it is probable that the actual receipts will considerably exceed that figure. We particularly invite your Lordship's attention to the figures in the third column, which represent what are known as "unofficial receipts"—that is, cases referred under the Rules of Business for the consideration of our Finance Department by the other Departments of the Government. Proposals involving either revenue or expenditure are in the ordinary course of business first discussed by the administrative department concerned, and afterwards transferred by it to the Financial Department. Almost every important proposal that comes before the Government in any of

its Departments has a financial side, which necessitates its consideration in the Financial Department; and, although the points to which that Department has to look may not be the most important factors which the Government, as a whole, has to take into consideration, this circumstance does not necessarily diminish the amount of time and study which has to be given to the case by the Financial Secretary. It thus results that the increase of business in any department of the Government directly reacts on the Financial Department by presenting to it more and more important work for preparation and disposal.

6. The duties falling upon our Financial Secretary have long been acknowledged to be beyond the capacity of any one officer to discharge properly and efficiently; and all the officers responsible for the finance administration during recent years have expressed their views to this effect. The burthen of ordinary work is such that the Financial Secretary is without any leisure to give proper attention to finance in its more important branches. It is with the greatest difficulty, and only by incessant application, that the work is overtaken at all; and, in view of its extreme importance, both generally and especially at the present juncture, and of the fact that the general financial administration of the Government is more open to the eyes of the public and subjected to a closer and more detailed public criticism than any other branch of its work, we have come to the conclusion that some relief has become a matter of pressing necessity. We have considered the present to be an opportune time for bringing forward the question, because it has been especially urged upon us by two* officers whose experience in the appointment gives special value to their opinions, and who have no longer any direct personal interest in the relief which they consider it necessary should be given to the Financial Secretary.

7. The interest with which all our financial measures are watched in this country and in England is becoming every day more marked; and, in view of the keen criticism to which they are subjected, it is of imperative importance that matters of this character should be dealt with with more care and deliberation than is possible under the severe physical and mental strain under which our Financial Secretary is obliged to work. We have fully considered whether relief from this pressure might be found in a revision of the conditions under which the Government of India conducts its business. This, it may be said, could be secured by the Government of India throwing off more and more of its responsibilities on the Local Governments; in other words, by a further development of decentralisation; and also by the Finance Department interfering less than at present with proposals discussed and decisions taken in other Departments of the Government of India itself. As regards the former, we have to state that we are now considering schemes for the further development of local and provincial finance, which we hope to report to your Lordship presently. We shall never relax our efforts to surrender extended responsibilities and powers to Local Governments, so far as the conditions of administration permit. It is, however, obvious that our capacity for transferring business to Local Governments is limited in the end by the fact that there can be no complete devolution of responsibility for the general finances of the Empire. The final and general responsibility and the multitudinous and onerous duties attending it must always remain with the Central Government; and our efforts to transfer further responsibilities to Local Governments are, therefore, limited by the conditions of the mutual relations between them and the Supreme Government, which are such that we are either immediately or ultimately responsible for finding the money for expenditure admitted on the provincial responsibility of Local Governments. This condition must continue in a greater or less degree until and unless the constitution of Government is changed. The history of the past 18 years is a record of continuous progress in the direction of extending the authority of subordinate Governments; but the statistics given in paragraph 5 show clearly enough that whatever relief has been secured by these measures has been more than lost by the ever-increasing mass of public business. That the work, both of the Supreme and of Local Governments, must increase, and continue to increase, is a natural and necessary result of improving administration and of growing intelligence and demands of the people, and of the development of business and enterprise in every direction. We also wish to point out that the preparation of these schemes of decentralisation entails very heavy work in itself; and the questions that arise out of them impose, for some time at any rate after their adoption, a greater burthen than they remove. While, therefore, giving our attention to further measures of this class, we cannot, in view of the record of the past, hope to ever diminish the pressure of work thereby, or even to maintain it at its present standard. On the contrary, we must be prepared for a systematic increase, as the machinery of Government becomes more complicated, and the intelligence of the governed more cultivated.

8. As regards the second suggestion, *i.e.*, that greater latitude should be allowed to the spending and administrative departments of the Government of India in the matter of public expenditure, the proposal opens up a question to which your Lordship has recently invited attention. It is unnecessary to further allude to the subject here than to say that, whatever may be the result of further discussions on the subject, it is at least sufficiently certain that no immediate relief can be looked for, and that our working arrangements should be based on the assumption that the present system of financial control and responsibility will not, for some time at least, be radically altered.

9. Your Lordship is, of course, aware of the very severe crisis through which Indian finance is passing. Unless relief comes to us from some unexpected quarter, it is possible that a great portion of the time of one superior officer will be required to investigate the means of sustaining equilibrium during the next few years. We need not dwell further on this branch of the subject here, as the circumstances are as well known to your Lordship as to ourselves.

10. We are fully sensible that the objection to incurring any extra expenditure on the Central Government is one entitled to grave consideration. We are not without hope that we shall be able eventually to recover at least the expenditure involved in our present proposals by economies in other Departments of the Government. Our honourable colleague, Sir Charles Elliott, holds out hopes that we may be able to reduce one at least of the higher appointments in the Public Works Department as soon as a vacancy occurs. Other reductions may be possible; but we have not yet considered this part of the question systematically.

11. The proposal, therefore, to strengthen the Department whose consent is necessary to the expenditure, or continuing expenditure, of public money will, we trust, prove to be a measure of true economy; and it is in this light that we ask your Lordship to deal with it.

The most economical method that presents itself to us of providing for the difficulties we have thus explained lies in the addition of a Deputy Secretary to the establishment of the Financial Secretariat. A Deputy Secretary's duties are mainly those of disposing, with the same authority as the Secretary, of the routine and less important part of the work which otherwise would fall on the Secretary; for it is practically impossible so to arrange any system of business that only important work shall come up for disposal by the Government of India, and the routine work be altogether shut off at an earlier stage.

12. To secure an officer of sufficient experience and standing for this post, we consider that the emoluments of the proposed office should ordinarily be the same as those of the Junior Accountant-General, viz., Rs. 2,250. Our experience convinces us more and more of the necessity of a close connexion between our Account Service and our Financial Secretariat; so that it is almost a necessary qualification for employment in the latter that the officer shall have acquired some training in the former. We therefore propose to add a second appointment to the 3rd class of Accountants General, to be ordinarily held by the officer holding the office of Deputy Secretary. The increase of cost will be Rs. 2,250 a month; and we ask your Lordship's early sanction to the creation of this appointment.

13. A minute of dissent by our colleague the Honourable Sir Charles Aitchison is enclosed.

We have, &c.
DUFFERIN.
F. S. ROBERTS.
G. CHESNEY.
A. R. SCOBLE.
C. U. AITCHISON.
C. A. ELLIOTT.
J. WESTLAND.

* Messrs. Barbour and Westland.

Enclosure in No. 11.

MINUTE of DISSENT recorded by Sir CHARLES AITCHISON, under No. XXX. of the Rules of Business.

I regret to be obliged to dissent from the proposal to add a Deputy Secretary to the Financial Department of the Government of India at an additional cost of Rs. 27,000 a year.

In the present condition of the finances of India, when we have been reluctantly compelled to impose new taxes, and when we have been very properly enjoined by the Secretary of State to incur no avoidable expenditure, I do not think it is possible to justify to the country the addition of a permanent charge of Rs. 27,000 a year to the Secretariat of the Government of India, which already costs the enormous sum of Rs. 6,23,000 a year for the gazetted staff alone, exclusive of the salaries of Members of Council. The expenditure is certainly avoidable, and the despatch to the Secretary of State shows no reason for it that might not have been shown last year or the year before.

As regards work, all the Departments (not the Finance Department alone) are overworked. But the evil lies with the Government of India itself; and the arrangement proposed in the Financial Department, so far from bringing permanent relief from the load of trifling business with which the Government of India is overwhelmed, will in the long run only increase the burden. It is a step towards even greater centralization than we now groan under, and in a direction the reverse of that to which the signs of the times unmistakeably point.

The causes of the pressure under which the Financial Department, in common with others, is suffering, are, in my opinion, twofold: 1st, over-centralization, by which an immense mass of work is drawn to the Government of India which should never come before it at all; 2nd, waste of power in dealing with the work when it comes. And the results are felt, not by the Government of India alone, but by the subordinate Governments and Administrations, in increase of useless work and correspondence, overgrown and costly establishments, and diminished sense of responsibility. The causes above mentioned will only be aggravated by an increase in the secretariat staff. The proper remedies for them are decentralization and improved rules of business.

This is really an old, old story. I find Mr. Laing, the Finance Minister, complaining of petty work in 1861. I find Sir Henry Maine, in 1868, pointing out that the time was at hand when either the duties of the Government of India must be ill discharged, or their sphere must be contracted. There are on record, I know, many other opinions to the same effect, if I had time to look for them. But they were voices in the wilderness. No one heeded. For my own part, since I joined the Government, I have drawn attention again and again, till I have made myself tiresome, to the petty nature of much of the work that comes before us, and to the waste of money and time caused by doing the work twice and thrice over, and by the harmful inter-departmental controversies that take place.

Instead of increasing the Secretariat, which will only aggravate the present evils, the Government of India ought, I venture once again to urge, to set itself earnestly to consider how not the Financial Department only, but all Departments, can be relieved of petty work, how far inter-departmental procedure can be simplified, and what economies can be effected by the reduction of its own establishments and the diminution of its work. This question has not yet received the consideration which its importance demands. I hold a very strong opinion that, if the matter were only taken up earnestly and thoroughly, we should, while rendering the administration of public affairs more efficient and more expeditious, at the same time effect economies sufficient to adjust the establishments of the different departments to the work they have to do, without increase to the public expenditure, and possibly with actual saving.

C. U. AITCHISON,
Ordinary Member of the Council of the Govenor General of India.

Simla,
11th August 1888.

No. 12.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, September 27, 1888, No. 247.

YOUR Excellency has become aware that the Secretary of State in Council has for a long time had under consideration the question whether it would be possible to adopt measures for ensuring that any serious irregularity or departure from established financial rules shall be brought, with as little delay as possible, to the notice of the Government of India and of the Secretary of State.

2. There is, I need hardly say, no reason to suppose that the high authorities in India, and the officers of account and audit working under them, would intentionally violate, or allow others to depart from, the standing rules which have been laid down for their guidance. Yet it cannot be doubted that occasionally expenditure is incurred without proper authority, and that the circumstance is not brought to light until it is too late to retrieve the error.

3. In some cases which have come under my notice the amount in question has been small; an allowance has been granted which was not sanctioned by the rules, or one that has been authorized for a time has been continued beyond the date for which the sanction was given; a temporary appointment has not been reported until some time after the date from which it took effect, or an increase of establishments has been sanctioned without the authority of the Secretary of State.

4. It is possible that in all these cases the sanction would have been given, and the expenditure have been incurred, if the regulations had been strictly followed; but, apart altogether from the question whether any of the outlay might have been avoided, your Excellency will agree with me in the conclusion that it is a matter of the highest importance that financial regularity should be observed.

5. In this country there is adequate machinery for securing such regularity. It is, as you are aware, the duty of the Auditor General to examine all the Appropriation Accounts on behalf of the House of Commons, ascertaining whether the payments are supported by proper vouchers, and whether the money expended has been applied to the purposes for which the grant was intended to provide; and, in his reports to the House of Commons, to call attention to every case in which it may appear to him that a grant has been exceeded, or that money has not been applied according to the directions of Parliament, or that a charge is not supported by proof, or a payment not properly chargeable.

6, It has been found, as a matter of experience, that most important public advantages have been secured by the operation of the system which I have described. The independent Auditor, far from encroaching upon or hampering the action of the Chancellor of the Exchequer, has become his most valuable ally. Through the Auditor alone he learns that his own regulations are observed, and by the aid of the Auditor alone he is able to enforce the financial order for which he is responsible to Parliament.

7. It is a question, as to which at present I give no opinion, but on which I desire to learn your views, after mature consideration, whether a system of this nature could with advantage be introduced into India. But it is certain that some means must be found of ensuring that the regulations laid down in matters of expenditure, whether by the Secretary of State or by the Government of India, are duly observed, and that all irregular or unauthorized expenditure is brought under the notice of the Secretary of State in Council, to whom the control of the finances of India is committed by law.

8. I am of opinion that it would conduce to the prevention of such irregular expenditure at the outset, if the Finance Department of your Excellency's Government is strengthened; and, with this view, I sanction the proposal made in your Letter of the 11th of August, No. 209, to add to the 3rd Class of Accountants General a second appointment on a salary of Rs. 2,250 a month, to be held by the officer discharging the duties of Deputy Secretary to the Government of India. I shall also be ready to give favourable consideration to any further proposals which your Excellency may submit to me, for securing, by means of a reasonable addition to the establishment, a more efficient control over the details of expenditure. It is to be understood that these measures are sanctioned in order to enable the Department to exercise a closer supervision over the expenditure incurred or controlled by your Government,

and to maintain a constant comparison between the expenditure and the Budget Estimates, with a view to preventing all excesses over the sanctioned grants; and that this strengthening of the Department, though it will no doubt tend to secure greater regularity in financial matters, must not be regarded as having any bearing on the question whether an independent audit is or is not required.

9. With regard to the system of audit now in force in India, it appears to me that a change might with advantage be made. At present, I believe that the Auditors, as a general rule, are satisfied if expenditure is covered by the orders of the Governor General in Council, and do not inquire whether the Government of India had been authorized to issue orders on the subject without special reference to the Secretary of State, or had referred to him and received his sanction. For the future, however, I desire that the additional duty should be imposed on the Auditors in all Departments of seeing that all expenditure which requires the separate and special sanction of the Secretary of State in Council has been so sanctioned; and that they should be directed not to pass any item of expenditure of this nature until the fact of sanction by the Secretary of State in Council has been duly certified to them. In the case of such expenditure, if the sanction of the Secretary of State has not been communicated to the Auditor, the Audit Office should at once report the fact to your Government. It would then rest with your Excellency's Government to forward such sanction to the Audit Office if it had been already received, or to apply to the Secretary of State for sanction.

10. I am also of opinion that measures should be taken in the Finance Department of your Excellency's Government to ensure that, in all cases of proposed outlay, due attention shall invariably be given to the question whether such outlay does or does not require the special sanction of the Secretary of State. This object would be secured by directing that, in regard to every proposal to incur additional expenditure, a competent officer must certify that it does, or does not, require the previous sanction of the Secretary of State, before such proposal is finally dealt with by your Government. It is also necessary that steps should be taken to insure that any instructions which may have been given by the Secretary of State in particular cases shall not be overlooked; and, when these instructions are of such a nature that they cannot be properly or promptly enforced by the action of the officers of audit, the Finance Department of your Excellency's Government should be required to make such arrangements as will ensure that the orders shall not be liable to be overlooked, owing to lapse of time or changes in the *personnel* of the Finance or other Departments.

11. I request also that it may be regarded as part of the duty of the Auditors to see that the rules prohibiting expenditure without, or in excess of, properly sanctioned estimates are duly observed, and to call attention in their reports to all cases in which they are broken.

12. It should likewise be established, as a rule, that all cases of irregular or unauthorized expenditure which come under the notice of the Auditors, should be reported, from time to time, in a suitable form for the information of the Secretary of State in Council. In any case where your Excellency's Government should decide that an objection has been unnecessarily raised by the Auditor, and that the expenditure in question does not require the separate and special sanction of the Secretary of State, a copy of the correspondence on the subject should be at once forwarded for my information.

13. I trust that these measures may, at least, go some way towards accomplishing the object in view, without impairing your power to take immediate action in cases of emergency. I rely upon the support and co-operation of your Excellency's Government in this important matter, and I shall be glad to receive, at the earliest opportunity, information as to the orders which you propose to issue in consequence of the receipt of this Despatch.

No. 13.

EXTRACT from LETTER from INDIA, April 23, 1889, No. 126.

2. We have the honour to explain that hitherto officers of audit have, as a general rule, passed expenditure on the authority of the Government of India, and without requiring the formal sanction of the Secretary of State even in cases in which it is acknowledged that such sanction is necessary. Recently, in paragraph 9 of Financial Despatch, No 247, dated the 27th September 1888, your Lordship pointed out that this had been the practice hitherto, but directed that the duties of audit officers in this respect should be extended, and that in future an audit officer should require the sanction of the Secretary of State before admitting any expenditure not within the competence of the Government of India to sanction. In pursuance of these orders, we have issued a Resolution,* summarising the established financial rules in regard to the control exercised by the Secretary of State in Council in the matter of sanctioning expenditure, and making it incumbent upon the audit officers to point out any infringement of these rules in future.

No. 14.

DESPATCH to INDIA, dated June 20, 1889, No. 131.

MY LORD MARQUIS,

I HAVE considered in Council your Excellency's Letter, dated the 23rd of April, No. 126, forwarding a Resolution which you have issued, giving a summary of the established rules in regard to the control exercised by the Secretary of State in Council over expenditure in India, and making it incumbent upon your officers of audit to point out any instances in which his sanction, when required, has not been obtained.

2. So far as they go, the Regulations appear to be well adapted for the purpose in view. There seems, however, to be some ambiguity in the last clause, in which it is stated that, "in the cases where an Auditor "raises an objection to expenditure under the instructions now issued, which is not accepted by the "Government of India, the correspondence will be "forwarded for information to the Secretary of State "for India." The duty of Auditor, as such, does not begin till expenditure has already been incurred; and any objection which he may raise under the present instructions must, therefore, be to the fact that it appears to him to have been incurred without the authority, specific or general, of the Secretary of State in Council. As it is important that I should be informed of the working of the machinery now established in its entirety, the fact of the acceptance by your Government of the Auditor's objection does not remove the necessity for a report being made to me. I request, therefore, that it may be made clear that, in all cases where the Auditor has raised such an objection, the correspondence must be forwarded for my information.

3. This leads me to the consideration of the extent to which it is possible to obtain the Secretary of State's sanction formally where it is strictly required by the Acts of Parliament regulating financial responsibility. In a very large class of cases, such as the expenditure on the Army commissariat, the engagement of transport vessels, the payments for transport by land, and numerous other services in which expenditure must be incurred for the daily requirements of the administration, it is impossible to comply literally with the terms of the Act of Parliament,† which says that "the "expenditure of the revenues of India, both in India "and elsewhere, shall be subject to the control of the "Secretary of State in Council." In these cases his control can only be exercised, as hitherto, in a very general manner, by the annual review of the expenditure of the past year, and of that which it is proposed to incur in the current year.

4. At the same time, it is desirable that the Secretary of State's sanction should in each case be formally given to the Government of India's incurring such expenditure without his detailed supervision; and I therefore request your Excellency to consider how far it may be possible to formulate rules for the purpose. Speaking generally, it seems desirable that, whenever delay in the incurring of the expenditure will not be prejudicial, it should be reserved for the Secretary of State's sanction, and that, whenever any body of rules is codified, the code should be also submitted for his approval, care being taken to point out any regulations which have not already been authorized by him.

I have &c.,
CROSS.

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* For a revised copy of this Resolution *see* No. 21.
† 21 & 22 Vict., ch. 106, s. 41.

No. 15.

LETTER from the GOVERNMENT OF INDIA, August 3, 1889, No. 229.

MY LORD,

WE have the honour to reply to your Lordship's Despatch, No. 247 (Financial), dated the 27th September, 1888, regarding the adoption of measures to ensure the due observance of financial rules, and the prompt report to the Government of India and the Secretary of State of any irregularity or departure from those rules.

2. Your Lordship describes the system in force in the United Kingdom for securing financial regularity by means of the independent examination by the Auditor General, on behalf of the House of Commons, of all the appropriation accounts, and enquires whether a system of that nature could with advantage be introduced into India. Your Lordship also in the latter portion of the despatch gives instructions regarding the procedure to be observed in certain matters connected with the system of audit now in force in India.

3. Before dealing with the despatch under reply, we invite attention to the fact that the question whether it is desirable to introduce into India a system of independent audit, similar to that applied by the Auditor General in the United Kingdom, came under the consideration of the Government of India and the Secretary of State some years ago. It was suggested in 1880 that arrangements for an appropriation audit in India should be made on the model of the system in force in England to which your Lordship refers. This proposal was discussed in the despatches* quoted in the footnote. The result of these discussions was the adoption of the following conclusions as stated in the Despatch from the Secretary of State, No. 103, dated 23rd March, 1882:—

(*a*) that an appropriation audit should be introduced;
(*b*) that test audits should also from time to time be applied to the audits of the original audit officers;
(*c*) that the case of India could not be governed by the rules laid down in European countries, because in India supplies were not voted by Parliament, but were allotted by the Government of India, and that consequently the officer appointed to conduct the appropriation audits must make his reports to the Government of India, the authority primarily interested in seeing that its own orders were duly obeyed, and should not be independent of that authority; and
(*d*) that the proper officer to conduct these audits was the Comptroller General, his position in the service being so high as to render him a thoroughly independent officer, who could be trusted to do his duty independently and fearlessly.

4. Arrangements were made in accordance with these conclusions, the designation of the Comptroller General being altered to "Comptroller and Auditor General," and additions to the Financial Department, costing about Rs. 50,000 a year, being sanctioned to enable that officer to perform efficiently the new duties laid upon him. These arrangements are still in force.

5. We have again, as directed by your Lordship, very carefully considered this important question, and now report the conclusions at which we have arrived.

6. An efficient system of audit must be such as to ensure—

(1) Audit against vouchers;
(2) audit against Budget grant;
(3) audit against application of grant;
(4) audit against sanction;
(5) audit against the powers of sanction of the sanctioning authority;
(6) that all irregular and unauthorised expenditure is brought to notice.

We infer from the terms of your Lordship's despatch that you are under the impression that it may prove beyond our power to secure these objects to the full extent, unless we have recourse to a system of audit described by your Lordship as "independent," and differing from that at present in force in so far as it would be entrusted to officers more completely separated from the administration than those by whom the audit of our accounts is at present conducted.

7. We may, however, before going further, point out that the system of audit which is now in force in India certainly aims at the attainment of all these objects, and that the audit instructions, formulated in the Codes in which the duties of audit officers are stated, are founded upon the six principles which we have just enumerated. It is true that, before the receipt of your Lordship's despatch under reply, the audit in India did not, as a rule, question the authority of the Government of India to sanction expenditure. The supplementary instructions issued in accordance with your Lordship's recent orders have, however, altered the system in this respect, and the audit officers will now require the sanction of the Secretary of State in cases in which the Government of India does not possess powers of final sanction. We shall have occasion to explain the nature of these instructions hereafter.

8. The Indian system of audit has, since 1882, provided—

(*a*) for a regular and systematic audit by the original audit officers of every payment with reference to the principles stated above, subject to the exception stated in paragraph 7: as we have already explained, this exception to the general rule no longer exists;
(*b*) for inspections of audit officers and test audits by Comptroller and Auditor General, the object of which is to ascertain by detailed investigation that the original audit officers have, as a matter of fact, subjected their accounts to the detailed audit (*a*); and
(*c*) for an appropriation audit by the Comptroller and Auditor General.

9. The establishments maintained for the work of audit and account are costly. The number of officers and clerks employed and the annual cost are shown in the following table:—

Department.	Number of Officers.	Number of Clerks.	Annual Cost.
			Rs.
Civil Department - -	52	1,225	18,36,786
Post Office - -	3	514	3,05,956
Military Department -	33	999	15,03,706
Public Works and Telegraph Departments -	73	2,106	23,39,474
Total - -	161	4,844	59,85,922

10. From what we have written above, it will be apparent to your Lordship that provision has already been made for the adequate performance of those duties of audit which you regard as indispensable. We have now to consider whether the officials to whom those duties are entrusted can be fairly described as lacking that independence which, in your Lordship's opinion, has added so greatly to the usefulness of the system of audit carried on in Great Britain on behalf of the House of Commons by the Auditor General.

11. It may be convenient at this stage that we should endeavour to determine the significance which properly attaches to the word "independence" in this connection. Independence in the Department of Audit is, no doubt, to be found in the completest shape wherever the auditing authority is entirely external, not only to the spending department, but to every authority other than that which passes the estimates, and is the ultimate source of sanction to expenditure. Thus the complete "independence" of the English Auditor General, who is absolutely dissociated from the whole of the spending departments, and who is responsible, not to the Government of the day, but to the House of Commons, cannot be questioned. In India the Governor General in Council in the Finance Department takes the place of the House of Commons in respect of the allotment of supplies, and we submit, therefore, that that portion of the Indian Audit Establishment which is directly responsible to our Finance Department is in a position of independence analogous to that of the English Auditor General. There are, however, many degrees of independence—not, perhaps, so complete as that which we have just described, but sufficiently so—to render most unlikely any connivance by the Auditing Department at irregularities on the part of the Department in which expenditure is incurred. It is, we apprehend, with the object of avoiding such connivance,

* Despatch from the Secretary of State, No. 46, dated 27th January 1881. Despatch to the Secretary of State, No. 249, dated 1st October 1881. Despatch from the Secretary of State, No. 103, dated 23rd March 1882. Despatch to the Secretary of State, No. 278, dated 8th September 1882. Despatch from the Secretary of State, No. 401, dated 21st December 1882.

of placing the persons upon whom is thrown the responsibility of checking the expenditure of others in a position relieving them of all obligation to these, and of enabling them to discharge, without fear of consequences on the one hand, or expectations of advantage on the other, the difficult and important task entrusted to them, that the superiority of an entirely independent audit has been so urgently insisted upon.

12. We conceive that the system of audit now in force in India secures, if not with absolute completeness, at all events in a sufficient degree, this element of independence and externality. It is true that the original audit officers of the Post Office, the Military Department, and the Public Works Department are entertained departmentally. But these audit officers are organised in separate departments quite distinct from the spending departments, and are subordinate only to the Director-General of the Post Office and the Government of India in the Military and Public Works Departments respectively. Moreover, the appropriation and test audits of the expenditure of those departments are conducted by the Comptroller and Auditor General, who is in no way subordinate to the executive departments. The audit officers of the Civil Department, who conduct the audit of the general expenditure —that is, of all expenditure which is not incurred in the special departments named above—are absolutely independent of all the various departments whose expenditure they audit, and owe allegiance only to the Finance Department of the Government of India. They are, therefore, in the essential point in which independence in an auditor—that is to say, independence of the executive disbursing authorities—is required, as independent as the Auditor General in England. It should also be borne in mind that, in addition to the appropriation and test audits for which he is responsible, the Comptroller General exercises a general supervision over the whole of the departmental auditors; and, if any irregularity comes under his notice, he reports it to the Finance Department of the Government of India.

13. We believe that the system described above is sufficient to ensure that the orders of the Government of India in regard to expenditure shall be carried out; and that, if the Government of India was the only authority with reference to whose orders audit was required, there would be no hesitation in arriving at the conclusion that the system in force up to the date of your Lordship's despatch of 27th September last was both effective and complete. Your Lordship has, however, pointed out that the Government of India is not the only authority whose orders have to be considered. The control of the finances of India is entrusted by Parliament to the Secretary of State in Council, and all financial authority exercised by the Government of India is derived from him in virtue of either express or implied sanction.

14. Till recently it has been the recognised practice for the audit officers as a general rule, though not invariably, to accept the authority of the Government of India as final in matters of expenditure, and to leave to the Government of India the responsibility of obtaining the sanction of the Secretary of State when necessary, and of conforming to his orders. We have now, in accordance with the instructions contained in paragraph 9 of your Lordship's despatch, issued orders that audit officers shall require the sanction of the Secretary of State before admitting any expenditure which is not within the competence of the Government of India to sanction. The Resolution containing these orders, and defining the nature of the expenditure in question, forms one of the enclosures* of this despatch.

15. We have also issued instructions in our Finance Department, in accordance with paragraph 10 of your Lordship's despatch, that special attention shall be given in all cases of proposed outlay to the question whether such outlay does or does not require the sanction of the Secretary of State. The Deputy Secretary, Under Secretary, or Assistant Secretary, in the Finance Department is now required to certify in every such case whether the sanction of the Secretary of State is required. The entry of this certificate in the papers submitted for the orders of the Government practically precludes the possibility of the point being overlooked in passing orders.

16. These changes are in our opinion sufficient to secure compliance with your Lordship's recent orders, and to render the existing audit system as efficient for the purpose of ensuring compliance with the instructions of the Secretary of State as it previously was for ensuring that the orders of the Government of India were enforced.

17. We are therefore of opinion that the introduction into India of a system of the nature described by your Lordship is not necessary. The existing system of audit is, we consider, well adapted to secure all the objects for which it is suggested that the appointment of an independent auditor might be advantageous. Such an officer would merely do over again the same work which the existing audit officers perform; he would conduct his audit on the same principles as are prescribed for the audit now carried out, and he would audit with reference to the orders of the same authorities as those to whom the existing audit officers are, by the rules now in force, required to look for final authority in matters of expenditure—namely, the Government of India and the Secretary of State. No principle could be laid down or instruction issued for the guidance of the independent auditor which would not be equally applicable to the audits carried out under the system now in force. The original audits under that system are, with the exceptions stated in paragraph 12 above, completely independent in the essential point in which independence is necessary; and the test and appropriation audits are, in the same sense, independent without any exception. If the independent auditor, regarding whose appointment your Lordship asks for our views, were required to audit all the accounts in the same detail as the original auditors, the cost of the arrangement would be very large, as a reference to the figures in paragraph 9 above will show; and he would merely be repeating the process which the original auditors of the existing system carry out. If, on the other hand, the intention is that he should merely perform test and appropriation audits, the cost would be less, but still considerable; and he would in this case merely be repeating a duty which is now discharged by the Comptroller and Auditor General. No doubt there will be less risk of any error remaining undetected if two establishments, working independently of each other, are required to audit the same accounts. But the increased cost involved in such an arrangement would be out of all proportion to the advantage gained, and the financial position of India is not such that we can recommend the undertaking of a service of which the usefulness is doubtful. Apart from the question of cost, we feel bound to deprecate the proposal as being, for the reasons already stated, unnecessary.

18. We now proceed to state the action we have taken on the latter portion of your Lordship's despatch.

19. The instructions contained in paragraph 9 and in the first part of paragraph 10 of your Lordship's despatch regarding the necessity of the sanction of the Secretary of State in certain cases have been carried into effect in the way described in paragraphs 14 and 15 above.

20. To secure the observance of the instructions given in the latter part of paragraph 10 of your Lordship's despatch, we have opened a register in the office of the Finance Department in which are entered special orders of the Secretary of State connected with expenditure, when the orders are of such a nature that they cannot be properly or promptly enforced by the audit officers. The orders regarding this register prescribe a procedure under which every despatch of the Secretary of State for India containing a special order is re-submitted for the orders of the Government of India, either (*a*) on a particular date, if the order is one which can be carried out by a fixed date, or (*b*) periodically, usually twice a year, if the order is one the execution of which depends on some contingency.

21. In paragraph 11 of your Lordship's despatch, it is requested that "it may be regarded as part of the "duty of the auditors to see that the rules prohibiting "expenditure without or in excess of properly sanc- "tioned estimates are duly observed, and to call "attention in their reports to all cases in which they "are broken." We have understood the words "properly sanctioned estimates" in this paragraph to include both sanctioned Budget grants and sanctioned estimates for a particular work. The second of these practically occurs only in the Public Works Department and the Military Works Department.

22. We have carefully examined the existing rules in this matter, and find that in all Departments the duties which your Lordship directs that auditors shall be required to discharge have been very distinctly laid upon them by the rules in force. We annex as an

* For a revised copy of this Resolution, see No. 21.

enclosure* a short abstract of the very numerous rules on the subject in force in the Civil Department, the Military Department, and the Public Works Department.

23. In order to secure more careful observance of the general rule, which has been long in force, that, save for exceptional reasons, no expenditure should be proposed or sanctioned unless provision has been made for it in the estimates of the year, we have issued a Resolution requiring every proposal for increased expenditure to be accompanied by a statement showing how the expenditure is to be provided for with reference to the Budget grant of the year. A copy of that Resolution† is enclosed.

24. With reference to paragraph 12 of your Lordship's despatch regarding the report of cases of irregular or unauthorised expenditure to the Secretary of State in Council, we invite attention to the last paragraph of the Resolution of 25th March mentioned in paragraph 14 above. In accordance with your Lordship's instructions, we shall report every case in which an auditor challenges the authority of the Government of India to sanction any expenditure if his objection is not accepted by us as valid. Your Lordship will have observed that we have already carried these instructions into effect in some instances. We may refer to our Despatches No. 174, dated 15th June, and No. 182, dated 22nd June, as examples of the effect of your Lordship's orders.

25. After a careful consideration of the whole question, we are of opinion that the existing establishments, working in accordance with the audit rules contained in the Account Codes of the several Departments, supplemented by the instructions issued in pursuance of your Lordship's recent orders and explained in this despatch, are sufficient to secure an efficient and satisfactory system of audit; and we trust that your Lordship will be able to express concurrence in this opinion.

We have, &c.,
LANSDOWNE.
F. S. ROBERTS.
G. CHESNEY.
A. R. SCOBLE.
C. A. ELLIOTT.
P. P. HUTCHINS.
D. BARBOUR.

Enclosure 1 in No. 15.

See revised rules in No. 21.

Enclosure 2 in No. 15.

AUDIT RULES regarding EXPENDITURE without or in excess of SANCTIONED ESTIMATES.

A.— Civil Department.

The Civil Account Code contains the following among other rules :—

(*a*) "The duty of an auditor is shortly as follows :—
I.—'As regards payments, to see (*a*) that the expenditure . . . . has been provided for in the annual estimates.'"

(*b*) "Expenditure which cannot be met from the grant made at the beginning of the year for the service of the Department to which it appertains requires *ipso facto*, and apart from all other rules, the sanction of the Government."

(*c*) "The want of provision in the annual grants for any sanctioned expenditure should be promptly represented to the Government of India or the Provincial Government, as the case may be."

(*d*) In regard to contingent expenditure, the rules of the Civil Account Code require a monthly examination of the rate of expenditure, and a report of the fact if that rate indicates a probability that there will be an excess over the grant for the year.

(*e*) It is also laid down that—
"It is a very important part of an Accountant General's duty to warn the Local Government immediately of the first appearance of any excessive proportionate outlay under any grant; and when the monthly abstract exhibits such excess, the Government of India expects always to receive a specific assurance that the fact has not escaped the notice of the Accountant General, and that he has informed and warned the Local Government or the Department concerned if the Administration be Imperial."

B.—Military Department.

The rules in force provide that—

(*a*) The estimate is the basis of the Examiner's audit, and it is their duty to disallow any charge not provided for in the estimate, so that no expenditure may be authorised in excess of that allotted to the several services specified in the estimate.

(*b*) The Controllers are required to review the actual expenditure at the time it is incurred, at the end of the half year, and again at the end of the year, with reference to the sanctioned estimates. They are prohibited from passing in audit any expenditure which is not provided for in the Budget Estimates without the special orders of Government. They are also required, as soon as it is ascertained that the total provision under any grant of the Military Budget Estimate is likely to be exceeded, to report the fact to the Government, showing the amount and the cause of such excess, and whether it can be met from savings under any other grant.

(*c*) Under rules issued in 1879, the Military Department of the Government of India had power to sanction during the year expenditure in excess of the grant for the particular service, provided the total Military grant was not exceeded; but this authority has now been curtailed, and the sanction of the Finance Department is required to any excess over grant in the case of any of the minor heads of the Military estimates for all India.

(*d*) It is laid down that the sanctioned estimates form the limits within which Military expenditure may be incurred; that these limits are absolute, and may not be overpassed under any circumstances without the previous sanction of the Government of India. These orders apply not only to the estimate as a whole, but to the grant for each minor head in each local estimate.

(*e*) It is also laid down, in the words of the rule of the Civil Department, that "expenditure " which cannot be met from the grant made " at the beginning of the year for the service " of the Department to which it appertains " requires *ipso facto*, and apart from all other " rules, the sanction of the Government of " India."

C.—Public Works Department.

The following rules are in force :—

(*a*) Examiners are required to regulate the issue of letters of credit (on which alone Public Works officers can obtain funds for expenditure), so as to prevent the total grant and, as far as possible, the grant for each particular service being exceeded.

(*b*) Examiners are forbidden to pass in audit any expenditure for which provision has not been made in the Budget grant of the year, and are required to report excesses over the Budget grant to the Local Government. Specific appropriation from the Budget grant is required to be made for each original work or repair.

(*c*) Examiners are required also to audit expenditure on any particular work against the duly sanctioned estimate (as distinguished from the Budget grant of the year) for that work, and to report any excess when of a greater amount than Rs. 500 in some cases, or of a greater amount than 5 per cent. of the original estimate in others. All tendency to excess over estimate is brought to notice of the superintending executive authorities as it occurs.

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* Enclosure II. † Enclosure III.

Enclosure 3 in No. 15.

RESOLUTION of the GOVERNMENT OF INDIA, Calcutta, January 14, 1889, No. 251.

Read again—

Resolutions in this Department, Nos. 1959 and 1661, dated, respectively, the 31st July 1873 and 18th June 1884.

Read also the following—

No. 4958, dated 8th September 1888.

Resolution.—By the Government of India, Department of Finance and Commerce.

Read again—

Resolutions in this Department, Nos. 1959 and 1661, dated, respectively, the 31st July 1873 and 18th June 1884.

Read also the following extracts from recent Despatches of the Secretary of State for India:—

Paragraph 8 of Despatch No. 115 (Military), dated May 17, 1888.

Your Government will, I am sure, agree with me in holding it to be a principle of the first importance that, except under the stress of quite exceptional or unforeseen circumstances, no expenditure shall be made during any year which has not been already provided for in the regular estimates for that year; and accordingly, even had the need of the proposed general increase to the Department been more conclusively established than I hold it to be, I should have been unable to accord my sanction to the introduction of a supplementary estimate for the purpose.

Paragraph 32 of Despatch No. 190 (Financial), dated July 26, 1888.

It is the standing order, as embodied in the Civil Account Code, that "save for exceptional reasons, "expenditure for which no provision has been "made in the estimates of the current year should "not be proposed, and cannot be sanctioned." I am of opinion that this rule should be enforced much more strictly than seems to be the practice in dealing with applications for an increase of expenditure during the current year; that, in the really exceptional cases where it has to be incurred, the Financial Department, if able to do so, should especially report that the expenditure can be met by savings in other directions, or from the surplus provided in the Budget; and that, if this is impracticable, your Government should, before authorising the expenditure, consider the question of the manner in which the cost is to be defrayed, before submitting the proposals to the Home Government for sanction.

RESOLUTION.—In the Resolutions read above, it was decided that, save for exceptional reasons, no expenditure should be proposed or sanctioned unless provision had been made for it in the estimates of the year; and Local Governments and Heads of Departments were requested to state distinctly, in all applications for sanction to expenditure, whether provision for the proposed charge had or had not been made in the Budget Estimate of the year, and, if not, whether it could be met from savings in the existing grants. The Secretary of State for India has drawn attention to these instructions in the extracts from the Despatches quoted above; and, in view of the necessity for their strict application, the Governor General in Council directs that these extracts shall be communicated to, and the instructions in them carefully observed by, Local Governments and Heads of Departments.

ORDER.—Ordered, that the Resolution be communicated to the several Departments of the Government of India; to the several Local Governments and Administrations; to the Heads of Departments under the Department of Finance and Commerce; to the Comptroller and Auditor General; and to the Accountants General and Comptrollers for information and guidance.

RESOLUTION.—The Governor General in Council now directs that every proposal for increased expenditure, which is submitted for the sanction of the Government of India, shall be accompanied by a statement in the following form:—

Major and Minor Heads of Account under which the proposed expenditure will fall.	Sanctioned grants for Major and Minor Heads.	Recorded outlay against those grants by latest available accounts.	Proposed reductions in sanctioned grants from which the expenditure will be met.	Explanation, if no re-appropriation is considered possible. In such cases the urgency and necessity for the outlay must also be explained.

Note.—In sanctioning, the reduced grants from which transfers are made will be stated for the information of the Audit Officers.

ORDER.—That this Resolution be communicated, for information and guidance, to all Departments of the Government of India, to all Local Governments and Administrations, to the Commissioner of Northern India Salt Revenue, the Director General of the Post Office of India, the Head Commissioner of Paper Currency, the Mint Masters, Calcutta and Bombay, the Comptroller and Auditor General, and to all Accountants General and Comptrollers.

L. P. SHIRRES,
Officiating Under-Secretary to the Government of India.

No. 16.

LETTER from the GOVERNMENT OF INDIA, September 7, 1889, No. 279.

MY LORD,

WE have the honour to acknowledge receipt of your Lordship's Despatch, No. 131, dated 20th June, 1889, on the subject of the control over expenditure in India to be exercised by the Secretary of State for India in Council.

2. In paragraph 2 of the Despatch, your Lordship requests that the papers shall be sent to you in all cases in which the auditor raises an objection to expenditure sanctioned by us, and not merely, as provided in the rules, in those cases in which we do not admit the soundness of the objection. In respect to this matter there appears to be some misapprehension. If we admit the soundness of the objection, the correspondence will be forwarded to your Lordship as a matter of course in order to obtain the necessary sanction; if we do not admit the soundness of the objection, the papers must, under the rules, be forwarded for your Lordship's information. Consequently the papers must be sent to your Lordship in every case in which the auditor raises an objection of the nature indicated, and in this way your Lordship's wishes will be completely met.

3. In paragraphs 3 and 4 of the Despatch, your Lordship requests us to consider how far it may be possible to frame rules under which the Secretary of State may formally give his sanction to expenditure being incurred by the Government of India without his "detailed supervision," in the large class of cases in which his control over the expenditure of the revenues in India can, owing to the impossibility of a literal compliance with the terms of the Act of Parliament (21 and 22 Vict., cap. 106, section 41), only be of a general nature.

4. In deciding whether or not the sanction of the Secretary of State in Council is required to any expenditure of public money in India, the presumption hitherto acted on has been that the Secretary of State has delegated the authority entrusted to him over expenditure in India to the Government of India, except in cases where he has, by special order or by established practice, reserved to himself the exercise of that authority; all the proceedings of the Government of India under this delegated authority are, of course, subject to the general control of the Secretary of State in Council; and cases of an unusual nature, involving considerable expenditure, in regard to which no precedents exist, are also referred for the previous sanction of the Secretary of State in Council. In other words, the statutory control has been understood to be general, except in the cases where the Secretary of State has decided that it must be special. There is no difficulty under this system in deciding what cases should be referred to the Secretary of State in Council. The proposal now made seems to be that this presumption shall be reversed, and that the Government of India shall be required to obtain the previous sanction of the Secretary of State to any expenditure which does not fall into a class in regard to which the Secretary of State has specifically delegated his authority. We have given our careful consideration to this proposal, and we have come to the conclusion that it will not be practicable to frame rules to give effect to it, without giving rise to grave inconvenience, and in some cases altogether preventing the Government of India from adequately discharging its duties. On the other hand, the system hitherto in force, which is the outcome of long experience, has in our opinion worked satisfactorily. If it is open to criticism, it is, we think, only because it sometimes necessitates references to the Secretary of State in trivial and unimportant matters, such as questions relating to pensions of insignificant amount not strictly admissible under rule, which might well be left to the discretion of the Government of India or of Local Governments.

5. We desire, moreover, to observe that the test which it is suggested should be applied in order to determine whether the previous sanction of the Secretary of State in Council should be required to any expenditure, namely, the urgency of the expenditure in point of time, would not, if applied alone, prove satisfactory. There are other factors to be taken into account, such as the importance of the question at issue, the extent to which local knowledge is required to ensure a proper decision, and the advantages which are secured by the increase of local responsibility in financial matters. The policy of the Government of India has for many years been to confer extended financial responsibilities on local bodies and Local Governments, mainly with the object of securing economy; and the experience of the last twenty years justifies the belief that it has been successful in this important respect. The limitation of the powers entrusted to Local Governments to expenditure in respect of which delay would not be prejudicial would involve an almost complete abandonment of all the reforms that have their foundation in decentralisation, and the reversal of the financial policy which has, with practically complete unanimity, been pronounced to be the most suitable for the circumstances of India.

6. For these reasons we are altogether opposed to any change in the principle hitherto adopted for the purpose of determining whether or not the previous sanction of the Secretary of State in Council is required in any particular case. Our resolution of the 25th March was designed to give effect to that principle. The rules on the subject contained in that resolution may probably be found to require modification and addition after some experience of their application; and, if so, we shall be careful to inform your Lordship from time to time. But we trust that your Lordship will allow the general character of the rules, and the presumption on which they proceed, to remain unaltered.

7. With reference to the concluding sentence of the Despatch under reply, we have the honour to say that we shall always forward to your Lordship any authoritative Code of Rules which we may issue, and point out any rule which requires your Lordship's sanction. It has, in fact, been our practice to obtain sanction to any such rule before inserting it in any of our Codes; and if in any case this has not been done, the omission has been due to oversight. As an instance of the procedure usually adopted, we invite your Lordship's attention to our Despatch, No. 251, dated 17th August, 1889.

We have, &c.

LANSDOWNE.
F. S. ROBERTS.
G. CHESNEY.
A. R. SCOBLE.
C. A. ELLIOTT.
P. P. HUTCHINS.
D. BARBOUR.

No. 17.

DESPATCH to the GOVERNMENT OF INDIA,

November 7, 1889, No. 250.

My Lord Marquis,

Your Excellency's letters dated the 3rd of August and the 7th of September last, Nos. 229 and 279, relating to the due observance of financial rules, and the exercise by the Secretary of State in Council of control over expenditure in India, have been considered by me in Council.

2. You say that hitherto the presumption acted on has been that the Secretary of State has delegated the authority entrusted to him over expenditure in India to the Governor General in Council, except in cases where he has, by special order or by established practice, reserved to himself the exercise of that authority; and, while all the proceedings of your Government are under the Secretary of State's general control, cases of an unusual nature, involving considerable expenditure, in regard to which no precedents exist, are referred to this country for previous sanction. Your Excellency is opposed to any change of this system, and you trust that the practice will remain unaltered, and that it will not be deemed necessary to appoint an Auditor independent of your Government.

3. In order to judge whether such a course is consistent with the terms of Act 21 & 22 Vict., c. 106, s. 41, by which "the expenditure of the revenues of "India, both in India and elsewhere," is declared to "be subject to the control of the Secretary of State in Council," I have referred to the enactments in force prior to 1858; and I find that, so long ago as 1793, the Board of Commissioners for the Affairs of India was, by the Act 33 George III., c. 52, s. 9, "invested with "full power and authority to superintend, direct, and "controul all acts, operations, and concerns, which in "anywise relate to or concern the civil or military "government or revenues" of the British territories in India. At that time the interval that necessarily elapsed between the report of proceedings in India and the receipt of the orders issued in England in consequence thereof, made it impossible that the control to be exercised could have been otherwise than general. Since then, the position has been materially changed by the improvement of communications with India; but I see no reason to think that the intention of Parliament in enacting the clause of the Act of 1858, was to render that control necessarily specific as regarded expenditure in India. I am, therefore, willing to accept the construction placed by your Excellency on the meaning of the Act; and I proceed to consider whether the practice existing gives the Secretary of State sufficient control.

4. The creation of a fresh salary, or the increase of that which is already attached to an appointment, if exceeding specified limits, must receive the Secretary of State's sanction; the rules under which pensions can be granted, leave is permitted, and acting allowances are regulated, have been for many years collected into Codes, and more recently those relating to travelling allowances have been amalgamated; and the whole have been lately re-arranged in a single volume, entitled the Civil Service Regulations. Similarly, those relating to the army are comprised in the Army Regulations. You state that, when any alteration of these rules is requisite, it is always transmitted to me for sanction, unless the omission has occurred through oversight.

5. In the expenditure on Public Works there are special limits within which outlay may be sanctioned by the Local Governments and Administrations, and more extended limits applicable to your Government; and, if it be desired to exceed the latter, the previous sanction of the Secretary of State in Council must be obtained.

6. In order to enforce the careful adherence to these rules, they have recently been summarized, for the information of the officers of audit, in a Resolution of your Government, dated the 25th of March last, which accompanied your letter of the 3rd of August, No. 229.* These officers are specially instructed to point out any case in which expenditure may have been incurred, for which the sanction of the Secretary of State should have been obtained; provision has been made for the registration of all special orders relating to expenditure; and it has been laid down that, with any proposal for an increase of charge, it shall be shown how it is intended to meet the cost with reference to the Budget grants. These orders appear well calculated to attain the object of financial regularity; and I request that instructions may be given for their careful observance in all Departments of the Government.

7. It is with much pleasure that I express my sense of the cordial efforts made by your Excellency's Government to meet my wishes in the direction of enforcing proper control over the expenditure; and, in the hope that the more stringent rules now laid down will, to a great extent, obviate laxity, and that, if errors should occur, they will be promptly brought to the notice of the Government, both in India and in England, through the report of the Comptroller and Auditor General, I concur in your Excellency's view that it will be better, for the present, at any rate, to allow the existing system, as recently modified, to continue, in order that I may learn by experience whether the orders that I have given are sufficient to secure to the Secretary of State in Council the power of efficient control which it was intended by Parliament that he should exercise.

I have, &c.
CROSS.

No. 18.

LETTER from the GOVERNMENT OF INDIA.
May 13, 1890, No 136.

My Lord,

In paragraph 6 of our Despatch, No. 279, dated the 7th September 1889, we stated that, if the rules contained in our Financial Resolution, No. 1579, dated the 25th of March 1889,† should be found, after experience of their working, to require modification or alteration, your Lordship would be duly informed.

2. Since the rules came into operation, certain points in which they were defective have been brought to our notice, and we have now issued revised rules in Resolution No. 2232, dated 7th May 1890, of which a copy is enclosed.‡

3. We have not included in the Resolution any alteration of existing practice, but have merely defined more clearly what the existing orders are. But with our Despatch, No. 124, dated the 29th April 1890, we forwarded for approval, a set of rules on the subject of the grant of fees, rewards, and honoraria to Government servants. Should the proposals in that Despatch receive your Lordship's sanction, it will be necessary to make an addition to the rules contained in the Resolution now forwarded.

We have, &c.
LANDSDOWNE.
F. S. ROBERTS.
G. CHESNEY.
A. R. SCOBLE.
C. A. ELLIOTT,
P. P. HUTCHINS.
D. BARBOUR.

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* For a revised copy of these rules, see No. 21.
† Copy forwarded with our Despatch, No. 126, dated 23rd April 1889.
‡ For revised rules, see No. 21.

No. 19.

DESPATCH to the GOVERNMENT OF INDIA,
July 3, 1890, No. 132.

My Lord Marquis,

I have considered in Council your letter dated the 13th of May, No. 136, forwarding a copy of a Resolution, dated the 7th of May 1890, No. 2232, in which are laid down revised rules for the guidance of audit officers in India.

2. I request that you will issue such instructions as may appear to you to be necessary to ensure that no modification of, or addition to, the Regulations and Codes referred to in Clause V. of the Rules, which is of a nature to require my sanction, shall be made without previous reference to me.

3. In my Despatch of the 26th ultimo, No. 124, I sanctioned the rules for the grant of fees, rewards, and honoraria to Government servants, which were forwarded with your Letter of the 29th of April, No. 124; and you will therefore make such additions as may be necessary to the Rules transmitted with your Letter under reply.

I have, &c.
CROSS.

No. 20.

DESPATCH to the GOVERNMENT OF INDIA,
July 14, 1892, No. 127.

My Lord Marquis,

With reference to the recent correspondence, under which an annual charge of Rs. 25,000 has been fixed as the limit up to which a revision of establishments may be sanctioned by your Government without the authority of the Secretary of State in Council, your Excellency, in a letter dated the 7th of June, No. 124, asks for an assurance that cases in which the scale and remuneration of the establishment are determined, subject to your sanction, by the Courts of Law, may be viewed as not falling within the general regulation.

2. I am not disposed to think that the mere fact that the High Courts are empowered, by an Act of the Indian Legislature, to make rules under which expenditure may arise if approved by your Government, is sufficient to withdraw such cases from the standing rule requiring submission to the Home Government; but, whn the burden falling on the Indian revenues, after allowing for the receipt of fees, does not exceed the specified limit, I have no objection to your Excellency's proposal being adopted.

I have, &c.
CROSS.

No. 21.

Resolution by the Government of India, Finance and Commerce Department, dated 4th March, 1893, No. 916.

The Governor General in Council is pleased to lay down the following revised rules in supersession of the rules in the Resolution of 7th May, 1890:—

I. An audit officer, before admitting in audit any charge against the public revenues which requires the sanction of the Secretary of State, must satisfy himself that that sanction has been accorded either by general or by special order of the Secretary of State. The cases in which that sanction is necessary are stated in the following rules: for the admission of any charges which are not stated in these rules to require the sanction of the Secretary of State, the authority of the Government of India (or, in classes of cases for which the Government of India has delegated its powers to Local Governments,) is sufficient.

II. In these rules the word salary includes all payments to officers from general revenues or from local funds administered by Government, whether in the nature of fixed allowances, or of fees, rewards, or honoraria.

III. The sanction of the Secretary of State is required to the following :—

(1.) The creation of an appointment of which the salary exceeds Rs. 3,000 a year, whether permanently or temporarily. But in the case of a temporary appointment the sanction need not necessarily be obtained previous to the appointment taking effect.

(2.) The raising of the salary of an officer or of a sanctioned appointment to an amount in excess of Rs. 5,000 a year, or increasing a salary which is already in excess of that amount, whether by the grant of increased fixed allowances, or temporarily by the grant of fees, rewards, or honoraria.

(3.) All orders involving expenditure for which the Civil Service Regulations or other authorised Code specifically declare that the sanction of the Secretary of State is necessary.

(4.) Revisions of establishment which involve additional expenditure of more than Rs. 25,000 a year. In the case of establishments such as process-serving establishments, the scale and remuneration of which are determined by Courts of Law under rules having the force of law, the sanction of the Secretary of State is not required under this clause, unless the net extra expenditure involved, after allowing for the receipt of fees, exceeds Rs. 25,000 a year.

IV. The following are exceptions to the preceding rule; for them the sanction of the Government of India is sufficient.

(1.) The grant of travelling and conveyance allowances.

(2.) The grant of deputation allowances, that is of allowances in addition to other emoluments to officers placed on deputation, as defined in Chapter IV. of the Civil Service Regulations.

(3.) The grant of house-rent allowances or of free quarters.

(4.) The grant of allowances to Civil surgeons for charge of railway employés.

V. In applying these rules, audit officers may assume that all the provisions of the Civil Service Regulations, the Indian Army Regulations, the Public Works Code, the Forest Code, and any other authorised Code have received the sanction of the Secretary of State in all cases in which that sanction is necessary. They may, therefore, admit without requiring the sanction of the Secretary of State any pensions, acting allowances, or other allowances, which are admissible under the rules of those Codes. Any allowances which are in excess of those admissible under those Codes will require the sanction of the Secretary of State if they come within the terms of Rule III. above.

VI. Audit officers may also assume that any general sanctions issued before 1889 (such, for example, as the orders granting personal allowances to military officers in the police in some provinces and the rules under which rewards are granted to officers for passing language examinations) had duly received the Secretary of State's sanction when that is necessary, although under the procedure in force up to that year the orders were communicated to audit officers on the authority of the Government of India only.

VII. The following Rules are special for the Public Works Department:—

(1.) No outlay shall be charged to loan funds unless the Secretary of State has sanctioned the work as one which may be constructed from such funds.

(2.) In the case of construction of works charged to revenue, the sanction of the Secretary of State is required to any work of which the estimate of cost exceeds—

(*a.*) Rs. 10,00,000 when provision for establishment and tools and plant is not included; and

(*b.*) Rs. 12,50,000 when it is included.

(3.) When the estimate for construction of a work either from loan funds or revenue has been sanctioned by the Secretary of State, the Government of India can sanction outlay in excess of original sanctioned estimate up to an amount 10 per cent. in excess of the estimate, or Rs. 12,50,000, including establishment and tools and plant, whichever is less; but any excess over a revised estimate sanctioned by the Secretary of State can be sanctioned only by the latter authority.

(4.) For the purpose of determining whether the sanction of the Secretary of State is necessary under clauses (2) and (3) of this rule, a group of works which form one project shall be considered as one work, and the necessity for obtaining sanction to a project is not avoided by reason of the fact that the cost of each particular work in the project is within the powers of sanction of the Government of India.

The foregoing clause does not apply in the case of railway or irrigation projects, the construction estimates of which have been closed, and further capital outlay on which is being incurred under the Rules for open capital expenditure (*vide* Public Works Department Code, Volume II.—xv.—156 and 181 B. and Volume IV.—iii.—5). The Secretary of State's sanction is not required in cases where the aggregate sanctions accorded under the open capital rules exceed 12½ lakhs, but only when the estimated cost of any one work exceeds the limit laid down in Rule VII. (2).)

(5.) In the case of railways the Government of India can only sanction, when the estimated cost is less than Rs. 12,50,000 and charged to Revenue, a short addition to or extension of an existing line plainly required to supply needful convenience to a traffic already established on a local feeder line, which is not likely to form a portion of any scheme of through communication. The sanction of the Secretary of State is necessary when the line to be constructed, however short, involves a possible extension, the general policy of which is a matter for the deliberation of the Secretary of State in Council.

VIII. Any objection raised under these Rules to any order issued by the Government of India will be reported to the Secretary of State for information if the objection is overruled by the Government of India, and for the required sanction if the objection is not overruled. The Military and Public Works Departments of the Government of India must, therefore, refer any such objection to the Finance Department before disposing of it.

ORDER.—Ordered, that this Resolution be communicated to all Local Governments and Administrations; to all Departments of the Government of India; to the heads of Departments subordinate to this Department; to the Comptroller and Auditor General; and to all Accountants General and Comptrollers.

PROVINCIAL FINANCE.

APPENDIX No. 3.

Paper handed in by the Financial Secretary, India Office.

By "Local Governments" is meant the Governments of the respective Provinces of India, e.g., the Governor of Bombay in Council, the Lieutenant Governor of the North-Western Provinces and Oudh, the Chief Commissioner of Burma. The term "Province" includes the Presidencies of Madras and Bombay.

1. In the annual accounts of the Government of India, the income and expenditure under most of the main heads are divided into two portions, viz., "Imperial" and "Provincial and Local." This division does not indicate that the revenue raised, and the work done, by the Government of India and the Local Governments respectively are distinct and separate from one another in the same way, as, for example, the revenue and the work of local authorities in England are distinct from, and independent of, the Imperial Government. There are, indeed, in India, as in England, local bodies, such as port trusts and municipalities, which are not included in the Imperial financial and administrative system. But the detailed accounts of these bodies are omitted from the Indian Budgets and Accounts of Revenue and Expenditure, being merely mentioned in subsidiary statements. The "Provincial" income and expenditure shown in the yearly statements of the Government of India are not separate from, they are a specified part of, the Imperial resources, set aside to be realised by the same authority as realises the Imperial income, and under the same system, and to be devoted, though under different control, to similar purposes, and, in many cases, towards the maintenance of the same establishments.

2. The system under which the Government of India now transfers to the Local Governments the responsibility for collecting, and the right of spending, a large proportion of its own revenues, was first inaugurated by Lord Mayo's Government in 1871. Before that time the Government of India had exercised sole control over the entire Imperial revenues, and had been alone liable for all the demands that could be made thereon. The Local Governments, with the exception of Bombay, which raised a considerable revenue for local purposes, had to appeal to the Government of India for the means wherewith to satisfy any local needs that might arise, and had for their guidance in the preparation of their budgets no authoritative ruling as to the limits within which the expenditure on each department in each province must be kept, and each one asked for the sums that it thought, might be expended so as to improve administration. The Government of India, on the other hand, which was "not in a position to understand fully local requirements," and did not have "the "knowledge necessary for the successful development "of local resources," had to apportion its resources as best it might to meet the demands of the Local Governments. The Local Governments were thus "liable, in their anxiety for administrative progress, "to allow too little weight to fiscal considerations;" while the Government of India was not always able, as it admitted, "to distribute satisfactorily the resources actually available."

See Lord Mayo's Minute, presented to Parliament 15th February 1871. Lord Mayo's Minute, para. 6.

Lord Mayo's Minute, para. 5.

Lord Mayo's Minute, para. 2.

3. Lord Mayo's Government, therefore, determined, in order to remove the necessity for the annual grant by the Government of India of an assignment for each department of administration in each Province, to hand over to the Local Governments the financial responsibility for those services in the discharge of which they were especially interested, and the expenses of which were especially liable to increase. With this object in view, it entrusted to each Local Government the responsibility of meeting, from a fixed permanent grant, the expenses of the services included under the heads of Jails, Registration, Police, Education, Medical Services, Printing, Roads, Miscellaneous Public Improvements, and Civil Buildings. The amount of the permanent grants was Rx. 4,688,711, or about 7 per cent. less for the whole of India than the assignments that had been made for these purposes in the last year of the old system.

Lord Mayo's Minute, para. 11.

Financial Statement for 1877-78, p. 135.

The Government of India undertook to maintain the grants at the same amount, unless there should occur "some fiscal misfortune, such as a heavy loss in the "opium revenue, or national disaster, such as war or "severe famine," and, "in any case, not to reduce "them without previous consultation with the Local "Governments."

Lord Mayo's Minute, para. 17.

Lord Mayo's Minute, para. 18.

Each Local Government was allowed to distribute at its discretion its own share of the permanent grant among the different departments for which it was made responsible; and any portion of a grant that was not spent in any year did not lapse to the Government of India, but remained at the disposal of the Local Government that had economised it. The method of carrying on each department, so far as it was not prescribed by laws, despatches from the Secretary of State, or rules of the Government of India, was left generally to the Local Governments. It was provided that they were to maintain existing lines of through communications; and restrictions were placed on their powers in respect of the creation of appointments and of grades of officers, the alteration of scales of salary, and certain other matters.

Lord Mayo's Minute, para. 21.

4. In the financial statement for 1877–78, the first delivered in the Council after the introduction of the new system, the Finance Minister, Sir John Strachey, in describing the changes that had been made, claimed that they had been extremely successful both as financial and administrative measures;* and announced that the Government intended to carry them farther, and to transfer to the Local Governments the financial responsibility for other services, the cost of which had hitherto been met from general revenues. The services so transferred were those connected with Land Revenue, Excise, Stamps, General Administration, Stationery, and Law and Justice, all, in fact, except those for which the Supreme Government was prevented by some special reason from transferring the financial responsibility.

Financial Statement for 1877-78 p. 13*.

5. The Local Governments did not receive for the performance of these newly transferred services, as they had for the services imposed on them by Lord Mayo, merely a lump sum from Imperial revenues. The opportunity was seized to make them responsible for the efficient collection of revenue as well as for its economical disbursement. The only source of revenue that had been transferred to the management of the Local Governments by Lord Mayo, was the departmental receipts of the departments that they managed; for the rest of the money that they spent, they depended on the permanent grants assigned to them. Thus, while a direct interest had been given to them in distributing their resources well, and in spending them economically, they had no such interest in the collection of the revenue; and, meanwhile, the Excise and Stamp duties were notoriously evaded, and the Government suffered, through careless collection of revenue, a loss of which the amount was, of course, unknown, but which was, in the opinion of the Finance Minister, "very large."

Financial Statement for 1877-78 p. 137.

The Government of India, therefore, determined to give to the Local Governments, the servants of which had always had the duty of collecting the revenue, an interest in seeing that that duty was well discharged, and that the revenue was collected in full. This determination it carried out by assigning to the Local Governments, for the discharge of the services newly imposed on them, not an increase in their permanent grants, but a share in the revenue realised under certain heads in their respective provinces. To the North-Western Provinces, for example, they assigned the revenues derived from Excise, Stamps, Law and Justice, collections from certain estates, and some miscellaneous items, on condition that the Supreme Government should take half of any surplus that might be realised over the specified amount that these sources were estimated to yield, and should bear half of any deficit. The Local Governments, however, were not invested with any power of imposing fresh taxation, of undertaking any new general service, of

* The following figures show the fluctuations in the charges on account of the transferred services:—

	Rx.	
1863-64	5,112,000	
1868-69	6,030,000	
1870-71 (last year of old system)	5,197,000	(reduction effected after determined efforts).
1875-76	5,305,000	

Financial Statement for 1877-78, *p.* 135.

The growth of expenditure under the new system took place entirely in Educational and Medical Services (*Ibid.*, p. 136).

abolishing or reducing the pay and allowances of any appointment with a salary of more than Rs. 250 a month, or of making any change in the system of revenue management, or in the form or procedure of the public accounts, without the sanction of the Government of India. They were required to keep the Governor General in Council, in the several departments, fully informed of their executive and financial proceedings. The position that the Government of India intended to take up with regard to the details of provincial finance was expressed in the following words:—"The Governor General in Council will not "relinquish his general powers of supervision and "control in any department, but his Excellency will, "as far as possible, avoid interference with the details "of the administration of the transferred revenues "and services, and any embarrassment of the provincial "finances."

Proceedings of the Government of India Financial Department, Accounts and Finance, April 1877, pp. 257-260. Resolution No. 1,709 of 22nd March 1877.

6. Besides transferring to the Local Governments the responsibility for the realisation of a portion of the revenue, the Government of India also began to transfer to them in 1877–78 the control of a branch of expenditure which, on the introduction of Lord Mayo's scheme, it had reserved to itself, viz., the expenditure on Extraordinary Public Works. This transfer was suggested by the same considerations as had induced Lord Mayo's Government to make its first great experiment in decentralisation in 1870–71. The Government of the North-Western Provinces and Oudh was the first of the Local Governments to undertake the financial responsibility for Extraordinary Public Works, and the method in which the transfer was carried out was as follows:—

	Rx.
The canals of the province yielded (over and above working expenses) a direct revenue of	164,000
And an indirect revenue (included in Land Revenue) of	92,300
Total	Rx. 256,300
The interest charge on the capital expenditure was	244,000
The profit on the whole system was therefore	Rx. 12,300
The profit on the completed canals was, excluding indirect revenue	23,350
From indirect revenue	92,300
Total	Rx. 115,650

The Government of India handed over the whole system of canals to the Local Government, reserving to itself the indirect revenue of Rx. 92,300, and the Local Government had to bear the whole interest charge, Rx. 244,000, and to pay to the Government Rx. 20,000 as a rough equivalent of the profits on completed canals, apart from the Rx. 92,300 included in Land Revenue and retained by the Supreme Government. Thus the Provincial Government had to meet a yearly charge of Rx. 264,000, while the revenue at its command from canals was only Rx. 164,000. The additional charge of Rx. 100,000 was to be provided for by a modification of the Local Rates Act, by the imposition of a licence tax, by economy in canal management, and by an increase, if possible, in the income from canals. The Government of India was to borrow and advance to the Local Government, year by year, the money for the completion of the unfinished canals; the Local Government would, it was expected, be able to meet the increased charge for interest from the growth of its canal revenue. If it could reduce below Rx. 100,000 the charge for canals that it had to meet from other sources than canal revenue, then it was to retain half the saving and to give half to the Supreme Government.

7. The following letter addressed to the Government of India expresses the opinion of the Government of Bengal on the new system, at a time when it had been recently introduced, and when, therefore, the difference between its effects on administration and the effects of the old decentralising system was sharply felt:—

"The Lieutenant Governor has found that the general effect of the extension of the decentralisation system, in respect to the facilities which it has given to provincial administration, has been even more satisfactory than he anticipated. In making the Local Government responsible for expenditure, and giving them a direct interest in the development of various branches of the revenue, it has secured a careful scrutiny over the expenditure of all departments, and a deep interest in all improvable heads of revenue, which has extended to all grades of the services. District officers understand that the Local Government can sanction no new schemes, and few new works, unless it has a constantly improving revenue; and they have shown an earnest desire to assist the Government by the adoption of every measure which their local experience suggests as likely to have a beneficial effect on the revenues. At the same time the Local Government has, since the inauguration of the system of Provincial Finance in 1870–71, been in a position to carry out many works and many measures of improvement on its own responsibility, which would, under the old system, have possibly been delayed for an indefinite period. All friction with the Imperial Government has been obviated, and much useless and unsatisfactory correspondence avoided."

Financial Statement for 1878-79 p. 278, Appendix E., *ad fin*

8. The arrangements for 1877–78 left room for a further increase of provincial responsibility, inasmuch as a large proportion of the yearly income of each province was drawn, not from revenue for the collection of which the Local Government was responsible, but in a lump sum from the Supreme Government. But the settlements made with Burma and Assam in 1879 made no provision for a permanent grant. With the exception of certain services* which could not but remain wholly under the responsible charge of the Government of India, almost all the heads of revenue and expenditure were made in these two Provinces, either jointly Imperial and Provincial (*i.e.*, divided in a fixed proportion between the Government of India and the Local Governments) or wholly Provincial. Such a transfer of services and revenue to the Local Government could be carried out in Burma to an extent which was impossible in other provinces, because the salt and customs revenues collected in Burma could be treated as due to the consumption of that province, whereas it was impossible to assign to the various provinces the shares borne by the consumers all over India of the salt and customs collections in Bombay, Calcutta, and the other places of receipt in Northern India.†

Financial Statement for 1879-80. p. 299.

In 1882 the system that had been applied in 1879 to Burma and Assam was extended as far as possible to the whole of India. A fixed permanent grant was no longer assigned to the Local Governments as a part of their resources, but, instead, they were granted the whole product of some sources of revenue, and a share in the product of others, including land revenue.

Gazette of India, Part I., for 1st October 1881.

The general result of the arrangements of 1882 was that the revenue of the Local Governments was for the five years from that time made up of—

	Rx.
The whole of the revenue under heads producing about	4,000,000
Half of the revenue under heads producing	8,000,000
A larger or smaller proportion under heads (chiefly land revenue) producing	23,000,000
An almost nominal share under heads producing	7,000,000
Thus the Local Governments had a direct interest in the collection of revenue to the amount of	Rx. 42,000,000

while they administered the expenditure wholly under heads for which the grants at the time of making the agreements amounted to Rx. 15,000,000, and to a very small extent under heads for which the grants amounted to Rx. 4,000,000.

Financial Statement for 1882-3, § 40.

The Government of India expressed its intention of allowing to Local Governments the same rights over divided revenues, and the same power to sanction new expenditure under divided heads, as they possessed in the case of heads which were wholly provincial.

Gazette of India, 21st January 1882, p. 19.

9. In calculating the exact proportion of these various sources of revenue to be assigned to the Local Governments for the quinquennium 1882–3 to 1886–7, the Supreme Government "wished to approach the question "in a liberal spirit, and not to make any revision "which would be favourable to the Imperial at the "expense of the Provincial Revenues, except in cases "where this course could be adopted without em"barrassing Provincial Finance, or checking the "growth of the material prosperity of the Province." The Local Governments were, at the end of the quinquennium which closed in 1881–2, in possession of

Financial Statement for 1882-3, § 43.

* Such as Army, Post Office, Telegraphs, Account Offices, Political Services, Movement of Funds.

† Salt and customs are still almost entirely Imperial heads of revenue.

revenue which, it was estimated, exceeded by Rx. 470,000 the annual cost of the services for which they were responsible. This amount the Supreme Government might have reserved and used for its own purposes, but, instead, it left it in the hands of the Local Governments, and gave them a further assignment of Rx. 26,000 a year, thus providing them with a surplus of Rx. 496,000 a year, of which Rx. 316,000 was to be devoted to the remission of taxation in the North-Western Provinces, Rx. 20,000 to Provincial Public Works in Madras, Rx. 78,000 to various purposes, of which the most important was the improvement of the position of the Subordinate Civil Service in several Provinces, Rx. 10,000 to the increase of the staff of Kanungoes in Oudh, and Rx. 72,000 to meet temporary needs in Bengal, Burma, and the North-Western Provinces and Oudh.

10. Another measure, affecting the relations between the Supreme Government and the Local Governments, which was adopted in 1882, was the introduction of new conditions to regulate the grant of help by the Supreme Government to the Local Governments, and the demand of help from them in times of need. Under the agreements made in 1877, a Local Government was not entitled to help from the Supreme Government till all its own resources were exhausted. By the arrangement of 1882 the Local Governments were declared to be entitled to help from the Government of India in case of severe famine, but they were not to receive help until—

(1) their current income during the period of distress was exhausted; and

(2) two-thirds of the excess of the accumulated savings of past years over the ordinary "working balance" had been spent.

It was further provided that;

(3) the margin of provincialised income over expenditure in normal years should be applied to supplement the ordinary Public Works Grant to meet the cost of completing the Famine Relief Works, and also might be drawn on, to the extent of one-fourth, for interest payable on Imperial loans raised for famine purposes in the respective provinces.

Gazette of India 1st of October, 1881, p. 450 (Resolution of the Government of India, § 8).

The Government of India undertook not to make any demands on the Local Governments, except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources.

Financial Statement for 1882-83, § 41.

Thus the Local Governments were placed in a position to enjoy, in the management of the resources entrusted to them for the administration and internal development of their respective provinces, a security such as is unknown to the Government of India. As Major Baring remarked, one result of the provincial arrangement concluded in 1882 was, that of the four peculiar dangers to which the finances of India are exposed, viz., war, a diminution of the opium revenue, fall of exchange, and famine, the first three had to be met by the Government of India alone, and only the fourth was felt by the Local Governments. This remark must now be qualified to a very slight extent, in so far as those Governments have now to take a share in the cost of exchange compensation.

Financial Statement for 1883-84, § 121.

On three occasions since 1882–83, has the Government of India called on the Local Governments for help in its financial difficulties. In 1886-87, when a deficit was threatened, in consequence of the fall in the gold value of silver and of the expense of operations in Burma, it received from them special contributions amounting to Rx. 400,000: in 1890–91, when a deficit was again threatened, it received Rx. 490,000; in 1894–95, owing to the fall in exchange, it received Rx. 405,000.

11. The extension of the powers of the Local Governments of the respective Provinces, which was carried out in 1882–83 by means of the decentralisation of the finances, was accompanied by an improvement in the position of the local boards and committees which already existed in each Province, and discharged functions similar to those of the smaller local bodies in England. Just as the Government of India had handed over a further portion of its own revenues for provincial management, so it invited the Local Governments to hand over to the local boards and committees, such items of revenue and expenditure as might appear most suited to give them a real interest in the administration of the revenues at their command.

Financial Statement for 1882-83, §§ 65–67.

12. The next alteration in the system of provincial finance was made in 1884. In the three years preceding that year the Local Governments had been spending the large balances that had accumulated during the Afghan war, when the Government of India had temporarily checked provincial expenditure, and also the Rx. 670,000 which the Government of India had withdrawn from them during the war, and had subsequently refunded. This abnormal expenditure suggested the adoption of a measure to prevent excessive fluctuations in the finances of the Local Governments, and, with effect from the 1st of April in that year, a minimum was prescribed, below which the balance to the credit of each government was not to be allowed to fall, according to the Budget estimate.

13. The administrative results of the system were described as follows in 1885 by Sir Auckland Colvin, then Financial Member of the Viceroy's Council:—

"The system inaugurated by Lord Mayo, which has now fully taken root and become part of our system of local administration in India, has continued during the last three years to work greatly to the advantage of the several governments which share in it. Friction has been reduced to a minimum; and if, as was inevitable, questions have from time to time arisen regarding the amount of assistance to be afforded by the Government of India to this or that Local Government in regard to some particular project, or some reform involving an increased outlay of funds, they have given evidence of the existence of a spirit of mutual concession, which is in marked contrast to the relations existing in former times between the Supreme and the Provincial Governments under the centralised system of finance."

Financial Statement for 1885-86, p. 77.

14. In 1887, when the term of the agreements made in 1882 came to an end, it was found that during the quinquennium the revenues assigned to the Local Government, which were originally calculated at Rx. 16,376,020, had yielded on an average Rx. 17,352,966 a year, while the average yearly cost of the services paid for by the Local Governments, which had been calculated at Rx. 16,812,340, had really been Rx. 17,399,398. There had thus been an average annual deficit of Rx. 46,432, which was met from the balances held by the Local Governments at the opening of the quinquennium.

The Government of India was compelled, on account of its own financial position, to use the right which it had always expressly reserved to itself, and which had already to a certain extent used in [illegible] the arrangements to its own advant[illegible] object in view, it appointed a Finance [illegible] first duty of which was to investigate [illegible] administration of each province, and to [illegible] tions for the framing of the agreements that to be made for the quinquennium, 1887–88 to 1891–92. The Committee proposed numerous alterations and economies, and drew up an estimate showing what the revenue and expenditure of each province might be expected to be if the existing agreements were continued and the proposed economies were effected. The estimate was, with modifications, adopted by the Government of India, and an abstract of it, showing province by province the revenue and expenditure to be anticipated in the years 1887–88 to 1891–92 on the basis of the old settlement is in the following table put side by side with the average actual revenue and expenditure for the five years 1882–83 to 1886–87:

—	Average Annual Revenue and Expenditure during the Five Years 1882-83 to 1886-87 inclusive.		Estimated Future Revenue and Expenditure from 1887-88 on the basis of the Old Agreements.	
	Revenue.	Expenditure.	Revenue.	Expenditure.
Punjab	1,505,227	1,554,016	1,583,300	1,580,200
North-Western Provinces and Oudh.	3,070,188	3,077,904	3,059,900	2,928,800
Central Provinces	759,499	751,996	806,400	790,800
Bombay	3,796,266	3,749,210	3,984,500	3,762,000
Madras	2,397,658	2,349,441	2,483,400	2,309,000
Bengal	4,154,595	4,241,468	4,319,500	4,203,900
Assam	449,959	399,280	481,500	456,000
Burma (Lower)	1,219,574	1,276,083	1,189,800	1,240,3[illegible]
Total	17,352,966	17,399,398	17,908,300	17,272,[illegible]

It appears from the last two columns of the f[illegible] going table that the estimated revenue of the L[illegible]

Governments was in excess of their estimated expenditure by Rx. 635,800. This surplus the Government of India took from the Local Governments and added to its own revenue.

The resumption was effected by a general readjustment of the terms of the provincial agreements, the anticipated financial efforts of which are shown in the following figures, side by side with the estimated surplus of each province:

	Estimated Surplus.	Amount estimated to be resumed by Government of India.
	Rx.	Rx.
Punjab	3,100	—
North-Western Provinces and Oudh	131,100	103,100*
Central Provinces	15,600	15,600
Bombay	221,900	221,900
Madras	174,400	174,400
Bengal	115,600	115,600†
Assam	24,600	24,600
Burma	—50,500	—
Total	635,800	655,200

For details of the shares of various heads of revenue assigned to the Local Governments in 1887, *see* Financial Statement for 1887–88, § 52.

* The figure given in the Financial Statement for 1887–88 is Rx. 100,000 (page 25), but the estimated surplus, erroneously taken at Rx. 128,000, was really Rx. 131,100 (Finance and Accounts Proceedings, April 1887, page 494, note A). The surplus left to the Local Government after revision was Rx. 28,000 (*see* Finance and Accounts Proceedings, April 1887, pp. 494–497, and Financial Statement, 1892–93, p. 38). The amount resumed must therefore have been Rx. 103,100.

† The Financial Statement for 1887–88 gives Rx. 103,600, but see Accounts and Finance Proceedings of the Government of India for April 1887, pp. 446–449, from which it appears that the whole of the estimated surplus of Rx. 115,600 is resumed.

Thus, in dealing with five out of the eight provinces, the Government of India so revised their agreements as to leave the Local Governments with revenues which were estimated to be just equal for the time being to the liabilities that had to be met from them, but which were growing, and might be expected to provide not only the means of meeting the natural growth of provincial expenditure, but also a surplus which, at the next period of revision, could be appropriated by the Government of India, from whose temporarily alienated resources it arose. In three provinces only was there a difference between the estimated provincial revenue and the estimated provincial expenditure, viz.:—in the North-Western Provinces, where a surplus was left for the Local Government to use towards the completion of railway works which it had undertaken, and in Burma and the Punjab, where for special reasons, the agreements were not revised in 1887.

15. The working of the agreements made in 1887 was similar to that of those made in 1882. At the end of the quinquennium during which they were in force it was found that the average provincialised revenues had exceeded the estimate by Rx. 1,553,106, while the average provincialised expenditure had exceeded the estimate by Rx. 1,374,725; the average revenue had exceeded the average expenditure by Rx. 216,181. It was estimated, on a comparison of the agreements made in 1887 with the revised estimates for 1891–92 (the latest statement of income and expenditure available at the time when the arrangements for 1892–93 to 1896–97 were under consideration), that the sources of revenue assigned to the Local Governments in 1887 had during the quinquenninm increased in value by Rx. 2,042,700, and that equilibrium would be re-established in the finances of the Local Governments if the Government of India so re-arranged the provincial agreements as to diminish the revenues, or increase the expenditure, assigned to the Provincial Governments, and so make their position worse, and its own better, by a net sum of Rx. 466,300, distributed as follows:—

	Increase of Provincial Revenue.	Amount withdrawn from the Provincial Governments.
	Rx.	Rx.
Punjab	195,400	41,000
North-Western Provinces and Oudh.	63,300	56,900
Central Provinces	119,200	22,700
Bombay	399,200	131,100
Madras	313,200	103,800
Bengal	517,700	51,900
Assam	99,800	—
Burma	334,900	58,900
Total Rx.	2,042,700	466,300

It was estimated that, when these deductions were made, they would leave the Local Governments, at the the beginning of the new quinquennium, in a state of equilibrium, as indicated in the following table:—

	Revenue.	Expenditure.
	Rx.	Rx.
Punjab	1,718,900	1,718,900
North-Western Provinces and Oudh.	3,152,900	3,152,900
Central Provinces	788,100	788,100
Bombay	3,895,300	3,895,300
Madras	2,804,700	2,804,700
Bengal	4,105,400	4,105,400
Assam	545,000	545,000
Burma	1,841,800	1,841,800
Total Rx.	18,852,100	18,852,100

30th July 1895.

B.L.A.
HENRY WATERFIELD.

TABLE I.—PROVINCIAL AGREEMENTS, 1882–83 to 1886–87.

The Assignments made in 1882 were altered in various ways during the currency of the agreement. They are, however, given in this Table, as offering a convenient basis of comparison.

	1.	2.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
	Initial Assignment made in 1882–83.		1882–83. Actual		1883–84. Actual		1884–85. Actual		1885–86. Actual		1886–87. Actual		Average for the Five Years.	
	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Actual Revenue.	Actual Expenditure.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Punjab	1,454,420	1,422,770	1,352,692	1,493,127	1,512,298	1,551,484	1,524,895	1,570,486	1,575,432	1,572,187	1,560,816	1,582,796	1,505,227	1,554,016
North-Western Provinces and Oudh.	3,095,480	3,043,810	2,881,160	3,037,379	2,650,946	2,788,673	3,243,612	3,119,502	3,170,977	3,201,060	3,404,215	3,242,908	3,070,188	3,077,904
Central Provinces	667,330	641,270	733,597	699,822	787,755	711,513	793,414	774,221	799,306	776,270	683,422	798,121	759,499	751,996
Bombay	3,492,000	3,424,500	3,399,295	3,500,789	3,742,533	3,704,673	3,774,223	3,727,885	4,172,439	3,813,790	3,892,839	3,998,912	3,796,266	3,749,210
Madras	2,177,810	2,155,410	2,305,591	2,234,879	2,325,802	2,316,237	2,343,028	2,422,085	2,528,673	2,377,590	2,485,198	2,396,415	2,367,658	2,349,441
Bengal	3,912,600	4,485,330	4,086,872	4,600,292	3,786,431	3,900,415	4,239,877	4,164,891	4,263,946	4,217,138	4,395,850	4,324,603	4,154,595	4,241,468
Assam	447,730	436,830	423,672	348,598	448,289	375,781	460,167	440,896	467,630	409,443	450,037	421,682	449,959	399,280
Burma	1,127,660	1,202,330	1,151,908	1,320,815	1,230,655	1,320,305	1,177,843	1,268,778	1,208,012	1,210,516	1,329,451	1,260,003	1,219,574	1,276,083
Total Rx.	16,376,020	16,812,340	16,334,787	17,235,701	16,484,709	16,669,111	17,557,059	17,488,744	18,186,415	17,577,994	18,201,858	18,025,440	17,352,966	17,399,398

TABLE II.—PROVINCIAL AGREEMENTS, 1887–88 to 1891–92.

	Estimate for Agreement of 1887–88 to 1891–92.		Accounts.										Average for the Five Years.	
			1887–88.		1888–89.		1889–90.		1890–91.		1891–92.			
	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Revenue.	Expenditure.	Actual Revenue.	Actual Expenditure.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Punjab	1,583,300	1,580,200	1,576,400	1,564,000	1,632,500	1,600,300	1,675,700	1,646,500	1,696,800	1,665,400	1,750,018	1,793,411	1,666,283	1,653,922
North-Western Provinces and Oudh.	3,240,100	3,212,100	3,217,000	3,270,100	3,255,600	3,209,600	3,102,100	2,999,400	3,123,800	3,136,400	3,356,441	3,093,133	3,210,988	3,141,727
Central Provinces	696,900	696,900	706,400	693,300	720,600	698,000	770,600	782,900	742,100	773,700	818,779	811,941	751,696	751,968
Bombay	3,680,500	3,680,500	3,789,900	3,814,500	3,874,200	3,855,900	3,929,600	3,888,200	3,834,800	3,958,700	4,045,123	3,983,751	3,894,725	3,900,210
Madras	2,563,600	2,563,600	2,735,400	2,630,000	2,827,300	2,713,300	2,941,100	2,796,600	2,762,900	2,899,700	2,876,961	2,854,139	2,828,732	2,778,808
Bengal	3,768,400	3,768,400	3,913,000	3,782,000	3,956,800	4,022,600	4,191,600	4,089,100	4,077,200	4,197,500	5,780,199	5,692,315	4,383,760	4,356,703
Assam	464,000	464,000	501,803	494,100	495,900	469,500	510,200	490,100	526,800	544,700	578,898	559,915	522,720	511,663
Burma	978,600	971,900	1,094,900	1,017,800	1,077,000	1,065,400	1,220,300	1,156,300	1,290,900	1,184,700	1,664,911	1,662,420	1,269,602	1,217,324
Total Rx.	16,975,400	16,937,600	17,534,800	17,265,800	17,839,900	17,634,600	18,341,200	17,849,100	18,055,300	18,360,800	20,871,330	20,451,325	18,528,506	18,312,325

APPENDIX No. 4.

COST OF TREASURIES IN INDIA.

(*Handed in by Mr. Stephen Jacob, C.S.I., with reference to Questions* 161, 162, *and* 2865.)

The appended Table gives the total cost of Treasury and Sub-Treasury Establishments in India as follows:—

	Rs.
Treasury Establishments - -	16,21,267
Sub-Treasury Establishments -	9,40,627
Total - - -	25,61,894

Details by Provinces are given in the Table, and further details by Treasuries are available, if required.

The cost as given in this Table does not include the charge for the salaries of Treasury officers and Sub-Treasury officers themselves. Treasury officers, as already stated (*see* answer 137), are on the general district staff, and perform various revenue and magisterial duties, in addition to their purely Treasury duties. The proportion of their time given to Treasury work varies in each district, and no unvarying proportion of a Treasury officer's pay can be assigned as chargeable against the Treasury. An attempt has been made, however, in India to determine, after local inquiry from each district, the proportion of the Treasury officer's time which is in each case devoted to Treasury work, and the results of this attempt are given below. It must be borne in mind that the estimate in each case, where the whole time is not devoted to Treasury work, must partake more or less of the nature of a guess; and in most cases it is possible that different officers might disagree as to the exact proportion to be taken. The figures below are, however, based on the best information available, and are given for what they are worth.

Province.	Treasury Officers.		
	No.	Whole Pay.	Proportion of Pay chargeable to Treasury Work.
		Rs.	Rs.
India - - -	5	23,880	23,880
Central Provinces -	18	78,250	37,125
Lower Burma - -	15	29,820	24,670
Upper Burma - -	19	45,437	37,774
Assam - - -	11	50,400	17,687
Bengal - - -	44	2,06,400	1,03,350
North-Western Provinces and Oudh.	47	1,93,800	1,20,000
Punjab - - -	32	1,11,826	58,318
Madras - - -	22	1,06,400	85,300
Bombay - -	22	99,000	70,100
Total - -	235	9,45,213	5,78,204

According to this calculation the general proportion of the time of Treasury officers given to Treasury work is just over 60 per cent.; but the proportion varies largely in different provinces.

The above figures take no account of numerous petty political Treasuries, which are worked by political officers.

An attempt was made to obtain similar figures as regards Sub-Treasury officers, but the figures sent are obviously so incomplete that it is impossible to frame any general table based upon them.

STEPHEN JACOB.

January 25, 1896.

[redacted] IN INDIA.

NAME OF DISTRICT.	Treasurer's Establishment.				Accountant's Establishm[redacted]ment.								Travelling Allowance.	Contingent Charges.	Total Establishment—Head Quarters.	Sub-Treasury (Tahsil) Establishment.							Grand Total.
	Clerks.		Servants.		Clerks.		Serv[redacted]				Servants.					Clerks.		Servants.		Travelling Allowance.	Contingent Charges.	Total.	
	No. of Men.	Annual Cost.	No. of Men.	Annual Cost.	No. of Men.	Annual Cost.	No. of Men.	Annual Cost.	No. of Men.	Annual Cost.	No. of Men.	Annual Cost.				No. of Men.	Annual Cost.	No. of Men.	Annual Cost.				
		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	Rs.	Rs.	Rs.		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
India	33	21,216	11	1,230	32	25,128	7	1,056	1	600	—	—	650	15,037	64,917	33	13,776	9	1,200	—	200	15,176	80,093
Central Provinces	49	18,276	5	504	35	17,940	6	420	—	—	—	—	40	7,575	44,455	63	10,800	1	72	—	88	10,960	55,415
Upper Burma	34	23,907	20	3,456	41	48,342	22	2,496	—	—	2	216	1,123	12,604	92,144	30	17,460	21	2,700	1,209	1,618	22,987	1,15,131
Lower Burma	18	11,844	10	1,884	30	36,992	18	2,136	2	1,260	2	264	463	8,266	63,109	18	8,040	13	1,812	56	75	9,983	73,092
Assam	23	15,168	18	2,184	31	16,416	10	900	—	—	5	468	161	3,705	39,002	23	10,392	11	1,128	1,288	963	13,771	52,773
Bengal	137	67,236	101	10,074	212	95,676	18	1,266	23	4,480	20	648	2,927	38,752	2,21,059	161	69,779	81	6,510	2,214	1,217	85,920	3,06,779
North-Western Provinces and Oudh.	130	60,512	16	1,500	242	1,41,181	34	2,052	13	5,136	6	396	2,029	28,472	2,41,278	398	72,840			26	1,370	74,260	3,15,538
Punjab	79	30,302	13	1,428	98	81,660	30	1,920	2	540	—	—	2,168	10,454	1,28,472	184	33,900	3	540	3,920	1,910	40,270	1,68,742
Madras	143	64,800	103	9,432	352	1,19,271	147	13,824	111	32,898	19	1,728	12,099	68,197	3,22,249	731	1,77,348	724	54,068	12,620	51,542	2,95,576	6,17,825
Bombay	78	45,708	33	2,862	303	1,91,756	102	9,066	182	84,132	111	11,244	16,499	43,315	4,04,582	788	2,45,210	690	56,634	41,639	28,441	3,71,924	7,76,506
Total British India	724	3,58,969	330	34,554	1,376	7,74,062	394	35,136	334	1,29,046	165	14,964	38,159	2,36,377	16,[redacted]4,267	2,429	6,59,545	1,554	1,24,686	62,972	93,424	9,40,627	25,61,894
Berar	9	3,060	1	228		19,260	3	240	8	3,480		216	30	3,638	30,152	38	10,872	21	1,512	210	2,230	14,824	44,976
GRAND TOTAL	733	3,62,029	331	[redacted]		7,93,322	397	35,376	342			15,180	38,189	2,40,015	16,51,419	2,467	6,70,417	1,575	1,26,198	63,182	95,654	9,55,451	26,06,870

APPENDIX No. 5.

(*Paper handed in by Mr. Stephen Jacob, C.S.I.* (*see Question* 561).)

PRESIDENCY BANKS.

Bank of Bengal.

Head Office.

Calcutta.

Branches.

Agra.	Jalpaiguri.
Allahabad.	Lahore.
Akyab.	Lucknow.
Benares.	Maulmain.
Cawnpore.	Nagpore.
Dacca.	Patna.
Delhi.	Rangoon.
Hyderabad.	Sirajgunj.

Bank of Bombay.

Head Office.

Bombay.

Branches.

Ahmedabad.	Indore.
Akola.	Karachi.
Bhaunagar.	Amraoti.
Broach.	Poona.
Dharwar.	Khangaum.

Bank of Madras.

Head Office.

Madras.

Branches.

Alleppy.	Guntur.
Bangalore.	Mangalore.
Bellary.	Negapatam.
Berhampore.	Ootacamund.
Bimlipatam.	Tellicherry.
Calicut.	Tuticorin.
Coconada.	Mysore.
Cochin.	

OTHER BANKS.

Agra Bank.

Branches.

Calcutta.	Agra.
Bombay.	Lahore.
Madras.	Rangoon.
Karachi.	

Bank of Calcutta.

Head Office.

Calcutta.

Bank of China, Japan, and Straits.

Branches.

Calcutta.	Bombay.

Chartered Bank of India, Australia, and China.

Branches.

Bombay.	Rangoon.
Calcutta.	Akyab.

Comptoir National D'Escompte de Paris.

Branches.

Bombay.	Calcutta.

Delhi and London Bank.

Branches.

Calcutta.	Mussoorie.
Delhi.	Simla.
Lucknow.	

Hong Kong and Shanghai Banking Corporation.

Branches.

Bombay.	Rangoon.
Calcutta.	

Imperial Bank of Persia.

Branches.

Bombay.	Calcutta.

OTHER BANKS—*continued.*

Land Mortgage Bank of India.

Branches.

Calcutta.	Bombay.

Mercantile Bank of India.

Branches.

Bombay.	Madras.
Calcutta.	

National Bank of India.

Branches.

Calcutta.	Mandalay.
Bombay.	Delhi.
Madras.	Tuticorin.
Karachi.	Aden.
Rangoon.	

Allahabad Bank.

Head Office.

Allahabad.

Branches.

Calcutta.	Lucknow.
Cawnpore.	Bareilly.
Jhansi.	Naini Tal.

Alliance Bank of Simla.

Head Office.

Simla.

Branches.

Calcutta.	Murree.
Cawnpore.	Mussooree.
Ajmere.	Rawalpindi
Agra.	Umballa.
Lahore.	

Bank of Upper India.

Head Office.

Meerut.

Branches.

Lucknow.	Bare
Simla.	Alla
Naini Tal.	Cawi

Lloyd's Bank.

Head Office.

Darjeeling.

Branch.

Jalpaiguri.

N.W. Commercial Banking Corporati

Head Office.

Meerut.

Branch.

Delhi.

Oudh Commercial Bank.

Head Office.

Faizabad.

Punjab Banking Company.

Head Office.

Lahore.

Branches.

Simla.	Ferozpur.
Dalhousie.	Quetta.
Peshawar.	Kashmir.
Karachi.	Sialkot.

Commercial and Land Mortgage Bank.

Head Office.

Madras.

Branches.

Rawal Pindi.	Bombay.

APPENDIX No. 6.

Paper handed in by Sir Henry Waterfield (with reference to Questions 562, et seq.).

SOME INSTANCES OF DISSENTS BY THE FINANCIAL MEMBER OF COUNCIL.

Date of Letter from India.	Subject.	Date of Letter from India.	Subject.
1885, August 14, No. 135, M.	Sir Auckland Colvin and Mr. Ilbert dissented from the increase proposed to the strength of the Army.	1893, March 15, No. 99, F.	Sir David Barbour and Sir Charles Pritchard dissented from the proposal to accept in the Budget an increased amount for Military Expenditure, and Sir D. Barbour also objected to give exchange compensation allowance without waiting for the Secretary of State's decision on the Currency question.
1886, June 19, No. 185, F.	Sir Auckland Colvin dissented from the proposal to construct the Bengal-Nagpur Railway, regardless of the financial burden caused by the fall in exchange. (In this case the Viceroy was disposed to concur with his financial advisers.)	1893, November 1, No. 357, F.	Sir David Barbour dissented from the proposed extension of the limit up to which money might be spent in the coming year on the construction of railways and irrigation works.

MINOR CASES, WHERE NO DISSENT WAS WRITTEN.

Date of Letter from India.	Subject.
1892, October 26, No. 22, F. -	Sir David Barbour dissented from the proposal to obtain recruits for the police in England.
1894, June 19, No. 161, F. -	Sir James Westland dissented from the grounds on which the amount of furlough pay for a certain officer was to be fixed, though on other grounds he did not object to the proposed pay.
1894, June 26, No. 171, F. -	Sir James Westland objected to a certain pension recommended, because he considered it not to be authorised by the regulations.

APPENDIX No. 7.

[redacted]handed in by Sir Henry Waterfield and Mr. Stephen Jacob (with reference to Question 641).

DISTRIBUTION of REVENUE and EXPENDITURE between IMPERIAL and PROVINCIAL.

HEADS OF REVENUE.

—	Imperial.	Provincial.	Special Exceptions.	—	Imperial.	Provincial.	Special Exceptions.
I.—Land revenue	¾	¼	Distributed under a special arrangement in Assam. 12 per cent. collections from Government Estates—Provincial (Bengal). Collections from Tarai, Bhabar, and Dhudhi Government Estates—Provincial (N.-W. P. and Oudh). Miscellaneous — Rents of water mills and stone quarries—Provincial (N.-W. P. and Oudh). Assessment of alienated lands, less quit-rent—Provincial (Bombay). Recoveries from the zemindars and ryots on account of survey and settlement operations in Behar—Imperial (Bengal).	IV.—Stamps -	¾	¼	——
				V.—Excise -	¾	¼	——
				VI.—Provincial rates -	—	1	——
				VII.—Customs -	1	—	Warehouse and wharf rents, and miscellaneous, Provincial, except in Bombay, where only such miscellaneous receipts are provincial as were provincial in 1891-92. Sea customs—Miscellaneous (Bengal)—Provincial.
				VIII.—Assessed taxes	½	½	Tax on surplus profits of railway companies — Imperial (Bombay).
II.—Opium -	1	—	——	IX.—Forest - -	½	½	——
				X.—Registration -	½	½	——
III.—Salt - -	1	—	Rent of warehouses and fines and forfeitures in Bengal, Madras, and Bombay, Miscellaneous in Bengal and Bombay—Provincial. In Madras, fees and cesses and such miscellaneous receipts as were provincial in 1891-92—Provincial.	XII.—Interest -	1	—	Interest realised from provincial advances and loans—Interest on Government securities and so much of Miscellaneous in C. P., Bengal, and N.-W. P. and Oudh as was provincial in 1891-92—Provincial.

HEADS OF REVENUE—*continued.*

—	Imperial.	Provincial.	Special Exceptions.
XIII.—Post Office	1	—	District Post collections—Provincial.
XV.—Mint	1	—	——
XVIA.—Courts of Law	—	1	——
XVIB.—Jails	—	1	——
XVII.—Police	—	1	——
XVIII.—Marine(Local)	—	1	——
XIX.—Education	—	1	——
XX.—Medical	—	1	——
XXI.—Scientific Departments.	—	1	——
XXII.—Superannuation.	—	1	Subscriptions to the Military, the Military Orphan, the Medical Retiring Funds, the Civil Funds, and subscriptions under the Indian Civil Service Family Pension Regulations, and portion of contribution for pension which was Imperial in C. P., N. W. P., and Madras, in 1891-92—Imperial.
XXIII.—Stationery,&c.	—	1	Value of supplies from Central Stores to Railways, Municipalities, and other independent bodies—Imperial. Stationery supplied to the Berar Administration (Bombay)—Imperial.
XXIV.—Exchange	1	—	——
XXV.—Miscellaneous	—	1	Pearl Fishery Receipts in Madras—half Imperial and half Provincial. Gain by Exchange, Premia on Bills, Unclaimed Bills of Exchange, Percentages chargeable on European Stores, &c., and extraordinary items exceeding Rs. 10,000, Revenues of Berbera, Bulhar, and Zaila, and items under Fees for Government Audits in Bombay which were Imperial in 1891-92—Imperial.
XXVI.—State Railways.	1	—	Burma railway up to left bank of Irrawaddy, Jorhat and Cherra Company gains, Mayaveram-Mutupet, and Hyderabad-Umavkot—Provincial. Eastern Bengal traffic earnings—half Imperial and half Provincial.
XXIX.—Irrigation—Major Works, Direct Receipts.	1	—	Bengal and North-West Provinces (except Betwa Canal)—Provincial.
XXX.—Irrigation—Minor Works and Navigation.	—	1	Punjab, Hajiwal Canal and items classed as Imperial in 1891-2, and Bombay all except Gokak canal—Imperial.
XXXI.—Buildings and Roads, Civil Works.	—	1	Receipts from certain saw mills in Rangoon, and from Government of India buildings at Simla—Imperial.

HEADS OF EXPENDITURE.

—	Imperial.	Provincial.	Special Exceptions.
1. Refunds and Drawback.	—	—	The same share as in the case of the corresponding heads of receipt.
2. Assignments and Compensations.	1	—	Malikana (except in Assam), and in Bombay. ¼th of Excise Compensations, and all other heads except Goa Subsidy, Salt Pans in Portuguese India, and Customs Tariff Compensations—Provincial.
3. Land Revenue	—	1	Survey and Settlement in Bengal—Imperial.
4. Opium	1	—	——
5. Salt	1	—	In Bengal the whole, and in Madras works constructed for licensees, and ¼th of all other minor heads—Provincial.
6. Stamps	¼	¾	——
7. Excise	¾	¼	——
8. Provincial Rates	—	1	——
9. Customs	—	1	The whole in Bombay—Imperial.
10. Assessed Taxes	½	½	——
11. Forest	½	½	——
12. Registration	½	½	——
13. Interest on Ordinary Debt.	1	—	Interest on Provincial Advances and Loan Accounts—Provincial.
14. Interest on other Obligations.	1	—	[redacted]
15. Post Office	1	—	District Pos[redacted] Assam and [redacted] sidies—Provi[redacted]
17. Mint	1	—	——
18. General Administration.	—	1	Civil Offices of Accoun[redacted] Audit (except Local [redacted] Establishment), P.W.O[redacted] of Account and Au[redacted] Currency Department, R[redacted] serve Treasury, Allowances to Presidency Banks—Imperial.
19. Law and Justice: Courts of Law	—	1	——
Jails	—	1	——
20. Police	—	1	——
21. Marine (Local)	—	1	——
22. Education	—	1	——
23. Ecclesiastical	—	1	——
24. Medical	1	—	——
25. Political	—	1	The entire charges in Burma and the Punjab, and charges under Refugees and State prisoners and a few other minor heads, in Bengal, N.W.P. and Oudh, Madras, and Bombay—Imperial.

HEADS OF EXPENDITURE—*continued.*

—	Imperial.	Provincial.	Special exceptions.
26. Scientific Department	—	1	Census, and Preservation and Translation of Ancient Manuscripts (and Archæological Department in Burma), and the pay &c. of Officers on the cadre of the Civil Veterinary Department, and the Bacteriological Laboratory at Poona—Imperial.
27. Territorial and Political Pensions.	1	—	——
28. Civil, Furlough, &c. Allowances.	1	—	——
29. Superannuation Allowances and Pensions.	—	1	Pensions of the funds enumerated in the note against XXII. — Superannuation Pensions of the Imperial Marine Department, and Pensions under the I. C. S. Family Pension Regulations, and Distinguished and Meritorious Service Pensions (except in the Punjab)—Imperial.
30. Stationery and Printing.	—	1	Stationery purchased for Central Stores—Imperial.
31. Exchange	1	—	——
32. Miscellaneous	—	1	Charges for Remittance of Treasure, Discount on Bills, Loss by Exchange, and Extraordinary Items exceeding Rs. 10,000—Imperial. Pearl Fishery charges in Madras, half Imperial and half Provincial.
33. Famine Relief	—	1	——
36. Reduction of Debt	1	—	——
38. State Railways	1	—	Railways mentioned in the note against XXVI.—Provincial.
42. Irrigation: Major Works.	—	1	Bengal and North-West Provinces (except Betwa Canal)—Provincial.
43. Minor Works and Navigation.	—	1	Works mentioned in the note against XXX.—Imperial.
49. Buildings and Roads — Civil Works.	—	1	Buildings for chief Imperial Departments, a few frontier roads, works on Somali coast, and new lighthouses in Burma—Imperial.

LIST OF SPECIALLY ASSIGNED MINOR HEADS.

REVENUE.

I.—Land Revenue.

[redacted]cent. on collections from Government Estates [redacted]cial (Bengal).
[redacted]y Revenue Collections from (Tarai, Bhabar [redacted]di) Government Estates. — Provincial
[redacted]—Rent of water mills and stone [redacted]cial (N.-W.P.).
[redacted] Alienated Lands less quit-rents—[redacted]).
[redacted]he Zemindars and Ryots on account [redacted]ment operations in Behar—Imperial

III.—Salt.

[redacted]ises—Provincial.
[redacted]—Provincial.
[redacted]itures—Provincial.
[redacted]—Provincial, except in Madras, where [redacted]of it is Provincial as was Provincial in

VII.—Customs.

[redacted]house and Wharf Rents—Provincial.
[redacted] Customs—Miscellaneous—Provincial (Bengal).
[redacted]cellaneous—Provincial.

VIII.—Assessed Taxes.

Tax on surplus profits of Railway Companies—Imperial (Bombay).

XII.—Interest.

Interest on Imperial Loans and Advances—Imperial.
" Provincial Loans and Advances—Provincial.
Interest on Government securities—Provincial.

XIII.—Post Office.

District Post collections—Provincial.

XXII.—Superannuation.

Subscription to the Military Orphan Fund—Imperial
" " Military Fund—Imperial.
" " Medical Retiring Fund—Imperial.
" " Bengal Civil Fund—Imperial.
" " Madras Civil Fund—Imperial.
" " Bombay Civil Fund—Imperial.
" under the Indian Civil Service Family Pension Regulations—Imperial.

REVENUE—*continued.*

XXIII.—Stationery and Printing.

Stationery supplied to the Berar Administration—Imperial (Bombay).

XXV.—Miscellaneous.

Gain by Exchange—Imperial.
Premia on Bills—Imperial.
Unclaimed Bills of Exchange—Imperial.
Percentages payable on European Stores for Provincial, &c., Funds and Native States—Imperial.
Revenues of Berbera, Bulhar, and Zaila—Imperial.

EXPENDITURE.

2.—*Assignments, &c.*

Malikana—Provincial (except in Assam).

3.—*Land Revenue.*

Survey and Settlement—Imperial (Bengal).

13.—*Interest.*

Interest on Provincial Advances and Loan Accounts—Provincial.

15.—*Post Office.*

District Post charges—Provincial.
Subsidies—Provincial. (Assam and Bombay).

18.—*General Administration.*

Civil Offices of Account and Audit (except Local Fund Establishments)—Imperial.
Public Works Office of Account and Audit—Imperial.
Currency Department—Imperial.
Reserve Treasury—Imperial.
Allowance to Presidency Banks—Imperial.

25.—*Political.*

Refugees and State Prisoners—Imperial.
Special Political Expenditure (Bengal)—Imperial.
Miscellaneous (Madras)—Imperial.

EXPENDITURE—*continued.*

26.—*Scientific, &c., Departments.*

Census—Imperial.
Preservation and Translation of Ancient Manuscripts—Imperial.
Archæological Department—Imperial (Burma).

29.—*Superannuation.*

Pensions of the Military Funds—Imperial.
" " Military Orphan Fund—Imperial.
" " Medical Retiring Fund—Imperial.
" " Bengal Civil Fund—Imperial.
" " Madras Civil Fund—Imperial.
" " Bombay Civil Fund—Imperial.
" under the Indian Civil Service Family Pension Regulations—Imperial.

EXPENDITURE—*continued.*

Superannuation—cont.

Pensions of the Imperial Marine Department—Imperial.
Pensions for distinguished and meritorious services—Imperial (except in the Punjab).

30.—*Stationery and Printing.*

Stationery purchased for Central Stores—Imperial.

32.—*Miscellaneous.*

Charges for Remittance of Treasure—Imperial.
Discount on Bills—Imperial.
Loss by Exchange—Imperial.

APPENDIX No. 8.

Table handed in by Sir Henry Waterfield and Mr. Stephen Jacob (with reference to Questions 838 *and* 892).

BALANCES OF PROVINCIAL GOVERNMENTS.

Governments.	Minimum Balance required on April 1st.	1887-88.		1888-89.		1889-90.		1890-91.	
		Actual Balance.	Estimated Expenditure.	Actual Balance.	Estimated Expenditure.	Actual Balance.	Estimated Expenditure.	Actual Balance.	Estimated Expenditure.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Central Provinces -	80,000	196,059	692,200	209,206	695,600	231,789	799,800	219,467	795,400
Burma - - -	60,000	71,743	1,277,300	148,771	1,356,900	160,331	1,462,200	224,403	1,568,900
Assam - - -	50,000	68,407	400,800	76,159	460,700	102,502	465,100	122,591	525,40[illegible]
Bengal - - -	200,000	199,892	4,559,500	330,899	4,741,500	265,107	4,880,600	307,654	4,945,[illegible]
N.W. Provinces and Oudh.	200,000	433,806	3,066,800	380,716	3,048,600	426,664	2,789,400	529,374	
Punjab - - -	100,000	173,569	1,546,400	186,015	1,587,200	218,156	1,695,100	247,420	
Madras - -	200,000	433,705	2,607,100	539,076	2,740,800	653,008	2,746,600	7[illegible]	
Bombay - - -	200,000	548,978	3,571,000	524,404	3,705,600	542,726	3,862,000		
Total - -	1,090,000	2,126,159	17,721,100	2,395,246	18,336,900	2,600,283	18,700,800		

Continued.

Governments.	Minimum Balance required on April 1st.	1891-92.		1892-93.		1893-94.		1894-95.		[illegible] Balance	
		Actual Balance.	Estimated Expenditure.	Actual Balance.	Estimated Expenditure.	Actual Balance.	Estimated Expenditure.	Actual Balance.	Estimated Expenditure.		
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	
Central Provinces -	80,000	187,894	829,100	205,434	835,300	183,636	850,400	122,864	828,400	39,200	
Burma - - -	60,000	330,619	1,683,200	381,217	1,991,900	447,859	2,082,600	357,206	2,084,600	74,000	1,997,000
Assam - - -	50,000	104,720	532,500	135,905	574,700	145,241	640,900	116,709	629,800	91,000	679,000
Bengal - -	200,000	247,277	5,404,100	235,343	4,090,800	225,517	4,140,400	262,404	4,258,800	337,300	4,319,700
N.W. Provinces and Oudh.	200,000	516,830	3,026,900	512,431	2,994,800	495,679	3,026,100	470,524	3,094,200	320,900	3,155,800
Punjab - - -	100,000	278,787	1,785,600	277,068	1,853,300	171,018	1,839,500	148,319	1,838,100	130,400	1,835,300
Madras - -	200,000	660,841	3,199,500	419,071	3,231,200	259,990	3,115,700	293,626	3,135,700	350,000	3,314,600
Bombay - - -	200,000	460,200	4,157,300	407,011	4,031,400	383,122	4,048,700	402,565	4,175,300	304,300	4,174,000
Total - -	1,090,000	2,787,168	20,618,200	2,573,480	19,603,400	2,312,062	19,744,300	2,174,217	20,044,900	1,647,100	20,284,700

APPENDICES Nos. 9 to 44.

SECTION II.

PROGRESS OF EXPENDITURE.

APPENDIX No. 9.

SECTION II.—PROGRESS OF EXPENDITURE.

Paper handed in by Sir Henry Waterfield, K.C.S.I., C.B.

INCREASE OF EXPENDITURE, 1884–5 to 1894–5.

NOTE.—In dealing with figures of Indian Expenditure:—
Rx. means tens of rupees.
1 lakh is 100,000; so that a lakh of rupees is Rs. 1,00,000, or Rx. 10,000.
1 crore is 100 lakhs; so that a crore of rupees is Rs. 1,00,00,000, or Rx. 1,000,000.

On the 26th of June 1895, I put before the Commission a set of tables with the view of enabling them to ascertain in what directions an increase of Expenditure has occurred since 1884–5. I subsequently found that the accounts from 1875–6 onwards had been recast in India, so as to admit of a comparison with later years; and I have therefore enlarged my tables, which now embrace the figures for the last 20 years, from 1875–6 to 1895–6, with statements of the increase or decrease in that period, and also in the 10 years from 1884–5 to 1894–5. Owing to the great alterations which in the earlier period were being made in the arrangements between the Imperial and Provincial Governments, the accounts for that time are not very convenient for a comparison with the present position; and an unrealized Budget seems also unsuitable for the purpose. In the following remarks, therefore, I deal with the 10 years from 1884–5 to 1894–5. The later figures have been slightly altered, owing to the receipt of more detailed information regarding Exchange compensation.

In 1884–5 the Gross Expenditure was Rx. 71,077,000; in the revised Estimate for 1894–5 it was Rx. 94,163,000. But it would be misleading to look at the increase of Rx. 23,000,000, without having regard to the revenue derived from the opening of the public works, upon which a large part of the additional Expenditure is incurred. And I have, therefore, treated the Expenditure as net, setting off the receipts in each case against the head of charge to which they are akin.

Table I. shows (column 3) that the Net Expenditure in 1884–5 was Rx. 41,907,813, and in 1894–5 Rx. 52,747,800, an increase of Rx. 10,839,987. [In this table, owing to the combination of Revenue and Expenditure, the sign + is used to mean *better*, and — *worse*, instead of, as usual, more or less; in column 4 the minus sign denotes a deficit.] During the years from 1885–6 to 1894–5 there have been six years of surplus amounting to Rx. 7,973,684, and four years with deficits amounting to Rx. 7,210,968; the combined result, being a net surplus in the 10 years of Rx. 762,716. In 1884–5 there was a deficit of Rx. 386,446; in 1894–5 an estimated surplus of Rx. 990,500; showing an improvement of Rx. 1,376,946, which has thus arisen (it must be remembered that any variation in the *Provincial* Expenditure is met by a corresponding variation in the Provincial Revenue or Balances, and does not affect the surplus of the year):—

	Rx.
The increase in the net *Imperial* Revenue is	10,711,838
The reduction in the net *Imperial* Expenditure is	3,573,357
But against this improvement of must be set the increase of Expenditure—	14,285,195
In England £1,751,945	
And in Exchange Rx. 11,156,304	
Making a total set-off of	12,908,249
And showing the net improvement to be only	Rx. 1,376,946

In Table II. there is an analysis of the *total* increase of Rx. 10,839,987 in the Net Expenditure, which may be thus divided:—

	Rx.	
Increase in Expenditure in England		£1,751,945
Increase in Exchange		Rx. 11,156,304
		Rx. 12,908,249
Reduction of Imperial Expenditure in India	3,573,357	
Increase of Provincial ditto	1,505,095	
Net reduction		2,068,262
Total increase		Rx. 10,839,987

Table III. contains an analysis of the reduction has occurred in the Imperial Expenditure in that is, in that portion of the Expenditure country which affects the surplus or deficit of There has been a reduction under:—

	Rx.
Famine Relief and Insurance	1,499
Public Works	3,36
Interest	1,
Post Office, Telegraph, and Mint	
And an increase in Civil Charges	
And in Military Expenditure	2,5
The net result being a reduction of	1

Table IV. shows how the increase of Rx. 2,5 in Military Expenditure in India (apart from exch has occurred. At the end of 1885 it was decide add about 10,000 European troops and 20,000 Na soldiers to the Army, which made a permanent additi to its cost of:—

	Rx.	Rx.
		1,617,338
The extra charges in Upper Burmah, though much reduced since 1886–7, may still be taken at		420,000
Special Operations in 1894–5 cost more than in 1884–5 by		157,181
And in other respects the Army charges have increased by		231,619
Making a total increase in the Army Effective Charges in 10 years, of		2,426,138
The Non-Effective Charges in India are heavier by		58,729
The Special Defence Works did not exist in 1884–5; in 1894–5 the cost was		68,900
		2,553,767
But the Military Works are less by		12,929
The result is an increase of		Rx. 2,540,838

Table V. deals with the Famine Relief and Insurance—

	Rx.
In 1884–5 the expenditure was - -	1,541,934
In 1894–5 (excluding Provincial Expenditure) the charge recorded under this head is only - - - - -	42,000
Making a reduction, for want of revenue to devote to this purpose, of - -	1,499,934
Under the Railway Revenue Account, however, is entered the net charge for the Bengal-Nagpur and Indian Midland Railways, which were sanctioned as protective works - - - - -	392,400
So that virtually the Famine Grant is reduced by - - - - Rx.	1,107,534

Table VI. brings together the Expenditure in India on Imperial Account, from Revenue, upon public works of all kind (except the Mititary and Special Defence Works mentioned among the Military Charges, and the Protective Works for which the grants are reckoned as Famine Insurance).

	Rx.
On the construction of Railways no money was spent from revenue in 1894–5, and there was therefore a saving of - -	172,825
The Railway Revenue Account in India improves in most years, omitting the heavy charges for interest in England and for Exchange. In 1894–5 it is better than 10 years ago by - -	2,707,542
The charge for Irrigation and Navigation has been reduced by - - -	534,532
	3,414,899
On the other hand, the outlay on Imperial account on Civil Buildings and Roads was increased by - - -	47,953
net improvement is, therefore - Rx.	3,366,946

	Rx.
il Charges mentioned in Table is an increase in the various s of Administration of -	843,466
n in the Miscellaneous - - - - -	310,454
ease of - - - Rx.	533,012

nents the following has been the

	Rx.
- - - - - -	560,387
- - - - - -	74,306
nd Justice - - - -	74,258
ral Administration - -	57,015
ine - - - - -	47,817
dical - - - - -	23,221
ducation - - - -	11,724
Ecclesiastical - - - - -	1,926
While Scientific and Minor Departments are less by - - - -	−7,488
	Rx. 843,466

(Of this amount Rx. 817,100 is due to Upper Burma.)

(It will, of course, be remembered that the Provincial Governments bear the bulk of the charges under Law and Justice, Police, Medical, and Education.)

Among the Miscellaneous Charges, there are reductions under—

	Rx.
Territorial and Political Pensions - -	175,159
Superannuation - - - -	130,307
Miscellaneous - - - -	67,598
Civil Furlough - - - -	13,052
	386,116
While for Stationery and Printing there is an increase of - - -	75,662
Making the net reduction - -	310,454

Table VIII. deals with the charge for Interest, excluding that on Debt raised for Railways and Irrigation Works. The capital outlay on these Public Works being generally in excess of the amount borrowed, it is the practice in the Accounts to consider the sum so spent as being debt paid off from the Ordinary Account, and transferred to the Public Works Account, the Ordinary Debt being in turn increased by the loans actually raised, as shown in Table XX. In this way it happens that in most years there is a reduction of the charge for interest on Ordinary Debt. During the 10 years the interest on debt has been reduced by - - - 1,225,951

The interest on other obligations (Savings Banks, &c.), has been increased by - 26,902

1,199,059

In the Receipts there is an increase of - 27,025

So that the total net improvement is - Rx. 1,226,084

Table IX. includes the group of the Post Office, Telegraph, and Mint.

	Rx.
The Post Office has improved by - -	293,816
And the Telegraph by - - -	381,683
	675,499
But, owing to the loss of seignorage on silver through the closing of the Mints, the result under the head of Mint is worse by - - - - -	121,256
Giving a net improvement of - -	Rx. 554,243

Tables X. to XVII. deal with the Expenditure in England.

Table X. shows that the Net Expenditure in England has increased during the 10 years by 1,751,945*l.*, which is thus divided:—

	£
Interest and Management of Debt - -	62,628
Railway Revenue Account - -	911,884
Civil Administration (*i.e.*, Departments in India) - - - - -	11,071
Army Effective Charges - - -	178,527
Furlough Pay - - - -	125,382
Non-effective Charges - - -	315,579
Stores - - - -	151,347
	1,756,418
While under India Office there is a decrease of - - - -	4,473
	£1,751,945

Table XI. deals with the interest and management of debt. The charge for interest has increased by 157,895*l.*, while the receipts have fallen off by 27,863*l.*, making a net deterioration of 185,758*l.*; the charge for Discount Sinking Fund (that is, a sinking fund formed to redeem a loan issued at a heavy discount) is 9,500*l.*, but in 1884–85 there was a large discount on the issue of a loan, which did not occur in 1894–95, so that under this head there is an improvement of 164,404*l.* The payment for the management of the debt is heavier by 31,774*l.* And thus the total increase of charge is 62,628*l.*

In Table XII. is shown the increase of charge in the Railway Revenue Account. The payment of annuities for the purchase of railways is heavier by 482,117*l.*, the interest on debt by 629,904*l.*, and the interest chargeable against companies by 862,503*l.* On the other hand, the guaranteed interest is reduced by 1,062,640*l.* The net increase is 911,884*l.*

Table XIII. brings together the charges for Civil Administration. The Postal Subsidy is reduced by 9,400*l.*; the Indo-European Telegraph charges are increased by 20,680*l.*; the contribution for Her Majesty's ships in the Indian Seas was in 1884–85 heavier by 28 866*l.*; the payment for manning the Indian Government Defence Vessels, a new charge amounts to 59,600*l.*; the payments for the Persian Mission and the Diplomatic and Consular Establishments in China are reduced by 5,500*l.*; and the

Miscellaneous charges by 25,443*l.* The net result is an increase of 11,071*l.*

Table XIV. relates to the Army Effective Charges. The payments to the War Office are increased by 231,131*l.*, the Transport Service costs less by 56,449*l.*, and other charges are increased by 3,845*l.* The total increase is 178,527*l.*

Table XV. shows that the total increase of 125,382*l.*, which has occurred in the Furlough Pay, is divided among the Civil Departments, 25,332*l.*; Public Works, 7,851*l.*; and Military, 92,199*l.*

In Table XVI the Non-Effective Charges are treated. There is an increase of 104,492*l.* in the Civil Superannuation, 277,488*l.* in the payments on account of the several Service Funds, and in the Military Pensions a reduction of 371,394*l.* on the British forces, and an increase of 304,993*l.* for the Indian Service; the total increase is 315,579*l.*

Table XVII. deals with the Expenditure on Stores. The Army Clothing shows an increase of 10,746*l.*, the Ordnance and Miscellaneous Stores of 223,906*l.*, while in other Military Stores there is a reduction of 40,080*l.* Those for Special Defence Works amount to 62,300*l.*, The Marine Stores cost more by 19,725*l.*, the Telegraph Stores less by 101,782*l.*, Stationery less by 83,330*l.*, and other stores more by 59,862*l.* On the whole, there is an increase of 151,347*l.*

Table XVIII. separates the total net charge, and Table XIX. gives the annual increase, for Exchange, except so far as a portion of the compensation allowance (Rx. 423,700) is borne by the Provincial Governments. During the ten years there has been an increase of Rx. 9,602,221 in exchange on the Net Sterling Expenditure, against which is a set off of Rx. 177,917 on remittance accounts, the additional payments to the British soldiers are Rx. 950,000, and the Imperial portion of the Compensation to Officers (first granted in 1893–94) was in 1894–95 Rx. 782,000. Adding the charge of Rx. 59,393 included in the net revenue, the total increase is Rx. 11,215,697.

Table XX. shows that during the ten years the debt has increased by 52,924,494, of which Rx. 11,189,756 occurred in India, and 44,734,738*l.* in England. The capital outlay on Public Works during the period has been Rx. 65,516,676, and a corresponding portion of the debt has been transferred to the Public Works portion from the ordinary category, the amount of which is thus reduced by 9,592,182. Against this must, however, be set 2,000,000*l.* of Temporary Debt which is outstanding.

Tables XXI. to XXIX. explain the increase in the Provincial and Local Expenditure, which has resulted from the power given to the Local Governments, under the policy initiated in 1870 and subsequently expanded, to spend in the development of their administration a portion of the resources that they acquire through economy either in their expenditure or in the collection of the revenue. Any part of the revenue at their disposal which is not spent is added to their balances, and is available in future years; if they exceed their revenue, the excess must be made good from the balance in hand.

Table XXI. shows in the 10 years an increase of the net Provincial and Local Expenditure charged to Revenue by Rx. 1,505,095; the increase in Civil Charges is Rx. 1,836,112; in Public Works Rx. 18,367, and under other heads Rx. 15,872, making a total of Rx. 1,870,351; but of this amount Rx. 365,256 was paid out of their balances, and was not charged against revenue.

In Table XXII. the increase of Rx. 1,836,112 in the Provincial and Local Civil Charges is analysed:—

		Rx.	Rx.
General Administration	Increase	124,076	
Law and Justice		469,570	
Police		494,788	
Education		233,528	
Medical		202,977	
Political		67,627	
			1,592,566
Marine	Decrease	31,18)	
Scientific and Minor Departments, &c.		25,796	
			56,976
Net increase in Civil Departments			1,535,590
Superannuation	Increase	286,953	
Stationery and Printing		107,555	
		394,508	
Miscellaneous	Decrease	93,986	
Net increase in Miscellaneous Charges			300,522
Total net increase in Civil Charges			1,836,112

Table XXIII. shows how the increase under Public Works has arisen.

	Rx.	Rx.
Under irrigation there is an increase of	495,096	
Civil Buildings and Roads	138,163	
		633,259
while there is a decrease under—		
Construction of railways out of revenue	70,576	
Railway Revenue Account	544,316	
		614,892
The result is a net increase of		18,367

In Tables XXIV. to XXIX. the increase since 1876–7 in the more important civil heads of expenditure by the Provincial Governments is shown in the several provinces; General Administration, Law and Justice, Police, Education, Medical, and Stationery and Printing. Together, these comprise Rx. 1,632,494 out of a total of Rx. 1,836,112. The increase of Rx. 286,953 in superannuation is regular and automatic, and does not need to be shown in detail.

Table XXX. shows the special contributions which, on four occasions of emergency, the Provincial Governments have been required to make, from their balances in aid of the Imperial Government: namely, in

	Rx.
1879–80, Rx. 710,000, of which one-half was taken in 1879–80	335
and the other half in 1880–81	[illegible]

the total of these two contributions was [illegible] funded to the Provincial Governments [illegible] 1882–3.

Table XXXI. shows the balances [illegible] Governments at the end of each year [illegible] 1875, excluding Local Funds. Under [illegible] in 1884, each Government is required [illegible] minimum provincial balance, to meet [illegible] gency as a famine within the province. [illegible] of these balances amounts altogether to Rx. [illegible] The only occasions of the minimum not being [illegible] tained in any province are in Bengal in 1884, [illegible] had less than the prescribed amount when the rule [illegible] issued, and was unable to work up to it till 1887; [illegible] in Burma in 1885 and in 1886, where the minimum [illegible] was specially restored by the Imperial Government [illegible] (column 5 of Table XXX.).

I have added two Tables XXXII. and XXXIII., with reference to the Memorandum laid before the Commission by Sir William Wedderburn. Table XXXII. shows the agreement in final results between the two systems on which the net figures have been given by him and by myself. Table XXXIII. is designed to show in a small compass the figures in Tables IV., V., and VI., of his memorandum, to which paragraph 9 thereof refers.

August 10, 1895. HENRY WATERFIELD.

* This was refunded in 1895–96.

INDIAN REVENUE AND EXPENDITURE, 1875-6 to 1895-6.

TABLE I.

ANALYSIS of the SURPLUS or DEFICIT.

[*Note.*—In this Table + means better, − means worse.]

Year.	Net Total Revenue.	Net Total Expenditure.	Surplus or *Deficit* (−).	Improvement or *Deterioration* (−) compared with previous Year.	Variations causing Improvement or Deterioration.			
					Net Imperial Revenue.	Net Imperial Expenditure in India.	Net Expenditure in England.	Net Charge for Exchange.
1.	2.	3.	4.	5.	6.	7.	8.	9.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	£	Rx.
1875-6 -	40,005,431	38,416,176	1,589,255	—	—	—	—	—
1876-7 -	37,816,801	40,403,967	*−2,587,166*	*−4,176,421*	*−2,228,082*	*− 230,295*	*− 695,324*	*−1,022,720*
1877-8 -	38,909,944	43,171,984	*−4,262,040*	*−1,674,874*	*−1,889,506*	+ 53,791	*− 526,576*	+ 187,417
1878-9 -	44,028,294	41,894,196	2,134,098	+6,396,138	+3,864,634	+3,214,425	+ 159,973	*− 842,894*
1879-80 -	45,207,862	46,435,755	*−1,227,893*	*−3,361,991*	+1,653,782	*−4,556,408*	*− 618,527*	+ 159,162
1880-1 -	44,649,222	48,280,616	*−3,631,394*	*−2,403,501*	*− 630,311*	*−5,496,246*	+3,039,634	+ 683,422
1881-2 -	45,426,606	41,831,155	3,595,451	+7,226,845	*−1,232,754*	+9,257,001	*− 557,758*	*− 239,644*
1882-3 -	42,465,281	41,790,444	674,837	*−2,920,614*	*−1,910,618*	+1,139,505	*−1,550,295*	*− 599,206*
1883-4 -	43,546,807	41,667,100	1,879,707	+1,204,870	+1,234,110	+1,702,015	*−1,483,616*	*− 247,639*
1884-5 -	41,521,367	41,907,813	*− 386,446*	*−2,266,153*	*−2,820,518*	*− 215,586*	+ 941,507	*− 171,556*
1885-6 -	42,637,047	45,438,773	*−2,801,726*	*−2,415,280*	+ 473,304	*−2,295,733*	+ 95,207	*− 748,058*
1886-7 -	44,735,940	44,557,513	178,427	+2,980,153	+2,241,879	+2,504,752	*− 424,928*	*−1,341,550*
1887-8 -	45,342,843	47,371,675	*−2,028,832*	*−2,207,259*	+ 383,695	*−1,230,155*	*− 948,492*	*− 412,307*
1888-9 -	46,482,865	46,445,847	37,018	+2,065,850	+ 966,053	+ 963,965	+ 469,696	*− 333,864*
1889-90 -	49,952,162	47,340,129	2,612,033	+2,575,015	+2,890,064	*− 57,866*	+ 124,947	*− 382,130*
1890-1 -	49,354,219	45,666,048	3,688,171	+1,076,138	*− 186,380*	+ 590,411	*− 663,356*	+1,285,463
1891-2 -	49,969,887	49,502,352	467,535	*−3,220,636*	*− 342,872*	*− 608,682*	*− 540,169*	*−1,728,913*
1892-3 -	51,605,681	52,439,093	*− 833,412*	*−1,300,947*	+1,836,438	+ 343,644	*− 399,591*	*−3,081,438*
1893-4 -	50,328,023	51,875,021	*−1,546,998*	*− 713,586*	*−1,215,535*	+ 996,573	+ 488,753	*− 983,377*
1894-5 (Revised Estimate).	53,738,300	52,747,800	990,500	+2,537,498	+3,615,192	+2.306,448	+ 45,988	*−3,430,130*
1895-6(Budget)	53,948,500	53,902,300	46,200	*−. 944,300*	*− 491,600*	+ 52,200	*− 137,100*	*− 367,800*
years, 5 to 5.	+12,216,933	*−10,839,987*	+ 762,716	+1,376,946	+10,711,838	+3,573,357	*−1,751,945*	*−11,156,304*
	+13,943,069	*−15,486,124*	*−1,412,675*	*−1,543,055*	+ 6,760,975	+8,493,759	*−3,180,027*	*−13,617,762*

TABLE II.

NALYSIS of the INCREASE or DECREASE of the TOTAL NET EXPENDITURE.

(Column 3 in Table I.)

	Net Expenditure. (Column 3 in Table I.)	Increase or Decrease compared with the previous Year.	Increase or Decrease in			
			India		England. (Column 8 in Table I.)	Exchange. (Column 9 in Table I.)
			Imperial (apart from Exchange). (Column 7 in Table I.)	Provincial.*		
1.	2.	3.	4.	5.	6.	7.
	Rx.	Rx.	Rx.	Rx.	£	Rx.
75-6 - -	38,416,176	—	—	—	—	—
1876-7 - -	40,403,967	1,987,791	230,295	39,452	695,324	1,022,720
1877-8 - -	43,171,984	2,768,017	*− 53,791*	2,482,649	526,576	*− 187,417*
1878-9 - -	41,894,196	*− 1,277,788*	*−3,214,425*	1,253,716	*− 159,973*	842,894
1879-80 - -	46,435,755	4,541,559	4,556,408	*− 474,214*	618,527	*− 159,162*
1880-1 - -	48,280,616	1,844,861	5,496,246	71,671	*−3,039,634*	*683,422*
1881-2 - -	41,831,155	*− 6,449,461*	*−9,257,001*	2,010,138	557,758	239,644
1882-3 - -	41,790,444	*− 40,711*	*−1,139,505*	*−1,050,707*	1,550,295	599,206
1883-4 - -	41,667,100	*− 123,344*	*−1,702,015*	*− 152,584*	1,483,616	247,639
1884-5 - -	41,907,813	240,713	215,586	795,078	*− 941,507*	171,556
1885-6 - -	45,438,773	3,530,960	2,235,733	642,376	*− 95,207*	748,058
1886-7 - -	44,557,513	*− 881,260*	*−2,504,752*	*− 142,986*	424,928	1,341,550
1887-8 - -	47,371,675	2,814,162	1,230,155	223,208	948,492	412,307
1888-9 - -	46,445,847	*− 925,828*	*− 963,965*	173,969	*− 469,696*	333,864
1889-90 - -	47,340.129	894,282	57,866	579.233	*− 124,947*	382,130
1890-1 - -	45,666,048	*− 1,674,081*	*− 590,411*	*− 461,563*	663,356	*−1,285,463*
1891-2 - -	49,502,352	3,836,304	608,682	958,540	540,169	1,728,913
1892-3 - -	52,439,093	2,936,741	*− 343,644*	*− 200,644*	399,591	3,081,438
1893-4 - -	51,875,021	*− 564,072*	*− 996.573*	*− 62,123*	*− 488,753*	983,377
1894-5 (Revised)	52,747,800	872,779	*−2,306,448*	*− 204,915*	*− 45,988*	3,430,130
1895-6 (Budget)	53,902,300	1,154,500	*− 52,200*	− 701,800	137,100	367,800
10 years, 1884-5 to 1894-5 -	10,839,987	10,839,987	*−3,573,357*	1,505,095	1,751,945	11,156,304
20 years, 1875-6 to 1895-6 -	15,486,124	15,486,124	*−8,493,769*	7,182,094	3,180,027	13,617,762

* The alteration in the provincial net expenditure is met in each year by an exactly equivalent alteration in the provincial net evenue or balance, and does not affect the imperial surplus.

TABLE III.

INCREASE OR DECREASE of NET EXPENDITURE in INDIA on IMPERIAL ACCOUNT (apart from EXCHANGE).

(Column 4 in Table II.)

Year.	Military Expenditure (Army Charges and Military and Special Defence Works).	Expenditure charged under Famine Relief and Insurance.	Public Works (Railways, Irrigation, and Civil Buildings and Roads).	Civil Departments and Miscellaneous Civil Charges.	Interest (excluding that on Debt contracted for Public Works).	Post Office, Telegraph, and Mint.	Total. (Column 4 in Table II.)
1.	2.	3.	4.	5.	6.	7.	8.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1876-7	19,262	1,636,960	−1,173,905	63,434	− 72,725	−242,731	230,295
1877-8	535,869	3,190,164	−1,145,538	−2,374,836	− 58,958	−200,492	− 53,791
1878-9	642,991	−5,186,489	1,262,395	− 82,719	− 120,122	269,519	−3,214,425
1879-80	4,021,530	− 44,955	780,091	250,768	− 219,681	−231,345	4,556,408
1880-1	6,027,675	− 103,261	− 344,000	10,615	− 282,440	187,657	5,496,246
1881-2	−8,981,381	1,520,539	−2,413,359	591,371	− 142,981	168,810	−9,257,001
1882-3	−1,039,914	− 40,762	1,342,711	−1,357,118	60,937	−105,359	−1,139,505
1883-4	−1,963,459	34,898	− 144,230	48,358	− 341,347	63,765	−1,702,015
1884-5	40,629	26,873	− 3,457	245,187	3,635	− 97,281	215,586
1885-6	3,044,830	− 82,592	− 783,441	451,390	− 251,082	−143,372	2,235,733
1886-7	− 631,855	−1,151,363	− 277,188	− 70,378	− 324,863	− 49,105	−2,504,752
1887-8	795,558	− 216,973	736,820	147,373	− 117,317	−115,306	1,230,155
1888-9	− 431,022	− 20,469	− 710,835	75,591	167,874	− 45,104	− 963,965
1889-90	119,725	461,175	− 393,397	− 34,955	− 89,227	− 5,455	57,866
1890-1	− 26,008	62,709	− 570,484	36,111	68,004	−158,743	− 590,411
1891-2	1,188,492	654,184	− 851,474	28,612	− 419,003	7,871	608,682
1892-3	− 539,957	− 191,786	671,863	− 80,520	− 98,250	−104,994	− 343,644
1893-4	− 190,074	60,149	− 764,006	84,908	− 181,731	− 5,849	− 996,573
1894-5(Revised Estimate).	− 786,851	−1,074,968	− 424,804	− 105,120	19,511	65,784	−2,306,448
1895-6 (Budget)	1,104,600	7,700	− 236,800	91,700	−1,034,800	15,400	− 52,200
10 years, 1884-5 to 1894-5	2,540,838	−1,499,934	−3,366,946	533,012	−1,226,084	−554,243	−3,573
20 years, 1875-6 to 1895-6	3,548,640	− 458,267	−5,443,038	−1,980,228	−3,434,566	−726,300	

TABLE IV.

INCREASE OR DECREASE of NET MILITARY EXPENDITURE in INDIA (apart from EXC

(Column 2 in Table III.)

Year.	Net Military Expenditure.	Increase or Decrease in								
		Effective Charges.					Non-Effective Charges.	Military Works.	Special Defence Works.	(Column Table II
		Special Operations.	Upper Burma extra Charges.	Addition to Strength of the Army.	Other Charges.	Total.				
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Amount in	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875-6	12,108,060	2,643	—	—	10,136,015	10,138,658	648,142	1,321,260	—	12,108,060
1876-7	12,127,322	− 2,643	—	—	209,809	207,166	−29,715	−158,189	—	19,262
1877-8	12,663,191	—	—	—	573,347	573,347	10,397	− 43,375	—	535,869
1878-9	13,306,182	600,109	—	—	− 5,347	594,762	39,334	8,895	—	642,991
1879-80	17,327,712	3,991,535	—	—	261,674	4,253,209	− 2,326	−229,353	—	4,021,530
1880-1	23,355,387	6,103,675	—	—	− 77,006	6,026,669	11,569	− 10,563	—	6,027,675
1881-2	14,374,006	−9,418,168	—	—	323,087	−9,095,076	25,809	87,886	—	−8,981,381
1882-3	13,334,092	− 167,848	—	—	−887,301	−1,055,149	68,866	− 53,631	—	−1,039,914
1883-4	11,970,633	−1,065,142	—	—	−321,741	−1,386,883	−26,887	50,311	—	−1,963,459
1884-5	12,011,262	114,753	—	—	− 41,504	73,159	32,782	− 65,312	—	40,629
1885-6	15,056,092	2,031,205	631,000	—	359,113	3,021,318	7,184	16,328	—	3,044,830
1886-7	14,424,237	−2,190,124	886,800	1,243,948	−660,647	− 720,023	13,686	− 48,628	123,110	− 631,855
1887-8	15,219,795	15,541	− 42,600	373,390	−101,530	244,892	− 9,082	311,721	248,027	795,558
1888-9	14,788,773	358,837	−843,700	—	83,688	− 401,175	25,382	−131,915	76,686	− 431,022
1889-90	14,908,498	46,610	−195,800	—	252,625	103,435	38,875	24,802	− 47,387	119,725
1890-1	14,880,490	− 21,428	− 85,500	—	103,265	− 3,663	52,858	70,835	−148,038	− 28,008
1891-2	16,068,982	352,276	178,900	—	633,565	1,164,741	−32,322	3,761	52,312	1,188,492
1892-3	15,529,025	− 407,886	− 26,700	—	16,992	− 417,544	−10,047	− 63,379	− 48,987	− 539,957
1893-4	15,338,951	− 124,100	− 44,300	—	61,425	− 106,975	− 100	11,312	− 94,311	− 190,074
1894-5 (Revised Estimate).	14,552,100	96,200	− 38,200	—	−516,868	− 458,868	−27,705	−207,766	− 92,512	− 786,851
1895-6 (Budget)	15,656,700	− 59,300	10,000	—	973,400	924,100	2,300	178,500	− 300	1,104,600
10 years, 1884-5 to 1894-5	2,540,838	157,181	420,000	1,617,338	231,619	2,426,138	58,729	− 12,929	68,900	2,540,838
20 years, 1875-6 to 1895-6	3,548,640	254,157	430,000	1,617,338	1,239,947	3,541,442	191,358	−252,760	68,600	3,548,640
Amount in Budget for 1895-6	15,656,700	256,800	430,000	1,617,338	11,375,962	13,680,100	839,500	1,068,500	68,600	15,656,700

TABLE V.

INCREASE OR DECREASE of EXPENDITURE on IMPERIAL ACCOUNT in INDIA on FAMINE RELIEF and INSURANCE (Column 3 in Table III.)

Year.	Expenditure charged under Famine Relief and Insurance (excluding Provincial Expenditure).	Increase or Decrease in Expenditure charged under Famine Relief and Insurance.					Increase of Net Charge for Bengal-Nagpur and Indian Midland Railways, included in Railways Revenue Account.	Total.
		Famine Relief.	Construction of Protective Railways.	Construction of Protective Irrigation Works.	Reduction of Debt.	Total. (Column 3 in Table III.)		
1.	2.	3.	4.	5.	6.	7.	8.	9.
Amount in:	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875–6 -	507,967	507,967	—	—	—	507,967	—	507,967
1876–7 -	2,144,927	1,636,960	—	—	—	1,636,960	—	1,636,960
1877–8 -	5,335,091	3,190,164	—	—	—	3,190,164	—	3,190,164
1878–9 -	148,602	*–5,186,489*	—	—	—	*–5,186,489*	—	*–5,186,489*
1879–80 -	103,647	*– 44,955*	—	—	—	*– 44,955*	—	*– 44,955*
1880–1 -	386	*– 103,261*	—	—	—	*– 103,261*	—	*– 103,261*
1881–2 -	1,520,925	*– 12,464*	682,403	135,449	715,151	1,520,539	—	1,520,539
1882–3 -	1,480,163	18,372	*– 815,532*	127,994	628,404	*– 40,762*	—	*– 40,762*
1883–4 -	1,515,061	*– 4,809*	782,377	19,748	*– 762,418*	34,898	—	34,898
1884–5 -	1,541,934	*– 558*	297,209	*– 30,145*	*– 239,633*	26,873	—	26,873
1885–6 -	1,459,342	*– 890*	*– 357,457*	*– 66,239*	341,994	*– 82,592*	29,271	*– 53,321*
1886–7 -	307,979	*– 37*	*– 389,000*	*– 78,828*	*– 683,498*	*–1,151,363*	122,541	*–1,028,822*
1887–8 -	91,006	—	*– 200,000*	*– 16,973*	—	*– 216,973*	133,387	*– 83,586*
1888–9 -	70,537	—	—	*– 20,469*	—	*– 20,469*	144,983	124,514
1889–90 -	531,712	—	—	920	460,255	461,175	31,827	493,002
1890–1 -	594,421	—	—	2,935	59,774	62,709	20,342	83,051
1891–2 -	1,248,605	6,187	484,795	1,061	162,141	654,184	*–250,670*	403,514
1892–3 -	1,056,819	11,109	499,674	*– 20,399*	*– 682,170*	*– 191,786*	152,216	*– 39,570*
1893–4 -	1,116,968	*– 17,296*	76,485	960	—	60,149	*– 12,129*	48,020
1894–5 (Rev. Estimate).	42,000	—	*–1,060,954*	*– 14,014*	—	*–1,074,968*	20,632	*–1,054,336*
1895–6(Budget)	49,700	—	—	7,700	—	7,700	*– 25,600*	*– 17,900*
[illegible]ears, [illegible] to	*–1,499,934*	*– 927*	*– 946,457*	*– 211,046*	*· 341,504*	*–1,499,934*	392,400	*–1,107,534*
[illegible]	*– 458,267*	*– 507,967*	—	49,700	—	*– 458,267*	366,800	*– 91,467*
	49,700	—	—	49,700	—	49,700	366,800	416,500

TABLE VI.

[illegible]EASE of NET EXPENDITURE in INDIA on IMPERIAL ACCOUNT charged against REVENUE on [illegible]KS (excluding that charged under MILITARY and SPECIAL DEFENCE WORKS and FAMINE and apart from EXCHANGE).

(Column 4 in Table III.)

Year.	Net Expenditure from Revenue on Public Works.	Increase or Decrease in				
		Construction of Railways.	Railway Revenue Account.	Irrigation and Navigation.	Civil Buildings and Roads.	Total. (Column 4 in Table III.)
1.	2.	3.	4.	5.	6.	7.
Amount in:	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875–6 - -	*–2,184,862*	*–20,667*	*–3,551,602*	1,104,694	282,713	*–2,184,862*
1876–7 - -	*–3,358,767*	58,927	*– 706,925*	*–500,041*	*– 25,866*	*–1,173,905*
1877–8 - -	*–4,504,305*	10,109	*– 948,674*	*–195,059*	*– 11,917*	*–1,145,538*
1878–9 - -	*–3,241,910*	109,553	1,458,419	*–296,118*	*– 9,459*	1,262,395
1879–80 - -	*–2,461,819*	1,381,719	*– 474,619*	*–200,522*	73,513	780,091
1880–1 - -	*–2,805,819*	80,406	*– 288,213*	*–160,034*	23,841	*– 344,000*
1881–2 - -	*–5,219,178*	*–1,751,110*	*–1,083,175*	310,418	110,508	*–2,413,359*
1882–3 - -	*–3,876,467*	339,306	709,344	240,364	53,697	1,342,711
1883–4 - -	*–4,020,697*	*– 116,054*	*– 534,916*	5,454	501,286	*– 144,230*
1884–5 - -	*–4,024,154*	80,636	387,000	91,476	*–562,569*	*– 3,457*
1885–6 - -	*–4,807,595*	327,175	*–1,022,029*	3,946	*– 92,533*	*– 783,441*
1886–7 - -	*–5,084,783*	*– 500,000*	*– 8,463*	*– 30,595*	261,870	*– 277,188*
1887–8 - -	*–4,347,963*	—	755,514	*–294,664*	275,970	736,820
1888–9 - -	*–5,058,798*	—	*– 507,318*	*– 55,390*	*–148,127*	*– 710,835*
1889–90 - -	*–5,452,195*	—	*– 160,938*	*– 77,831*	*–154,628*	*– 393,397*
1890–1 - -	*–6,022,679*	—	*– 491,603*	*– 84,518*	5,637	*– 570,484*
1891–2 - -	*–6,874,153*	—	*–1,083,652*	88,696	143,482	*– 851,474*
1892–3 - -	*–6,202,290*	201,225	644,077	*– 69,041*	*–104,398*	671,863
1893–4 - -	*–6,966,296*	*–201,225*	*– 670,814*	60,048	47,985	*– 764,006*
1894–5 (Rev. Est.)	*–7,391,100*	—	*– 162,316*	*– 75,183*	*–187,305*	*– 424,804*
1895–6 (Budget)	*–7,627,900*	—	*– 276,300*	*–102,600*	142,100	*– 236,800*
10 years, 1884–5 to 1894–5 -	*–3,366,946*	*– 172,825*	*–2,707,542*	*–534,532*	47,953	*–3,366,946*
20 years, 1875–6 to 1895–6 -	*–5,443,038*	20,667	*–4,465,598*	*–1,341,194*	343,087	*–5,443 038*
Amount in Budget for 1895–6	*–7,627,900*	—	*–8,017,200*	*–236,500*	625,800	*–7,627.900*

TABLE VII.

INCREASE OR DECREASE of NET EXPENDITURE in INDIA on IMPERIAL ACCOUNT on CIVIL ADMINISTRATION and MISCELLANEOUS CIVIL CHARGES, APART from EXCHANGE.

(Column 5 in Table III.)

Year.	Total Net Civil Charges.	Increase in Civil Administration.										Increase in Miscellaneous Civil Charges.						Total. (Column 5 in Table III.)
		General Administration.	Law and Justice.	Police.	Marine.	Education.	Ecclesiastical.	Medical.	Political.	Scientific and Minor Departments.	Total.	Territorial and Political Pensions.	Civil Furlough.	Superannuation.	Stationery and Printing.	Miscellaneous.	Total.	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.	18.	19.
Amt. in:—	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875–6	5,413,628	1,177,545	2,046,965	9,459	202,119	—	157,002	181,928	414,242	262,982	4,452,242	790,864	768	142,627	69,089	— *41,962*	961,386	5,413,628
1876–7	5,477,062	56,333	60,366	410	84,046	—	— *266*	— *810*	75,761	— *35,453*	240,387	— *18,371*	10	— *77,237*	14,640	— *95,995*	— *176,953*	63,434
1877–8	3,102,226	— *499,305*	— *1,516,952*	381	— *110,045*	—	— *30,985*	— *25,526*	— *100,577*	2,307	— *2,280,702*	— *14,589*	1,462	— *74,004*	— *83,062*	76,059	— *94,134*	— *2,374,836*
1878–9	3,019,507	— *48,868*	— *83,999*	9,836	— *40,732*	9,703	— *9,295*	891	46,046	— *31,258*	— *147,676*	2,397	1,396	3,974	— *25,756*	82,946	64,957	— *82,719*
1879–80	3,270,275	3,997	5,886	39,107	— *21,652*	611	— *965*	3,411	— *17,725*	— *7,384*	5,289	— *90,001*	1,071	312,212	10,260	11,937	245,479	250,768
1880–1	3,280,890	— *4,768*	— *36,250*	29,327	47,989	— *1,823*	2,122	5,913	26,582	44,183	113,275	— *11,441*	832	116,767	95,950	—*304,768*	—*102,660*	10,615
1881–2	3,872,261	— *31,149*	— *518*	— *11,372*	4,493	— *454*	2,383	1,892	178,107	135,051	278,433	— *7,796*	— *1,614*	— *13,396*	42,013	293,731	312,938	591,371
1882–3	2,515,143	— *68,162*	— *380,935*	— *1,895*	— *46,217*	118	41,165	— *153,969*	— *136,564*	—*126,738*	— *873,197*	3,433	— *3,005*	—*306,575*	— *155,107*	— *22,667*	—*483,921*	— *1,357,118*
1883–4	2,563,501	— *2,800*	18,335	— *6,698*	50,951	2,103	— *2,359*	3,418	20,099	— *13,454*	69,595	15,980	2,511	— *64,588*	31,616	— *6,756*	— *21,237*	48,358
1884–5	2,808,688	8,262	20,844	3,558	— *39,569*	4,118	6,972	— *2,169*	252,723	1,449	256,188	— *35,017*	11,421	16,327	— *3,605*	— *127*	— *11,001*	245,187
1885–6	3,260,078	35,625	— *22,972*	16,698	— *8,155*	813	— *2,729*	1,111	348,693	20,872	389,956	— *11,723*	—*10,263*	69,519	25,170	— *11,269*	61,434	451,390
1886–7	3,189,700	— *11,110*	26,177	341,879	198,419	— *762*	— *4,469*	7,335	—*393,851*	— *2,323*	161,295	— *1,212*	— *2,502*	—*258,085*	3,146	27,280	—*231,673*	— *70,378*
1887–8	3,337,073	— *3,219*	37,448	338,604	— *61,480*	1,057	— *235*	16,666	— *87,451*	— *2,982*	238,408	— *49,678*	810	2,030	2,518	— *46,715*	— *91,035*	147,373
1888–9	3,412,664	— *19,089*	8,744	88,929	— *76,950*	— *2,329*	— *2,291*	— *8,131*	33,470	— *835*	21,568	— *55,941*	— *1,417*	20,554	6,595	84,232	54,023	75,591
1889–90	3,377,709	3,623	9,478	64,827	57,140	901	4,227	2,543	— *94,962*	— *422*	47,355	— *1,249*	836	10,977	29,841	—*122,715*	— *82,310*	— *34,955*
1890–1	3,413,820	— *4,181*	2,311	—*121,741*	— *81,552*	4,200	5,189	— *169*	119,862	60,094	— *16,287*	— *9,295*	— *177*	18,699	15,550	27,621	52,398	36,111
1891–2	3,442,432	14,410	4,308	— *45,704*	29,790	3,207	— *4,452*	1,127	— *10,325*	72,459	64,820	— *26,172*	— *1,182*	340	— *9,020*	— *174*	— *36,208*	28,612
1892–3	3,361,912	6,158	11,866	— *61,511*	20,523	1,531	6,613	3,533	60,493	—*146,438*	— *97,232*	14,607	678	10,779	— *7,845*	— *1,507*	16,712	— *80,520*
1893–4	3,446,820	14,074	11,086	— *7,505*	— *44,156*	739	— *356*	2,533	114,583	— *7,107*	83,891	— *22,568*	213	— *13,083*	31,698	4,757	1,017	84,908
1894–5 (Revised Estimate),	3,341,700	20,674	— *14,188*	— *54,089*	14,538	2,367	429	— *3,327*	— *16,206*	— *506*	— *50,308*	— *11,928*	252	7,963	—*21,991*	— *29,108*	— *54,812*	— *105,120*
1895–6 (Budget).	3,433,400	— *16,200*	1,700	9,000	18,000	3,400	3,900	1,300	25,500	11,700	58,300	— *3,100*	— *800*	10,000	21,600	5,700	33,400	91,700
10 years, 1884–5 to 1894–5	533,012	57,015	74,258	560,387	47,817	11,724	1,926	23,221	74,306	— *7,188*	843,466	—*175,159*	—*13,052*	—*130,307*	75,662	— *67,598*	—*310,454*	533,012
20 years, 1875–6 to 1895–6	—*1,980,228*	—*545,645*	—*1,837,265*	632,041	— *4,919*	29,500	[redacted]		444,258	— *26,782*	—*1,436,642*	—*333,664*	232	—*206,827*	24,211	— *27,598*	—*543,586*	—*1,980,228*
Amount in Budget for 1895–6	3,433,400	631,900	209,700	641,500	197,200	29				236,200	3,015,600	457,200	1,000	— *64,200*	93,300	— *69,500*	417,800	3,433,400

TABLE VIII.

INCREASE OR DECREASE of NET EXPENDITURE in INDIA on IMPERIAL ACCOUNT under INTEREST, excluding that charged against RAILWAYS and IRRIGATION.

(Column 6 in Table III.)

Year.	Total Net Expenditure.	Increase or Decrease in			Increase or Decrease in Receipts.	Increase or Decrease in Net Expenditure. (Column 6 in Table III.)
		Interest on Debt.	Interest on other Obligations.	Total.		
1.	2.	3.	4.	5.	6.	7.
Amount in:	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875–6	1,904,766	2,044,182	385,501	2,429,683	524,917	,904,766
1876–7	1,832,041	— 95,629	7,977	— 87,652	— 14,927	— 72,725
1877–8	1,773,083	— 26,017	— 38,260	— 64,277	— 5,319	— 528,958
1878–9	1,652,961	— 53,194	23,212	— 29,982	90,140	— 120,122
1879–80	1,433,280	— 121,901	3,126	— 118,775	100,906	— 219,681
1880–1	1,150,840	— 347,989	27,981	— 320,008	— 37,568	— 282,440
1881–2	1,007,859	— 112,221	119,328	7,107	150,088	— 142,981
1882–3	1,068,796	— 46,261	— 62,082	— 108,343	— 169,280	60,937
1883–4	727,449	— 176,195	— 19,429	— 195,624	145,723	— 341,347
1884–5	731,084	— 172,114	26,744	— 145,370	— 149,005	3,635
1885–6	480,002	— 229,011	— 3,600	— 232,611	18,471	— 251,082
1886 7	155,139	— 288,262	— 112,120	— 400,382	— 75,519	— 324,863
1887–8	37,822	— 99,947	25,667	— 74,280	43,037	— 117,317
1888–9	205,696	51,357	50,617	101,974	— 65,900	167,874
1889 90	116,469	— 54,088	— 1,655	— 55,743	33,484	— 89,227
1890–1	184,473	75,471	15,930	91,401	23,397	68,004
1891–2	— 234,530	— 370,358	23,883	— 346,475	72,528	— 419,003
1892–3	— 332,780	— 113,610	40,601	— 73,009	25,241	— 98,250
1893–4	— 514,511	— 212,034	34,784	— 177,250	4,481	— 181,731
1894–5 (Rev. Est.)	— 495,000	14,521	— 47,205	— 32,684	— 52,195	19,511
1895–6 (Budget)	— 1,529,800	— 1,076,900	14,000	— 1,062,900	— 28,100	— 1,034,800
10 years, 1884–5 to 1894–5	— 1,226,084	— 1,225,961	26,902	— 1,199,059	27,025	— 1,226,084
20 years, 1875–6 to 1895–6	— 3,434,566	— 3,454,382	129,499	— 3,324,883	109,683	— 3,434,566
Amount in Budget for 1895–6	— 1,529,800	— 1,410,200	515,000	— 895,200	634,600	1,529,800

TABLE IX.

CREASE of NET EXPENDITURE in INDIA on IMPERIAL ACCOUNT on POST OFFICE, TELEGRAPH and MINT, apart from EXCHANGE.

(Column 7 in Table III.)

Year.	Total Net Expenditure.	Increase or Decrease in			Total. (Column 7 in Table III.)
		Post Office.	Telegraph.	Mint.	
1.	2.	3.	4.	5.	6.
Amount in:	Rx.	Rx.	Rx.	Rx.	Rx.
1875–6	81,500	— 6,397	116,080	— 28,183	81,500
1876–7	— 161,231	— 30,186	— 71,095	— 141,450	— 242,731
1877–8	— 361,723	— 29,517	— 1,141	— 169,834	— 200,492
1878–9	— 92,204	11,781	— 4,027	261,765	269,519
1879–80	— 323,549	— 15,857	— 163,903	— 51,585	— 231,345
1880–1	— 135,892	34,386	24,308	128,963	187,657
1881–2	32,918	46,113	124,444	— 1,747	168,810
1882–3	— 72,441	12,505	— 17,278	— 100,586	— 105,359
1883–4	— 8,676	— 12,536	29,147	47,154	63,765
1884–5	— 105,957	— 32,476	— 14,352	— 50,453	— 97,281
1885–6	— 249,329	— 29,836	— 83,529	— 30,007	— 143,372
1886–7	— 298,434	— 18,233	— 57,795	26,923	— 49,105
1887–8	— 413,740	— 36,772	— 23,476	— 55,058	— 115,306
1888–9	— 458,844	— 62,055	— 15,168	32,119	— 45,104
1889–90	— 464,299	34,015	— 4,953	— 34,517	— 5,455
1890–1	— 623,042	— 79,958	3,610	— 82,395	— 158,743
1891–2	— 615,171	18,464	— 130,247	119,654	7,871
1892–3	— 720,165	— 33,685	14,096	— 85,405	— 104,994
1893–4	— 725,984	— 59,201	— 15,686	69,068	— 5,819
1894–5 (Rev. Est.)	— 660,200	— 26,555	— 68,535	160,874	65.784
1895–6 (Budget)	— 644,800	— 17,100	55,800	— 23,300	15,400
10 years, 1884–5 to 1894–5	— 554,243	— 293,816	— 381,683	121,256	— 554,243
20 years, 1875–6 to 1895–6	— 726,300	— 326,703	— 419,780	20,183	— 726,300
Amount in Budget for 1895–6	— 644,800	— 333,100	— 303,700	— 8,000	— 644,800

TABLE X.

INCREASE OR DECREASE of NET EXPENDITURE in ENGLAND.

(Column 8 of Table I.)

Year.	Net Expenditure.	Interest and Management of Debt.	Railway Revenue Account.	Civil Administration.	India Office.	Army Effective.	Furlough.	Non-effective.	Stores.	Total. (Col. 8 of Table I.)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Amt. in:	£	£	£	£	£	£	£	£	£	£
1875–6	12,501,573	2,143,500	4,606,012	292,411	198,984	623,625	598,022	2,554,072	1,484,947	12,501,573
1876–7	13,196,897	168,662	30,756	*– 16,147*	6,081	149,484	39,354	293,556	23,578	695,324
1877–8	13,723,473	178,202	*– 11,277*	76,318	*– 11,763*	9,705	*– 3,207*	329,156	*– 50,558*	526,576
1878–9	13,563,500	108,996	53,785	*– 49,801*	7,230	156,248	*– 23,467*	18,862	*– 431,826*	*– 159,973*
1879–80	14,182,027	95,799	47,599	*– 7,176*	*– 6,262*	21,838	*– 59,401*	165,219	360,911	618,527
1880–1	11,142,393*	*– 518,739*	*– 145,344*	*– 3,502*	*– 3,344*	*– 2,703,857**	32,567	4,385	298,290	*– 3,040,634*
1881–2	11,700,151*	308,000	267,451	*– 51,916*	*– 368*	312,115*	18,809	101,425	*– 397,759*	557,758
1882–3	13,250,446*	1,594	25,529	200	8,782	1,820,308*	*– 65,615*	39,023	*– 279,526*	1,550,295
1883–4	14,734,062	*– 41,120*	*– 60,543*	94,210	*– 1,461*	504,022	*– 26,120*	1,136,511	*– 121,883*	1,483,616
1884–5	13,792,555	162,178	2,938	*– 44,368*	*– 3,906*	*– 29,116*	*– 34,524*	*– 964,488*	*– 30,221*	*– 941,507*
1885–6	13,697,348	*– 155,910*	239,761	32,598	19,615	8,493	*– 74,639*	*– 606,785*	441,660	*– 95,207*
1886–7	14,122,276	140,611	217,549	*– 60,476*	*– 12,633*	142,689	94,971	175,511	*– 273,294*	424,928
1887–8	15,070,768	765,424	115,036	*– 5,679*	*– 5,256*	*– 120,638*	39,045	140,472	20,088	948,492
1888–9	14,601,072	*– 792,433*	252,848	*– 56,041*	*– 4,555*	27,606	30,353	103,609	*– 31,083*	*– 469,696*
1889–90	14,476,125	*– 258,394*	*– 42,886*	7,634	*– 2,425*	149,740	3,845	75,552	*– 58,013*	*– 124,947*
1890–1	15,139,481	84,882	92,118	*– 44,008*	*– 1,168*	*– 45,812*	*– 70,978*	97,829	550,493	663,356
1891–2	15,679,650	233,474	*– 49,291*	137,608	2,140	*– 55,132*	52,288	103,296	115,786	540,169
1892–3	16,079,241	*– 166,956*	71,309	19,768	2,181	238,860	61,194	322,072	*– 148,837*	399,591
1893–4	15,590,488	82,623	20,823	8,569	1,806	*– 188,403*	*– 41,414*	*– 163,064*	*– 209,693*	*– 488,753*
1894–5 (Rev. Est.)	15,544,500	129,307	*– 5,383*	*– 28,902*	*– 4,178*	21,124	30,717	67,087	*– 255,760*	*– 45,988*
1895–6 (Budget)	15,681,600	29,400	7,500	63,500	1,300	*– 5,700*	*– 1,900*	49,800	*– 6,800*	137,100
10 years 1884–5 to 1894–5	1,751,945	62,628	911,884	11,071	*– 4,473*	178,527	125,382	315,579	151,347	1,751,94
20 years 1875–6 to 1895–6	3,180,027	555,600	1,140,188	72,389	*– 8,184*	413,575	1,878	1,489,028	*– 484,447*	3,180
Amt. in Budg. for 1895–6	15,681,600	2,699,100	5,746,200	364,800	190,800	1,037,200	599,900	4,043,100	1,000,500	

* In 1880–1, 1881–2, and 1882–3, the Net Expenditure was exceptionally reduced by grants from the Brit
2,695,000*l.*, 2,305,000*l.*, and 500,000*l.* respectively, on account of Military Operations in Afghanistan and Egypt.

TABLE XI.

INCREASE OR DECREASE of NET EXPENDITURE in ENGLAND for INTEREST and MANAGE

(Column 3 of Table X.)

Year.	Amount.	Increase or Decrease compared with previous Year.						
		Interest on Debt.	Interest obtained from Investment of Balance.	Net Interest.	Discount Sinking Fund.	Discount and Commission, less Premium.	Management.	To (Col. 3 Table X.)
1.	2.	3.	4.	5.	6.	7.	8.	9.
Amount in:	£	£	£	£	£	£	£	£
1875–6	2,143,500	2,158,882	33,767	2,125,115	—	—	18,385	2,143,500
1876–7	2,312,162	141,522	*– 24,637*	166,159	—	—	2,503	168,662
1877–8	2,490,364	191,192	13,086	178,106	—	—	96	178,202
1878–9	2,599,360	100,116	*– 9,308*	109,424	—	—	*– 428*	108,996
1879–80	2,695,159	*– 4,357*	*– 5,289*	932	—	93,485	1,382	95,799
1880–1	2,176,420	*– 247,405*	16,243	*– 263,648*	—	*– 265,343*	10,252	*– 518,739*
1881–2	2,484,420	170,475	30,399	140,076	—	172,350	*– 4,426*	308,000
1882–3	2,486,014	*– 31,073*	*– 45,563*	14,490	—	*– 13,306*	410	1,594
1883–4	2,444,894	*– 34,138*	18,905	*– 53,043*	—	12,814	*– 891*	*– 41,120*
1884–5	2,607,072	*– 20,109*	3,460	*– 23,569*	—	183,704	2,043	162,178
1885–6	2,451,162	*– 1,626*	*– 24,970*	23,344	2,721	*– 183,704*	1,729	*– 155,910*
1886–7	2,591,773	166,318	35,055	131,263	4,471	—	4,877	140,611
1887–8	3,357,197	684,904	24,330	660,574	384	82,732	21,734	765,424
1888–9	2,564,764	*– 781,759*	69,683	*– 851,442*	343	78,422	*– 19,756*	*– 792,433*
1889–90	2,306,370	*– 100,216*	*– 25,296*	*– 74,920*	127	*– 185,216*	1,615	*– 258,394*
1890–1	2,391,252	70,454	55,340	15,114	266	64,581	4,921	84,882
1891–2	2,624,726	*– 87,558*	*– 106,893*	19,335	277	214,461	*– 599*	233,474
1892–3	2,457,770	5,227	*– 33,824*	39,051	284	*– 211,040*	4,749	*– 166,956*
1893–4	2,540,393	95,822	*– 14,661*	110,483	290	*– 24,492*	*– 3,658*	82,623
1894–5 (Rev. Est.)	2,669,700	106,329	*– 6,627*	112,956	337	*– 148*	16,162	129,307
1895–6 (Budget)	2,699,100	65,300	1,800	63,500	300	*– 19,300*	*– 15,100*	29,400
10 years, 1884–5 to 1894–5	62,628	157,895	*– 27,863*	185,758	9,500	*– 164,404*	31,774	62,628
20 years, 1875–6 to 1895–6	555,600	489,418	*– 28,767*	518,185	9,800	—	27,615	555,600
Amount in Budget for 1895–6	2,699,100	2,648,300	5,000	2,643,300	9,800	—	46,000	2,699,100

TABLE XII.

INCREASE OR DECREASE of EXPENDITURE in ENGLAND on RAILWAY REVENUE ACCOUNT.

(Column 4 of Table X.)

Year.	Amount.	Increase or Decrease compared with previous Year.				
		Annuities.	Interest on Debt.	Interest chargeable against Companies, &c.	Guaranteed Interest.	Total. (Col. 4 of Table X.)
1.	2.	3.	4.	5.	6.	7.
Amount in :	£	£	£	£	£	£
1875–6	4,606,012	—	—	—	4,606,012	4,606,012
1876–7	4,636,768	—	—	—	30,756	30,756
1877–8	4,635,491	—	—	—	— *1,277*	— *1,277*
1878–9	4,689,276	—	—	—	53,785	53,785
1879–80	4,736,875	—	34,397	—	13,202	47,599
1880–1	4,591,441	993,298	309,242	—	— *1,447,974*	— *145,434*
1881–2	4,858,892	246,148	8,983	2,011	10,309	267,451
1882–3	4,884,421	— *22,712*	— *4,760*	7,980	45,021	25,529
1883–4	4,823,878	— *13,616*	— *36,499*	15,165	— *25,593*	— *60,543*
1884–5	4,826,816	17,465	41,733	10,741	— *67,001*	2,938
1885–6	5,066,577	103,448	12,829	159,989	— *36,505*	239,761
1886–7	5,284,126	353,669	199,894	147,745	— *483,759*	217,549
1887–8	5,399,162	5,756	— *13,969*	125,305	— *2,056*	115,036
1888–9	5,652,010	5,102	79,732	165,546	2,468	252,848
1889–90	5,609,124	— *778*	229,688	88,534	— *360,330*	— *42,886*
1890–1	5,701,242	2,852	3,841	68,353	17,072	92,118
1891–2	5,651,951	2,756	140,611	47,313	— *239,971*	— *49,291*
1892–3	5,723,260	3,263	11,140	25,768	31,138	71,309
1893–4	5,744,083	— *1,104*	— *19,629*	32,133	9,423	20,823
1894–5 (Rev. Est.)	5,738,700	7,153	— *14,233*	1,817	— *120*	— *5,383*
1895–6 (Budget)	5,746,200	3,200	— *3,200*	800	6,700	7,500
10 years, 1884–5 to 1894–5	911,884	482,117	629,904	862,503	— *1,062,640*	911,884
20 years, 1875–6 to 1895–6	1,140,188	1,705,900	979,800	899,200	— *2,444,712*	1,140,188
Amount in Budget for 1895–6	5,746,200	1,705,900	979,800	899,200	2,161,300	5,746,200

TABLE XIII.

[illegible]REASE OR DECREASE of NET EXPENDITURE in ENGLAND on CIVIL ADMINISTRATION, &c.

(Column 5 of Table X.)

Year.	Amount.	Increase or Decrease compared with previous Year.						
		Postal Subsidy.	Indo-European Telegraph.	Her Majesty's Ships in Indian Seas.	Indian Government Defence Vessels.	Persian Mission and Establishments in China.	Miscellaneous.	Total. (Col. 5 of Table X.)
1.	2.	3.	4.	5.	6.	7.	8.	9.
Amount in :	£	£	£	£	£	£	£	£
1875–6	292,411	48,000	= *3,804*	67,730	—	‡12,000	168,485	292,411
1876–7	276,264	14,170	1,858	— *4,268*	—	—	— *27,907*	— *16,147*
1877–8	352,582	12,955	21,071	6,218	—	58,327	— *22,253*	76,318
1878–9	302,781	— *5,125*	— *17,858*	320	—	— *58,327*	31,189	— *99,801*
1879–80	295,605	26,434	— *961*	—	—	—	— *32,649*	— *7,176*
1880–1	292,103	— *25,383*	— *19,004*	— *7,500*	—	73,000	— *24,615*	— *3,502*
1881–2	240,187	— *1,051*	— *12,975*	1,108	—	— *60,000*	21,002	— *51,916*
1882–3	240,387	—	2,110	— *19,371*	—	—	17,461	200
1883–4	334,597	—	— *1,607*	55,190	—	—	40,627	94,210
1884–5	290,229	—	31,990	— *20,361*	—	—	— *35,997*	— *44,368*
1885–6	322,827	— *2,000*	61,895	— *6,872*	—	—	— *20,425*	32,598
1886–7	262,351	—	— *54,960*	— *2,194*	—	—	— *3,322*	— *60,476*
1887–8	256,672	— *3,000*	2,173	735	—	—	— *5,587*	— *5,679*
1888–9	200,631	— *27,500*	— *5,337*	— *30,660*	—	—	7,456	— *56,041*
1889–90	208,265	3,333	2,952	4,714	—	—	— *3,365*	7,634
1890–1	164,257	4,142	952	— *6,887*	—	— *2,500*	*— *39,715*	— *44,008*
1891–2	301,865	14,925	30,318	12,256	6,000	— *3,000*	†77,109	137,608
1892–3	321,633	—	— *9,688*	1,925	44,000	—	— *16,469*	19,768
1893–4	330,202	1,575	2,210	— *1,937*	11,008	—	— *4,287*	8,569
1894–5 (Rev. Est.)	301,300	— *875*	— *9,835*	54	— *1,408*	—	— *16,838*	— *28,902*
1895–6 (Budget)	364,800	—	3,400	32,200	—	—	27,900	63,500
10 years, 1884–5 to 1894–5	11,071	— *9,400*	20,680	— *28,866*	59,600	— *5,500*	— *25,443*	11,071
20 years, 1875–6 to 1895–6	72,389	12,600	28,704	14,670	59,600	7,500	— *50,685*	72,389
Amount in Budget for 1895–6	364,800	60,600	24,900	82,400	59,600	19,500	117,800	364,800

* Receipt of 31,000*l.* deducted, being sale proceeds of Ealing Asylum Estate.

† Includes 31,000*l.*, arrears of pension paid to His Highness the Maharajah Duleep Singh.

‡ Persian Mission only.

TABLE XIV.

INCREASE OR DECREASE of NET ARMY EFFECTIVE CHARGES in ENGLAND.

(Column 7 of Table X.)

Year.	Amount.	Increase or Decrease compared with previous Year.			
		Payments to War Office.	Transport.	Other.	Total. (Col. 7 of Table X.)
1.	2.	3.	4.	5.	6.
Amount in:	£	£	£	£	£
1875–6	623,625	320,000	266,734	36,891	623,625
1876–7	773,109	80,000	53,853	15,631	149,484
1877–8	782,814	100,000	*–96,741*	6,446	9,705
1878–9	939,062	61,920	98,715	*– 4,387*	156,248
1879–80	960,900	52,247	*– 5,986*	*– 24,423*	21,838
1880–1	952,043	*– 7,758*	*–14,258*	*–‡2,681,841*	*–‡2,703,857*
1881–2	874,159	*–101,509*	7,080	‡406,545	‡312,116
1882–3	889,467	2,100	*–27,205*	‡1,845,413	‡1,820,308
1883–4	893,489	*– 482*	53,313	451,191	504,022
1884–5	864,373	26,751	*–30,556*	*– 25,311*	*– 29,116*
1885–6	872,866	19,030	*– 9,457*	*– 1,080*	8,493
1886–7	1,015,555	*149,227	*–28,636*	22,090	142,689
1887–8	894,917	*– 49,565*	*–63,415*	*– 7,658*	*– 120,638*
1888–9	922,523	36,863	*– 7,305*	*– 1,952*	27,606
1889–90	1,072,263	†160,764	*– 1,541*	*– 9,483*	149,740
1890–1	1,026,451	*– 77,132*	27,441	3,879	*– 45,812*
1891–2	971,319	*– 69,993*	14,781	80	*– 55,132*
1892–3	1,210,179	†264,303	*–21,054*	*– 4,389*	238,860
1893–4	1,021,776	*–226,946*	34,239	4,304	*– 188,403*
1894–5 (Rev. Est.)	1,042,900	24,580	*– 1,502*	*– 1,954*	21,124
1895–6 (Budget)	1,037,200	*– 14,400*	7,200	1,500	*– 5,700*
10 years, 1884–5 to 1894–5	178,527	231,131	*–56,449*	3,845	178,527
20 years, 1875–6 to 1895–6	413,575	430,000	*–11,034*	*– 5,391*	413,575
Amount in Budget for 1895–6	1,037,200	750,000	255,700	31,500	1,037,200

* Augmentation of the Forces in India. † Arrears, in 1889–90, 197,867*l.*; in 1892–3, 212,4[illegible]

‡ In 1880–1, 1881–2, and 1882–3, the net expenditure was exceptionally reduced by grants from the British [illegible] 2,695,000*l.*, 2,305,000*l.*, and 500,000*l.*, respectively, on account of military operations in Afghanistan and Egypt. I[illegible] sums are omitted.

TABLE XV.

INCREASE or DECREASE of FURLOUGH PAY in ENGLAND.

(Column 8 of Table X.)

Year	Amount.	Increase or Decrease compared with previous Year.			
		Civil, &c.	Public Works.	Military.	TOTA[illegible] (Col. 8 of Tab[illegible]
1.	2.	3.	4.	5.	6.
Amount in:	£	£	£	£	£
1875–6	598,022	232,907	47,196	317,919	598,022
1876–7	637,376	10,008	8,832	20,514	39,354
1877–8	634,169	*– 1,891*	11,675	*–12,991*	*– 3,207*
1878–9	610,702	*– 8,938*	*– 889*	*–13,640*	*–23,467*
1879–80	551,301	*–14,421*	*–11,649*	*–33,331*	*–59,401*
1880–1	583,868	7,430	*– 61*	25,198	32,567
1881–2	602,677	*– 617*	4,961	14,465	18,809
1882–3	537,062	*– 6,762*	*– 7,820*	*–51,033*	*–65,615*
1883–4	510,942	7,504	630	*–34,254*	*–26,120*
1884–5	476,418	*–21,752*	*–13,726*	954	*–34,524*
1885–6	401,779	*– 1,531*	3,902	*–77,010*	*–74,639*
1886–7	496,750	*– 8,139*	10,943	92,167	94,971
1887–8	535,795	25,637	*– 1,154*	14,562	39,045
1888–9	566,148	1,790	6,236	22,327	30,353
1889–90	569,993	*–12,959*	7,033	9,771	3,845
1890–1	499,015	*–28,936*	*–22,324*	*–19,718*	*–70,978*
1891–2	551,303	18,311	4,854	29,123	52,288
1892–3	612,497	16,015	565	44,614	61,194
1893–4	571,083	*–10,866*	525	*–31,073*	*–41,414*
1894–5 (Rev. Est.)	601,800	26,010	*– 2,729*	7,436	30,717
1895–6 (Budget)	599,900	*– 4,900*	2,000	1,000	*– 1,900*
10 years, 1884–5 to 1894–5	125,382	25,332	7,851	92,199	125,382
20 years, 1875–6 to 1985–6	1,878	*– 9,007*	1,804	9,081	1,878
Amount in Budget for 1895–6	599,900	223,900	49,000	327,000	599,900

TABLE XVI.

INCREASE or DECREASE of NON-EFFECTIVE CHARGES in ENGLAND.
(Column 9 of Table X.)

Year.	Amount.	Increase or Decrease compared with previous Year.				
		Civil Superannuation.	Funds.	Military.		Total. (Col. 9 of Table X.)
				British.	Indian.	
1.	2.	3.	4.	5.	6.	7.
Amount in:	£	£	£	£	£	£
1875–6	2,554,072	273,827	823,286	350,000	1,106,959	2,554,072
1876–7	2,847,628	*–19,336*	96,315	18,330	198,247	293,556
1877–8	3,176,784	634	22,999	280,511	25,012	329,156
1878–9	3,195,646	11,748	51,808	1,159	*– 45,853*	18,862
1879–80	3,360,865	*– 4,607*	3,564	*– 6,915*	173,177	165,219
1880–1	3,365,250	35,468	11,865	6,915	*– 49,863*	4,385
1881–2	3,466,675	*–41,078*	*– 5,326*	79,218	68,611	101,425
1882–3	3,505,698	*–12,423*	37,467	2,012	12,027	39,023
1883–4	4,642,209	4,036	25,537	1,095,947*	10,991	1,136,511
1884–5	3,677,721	*– 3,561*	8,557	*–996,183*	26,699	*–96,488*
1885–6	3,070,936	*–27,239*	87,240	*–705,198*†	38,412	*–606,785*
1886–7	3,246,447	3,901	88,536	10,431	72,641	175,511
1887–8	3,386,919	18,438	2,224	58,734	61,076	140,472
1888–9	3,490,528	*– 3,866*	17,537	48,483	41,455	103,609
1889–90	3,566,080	1,692	11,827	53,431	8,602	75,552
1890–1	3,663,909	23,194	31,354	36,168	7,113	97,829
1891–2	3,767,205	30,034	19,847	27,188	26,227	103,296
1892–3	4,089,277	36,785	47,320	38,689	199,278	322,072
1893–4	3,926,213	2,211	*–25,610*	34,659	*–174,324*	*–163,064*
1894–5 (Rev. Est.)	3,993,300	19,342	*– 2,789*	26,021	24,513	67,087
1895–6 (Budget)	4,043,100	10,200	6,100	18,000	15,500	49,800
10 years, 1884–5 to 1894–5	315,579	104,492	277,488	*–371,394*	304,993	315,579
20 years, 1875–6 to 1895–6	1,489,028	85,573	536,314	127,600	739,541	1,489,028
Amt. in Budget for 1895–6	4,043,100	359,400	1,359,600	477,600	1,846,500	4,043,100

* Arrears, 1,000,000*l.* † Alteration of system.

TABLE XVII.

INCREASE or DECREASE of EXPENDITURE in ENGLAND on STORES for INDIA.
(Column 10 of Table X.)

nt.	Increase or Decrease compared with previous Year.									
	Military.			Special Operations and Special Defence Works.	Marine.	Telegraph.	Stationery.	Other.	Total. (Col. 10 of Table X.)
	Clothing.	Ordnance and Miscellaneous.	Other.						
.	3.	4.	5.	6.	7.	8.	9.	10.	11.
	£	£	£	£	£	£	£	£	£
1,484,947	225,470	470,767	381,307	—	80,322	47,378	200,253	79,450	1,484,947
1,508,525	22,956	28,635	*– 11,825*	—	*– 13,102*	14,069	*–21,915*	4,760	23,578
1,457,967	98,600	45,415	*–127,355*	—	*– 31,733*	*– 24,939*	*– 6,621*	*– 3,925*	*– 50,558*
1,026,141	*–139,867*	*–291,375*	*– 25,995*	73,154	*– 13,762*	*– 1,456*	*– 6,063*	*– 26,462*	*–431,826*
1,387,052*	100,066	*– 46,621*	*– 41,172*	97,249	28,376	10,469	*–77,164*	289,708*	360,911
1,685,342*	77,659	*– 47,072*	*– 12,956*	*–102,383*	*– 3,422*	7,870	*–23,984*	402,578*	298,290
1,287,583*	*–109,854*	*– 24,752*	*– 28,113*	*– 67,517*	87,009	*– 4,309*	47,714	*–297,937**	*–397,759*
1,008,057	*– 64,064*	24,278	*– 1,129*	52,283	*– 55,617*	26,685	41,534	*–303,496*	*–279,526*
886,174	*– 3,122*	*– 6,623*	25,047	*– 52,786*	*– 717*	33,366	*–48,927*	*– 68,121*	*–121,883*
855,953	18,710	*– 13,958*	*– 71,529*	—	*– 19,779*	23,649	21,003	11,683	*– 30,221*
1,297,613	64,496	273,204	121,015	—	11,487	12,655	*–58,536*	17,339	441,660
1,024,319	*– 11,172*	*–271,224*	*–152,921*	146,768	86,896	*– 75,215*	14,338	*–10,769*	*– 273,294*
1,044,407	*– 32,979*	177,727	28,184	*– 87,292*	*– 86,220*	14,249	3,162	3,257	20,088
1,013,324	1,084	*–121,947*	*– 11,291*	173,431	*– 8,559*	*– 30,219*	*–39,839*	6,257	*– 31,083*
955,311	*– 79,424*	54,080	9,296	*– 43,208*	*– 727*	3,539	*– 5,521*	3,952	*– 58,013*
1,505,804	39,286	466,972	1,508	*– 9,263*	15,186	16,871	5,043	14,890	550,493
1,621,590	*– 25,233*	109,219	7,482	27,429	1,238	8,550	*– 9,368*	*– 3,531*	115,786
1,472,753	47,549	*–247,062*	3,496	*– 84,639*	109,252	*– 3,548*	11,403	14,712	*–148,837*
1,263,060	*– 38,382*	*– 41,107*	*– 35,690*	*– 27,498*	*– 54,305*	43	*– 1,424*	*–11,330*	*–209,693*
1,007,300	45,521	*–175,956*	*– 11,159*	*– 33,428*	*– 54,523*	*– 48,707*	*– 2,588*	25,080	*–255,760*
1,000,500	*– 900*	64,100	*– 3,700*	*– 16,100*	*– 10,400*	14,200	*– 7,200*	*–46,800*	*– 6,800*
151,347	10,746	223,906	*– 40,080*	62,300	19,725	*–101,782*	*–83,330*	59,862	151,347
–484,447	10,930	*– 44,067*	*–338,807*	46,200	*– 13,422*	*– 2,178*	*–164,953*	21,850	*– 484,447*
1,000,500	236,400	426,700	42,500	46,200	66,900	45,200	35,300	101,300	1,000,500

* In 1879–80, 1880–1, and 1881–2, stores for Frontier Railways were charged against Revenue, to the amount of 244,426*l.*, 694,697*l.*, and 363,490*l.*, respectively.

TABLE XVIII.

EXPENDITURE on IMPERIAL ACCOUNT separated from EXCHANGE.

Years.	Net Expenditure in India, on Imperial Account.			Net Sterling Expenditure.	Exchange.						
	Total.	Exchange included. (Column 10).	Total, omitting Exchange.		On Net Sterling Expenditure.	Included in Net Expenditure in India.				Included in Net Revenue.	Total Exchange (Cols. 6, 10, and 11).
						On Remittance Accounts.	In Soldiers' Pay.	For Compensation to Officers.	Total.		
1.	2.	3.	4.	5.	6.	7.	7.	9.	10.	11.	12.
	Rx.	Rx.	Rx.	£	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875-6	17,888,117	57,058	17,831,059	12,501,573	1,372,680	57,058	—	—	57,058	₹,748	1,484,486
1876-7	18,266,777	205,423	18,061,354	13,196,897	2,247,035	205,423	—	—	205,423	5,576	2,458,034
1877-8	18,154,668	147,105	18,007,563	13,723,473	2,117,936	147,105	—	—	147,105	5,094	2,270,135
1878-9	15,019,097	225,959	14,793,138	13,563,500	2,881,976	225,959	—	—	225,959	9,926	3,117,861
1879-80	19,428,621	79,075	19,349,546	14,182,027	2,869,698	79,075	—	—	79,075	8,471	2,957,244
1880-1	24,853,354	7,562	24,845,792	11,142,393	2,257,789	7,562	—	—	7,562	7,059	2,272,410
1881-2	15,680,031	91,240	15,588,791	11,700,151	2,413,755	91,240	—	—	91,240	7,744	2,512,739
1882-3	14,513,926	64,640	14,449,286	13,250,446	3,039,561	64,640	—	—	64,640	11,362	3,115,563
1883-4	12,732,224	— *15,047*	12,747,271	14,734,062	3,366,887	— *64,047*	46,000	—	— *15,047*	8,271	3,360,111
1884-5	13,134,774	171,917	12,962,857	13,792,555	3,351,479	— *12,393*	184,300	—	171,917	12,507	3,535,903
1885-6	15,158,512	— *40,078*	15,198,590	13,697,348	4,311,532	—*264,378*	224,300	—	— *40,078*	18,356	4,289,810
1886-7	12,995,940	302,102	12,693,838	14,122,276	5,310,902	26,302	275,800	—	302,102	18,812	5,631,816
1887-8	13,616,422	—*307,571*	13,923,993	15,070,768	6,332,882	—*744,471*	436,900	—	—*307,571*	24,057	6,049,368
1888-9	12,525,575	—*434,453*	12,960,028	14,601,072	6,793,628	—*951,453*	517,000	—	—*434,453*	23,971	6,383,146
1889-90	13,263,050	245,156	13,017,894	14,476,125	6,496,149	—*386,744*	631,900	—	245,156	16,618	6,757,923
1890-1	12,936,485	509,002	12,427,483	15,139,481	4,946,840	— *78,198*	587,200	—	509,002	12,215	5,468,057
1891-2	13,411,836	375,671	13,036,165	15,679,650	6,809,084	— *31,529*	407,200	—	375,671	16,125	7,200,880
1892-3	13,285,035	592,514	12,692,521	16,079,241	9,673,679	— *19,686*	612,200	—	592,514	21,027	10,287,290
1893-4	12,813,802	1,117,854	11,695,948	15,590,488	10,131,716	—*106,920*	852,200	372,574	1,117,854	46,246*	11,295,816
1894-5 (Revised).	11,715,500	1,726,000	9,389,500	15,544,500	12,953,700	—*190,300*	1,134,300	782,000	1,726,000	71,900*	14,751,600
1895-6 (Budget).	11,316,800	1,979,500	9,337,300	15,681,600	13,068,000	— *88,400*	1,156,400	911,500	1,979,500	86,500*	15,134,000
10 years, 1884-5 to 1894-5.	— *2,019,274*	1,554,083	— *3,573,357*	1,751,945	9,602,221	—*177,917*	950,000	782,000	1,554,083	59,393	11,215,697
20 years, 1875-6 to 1895-6.	— *6,571,317*	1,922,442	— *8,493,759*	3,180,027	11,695,320	—*145,458*	1,156,400	911,500	1,922,442	81,752	13,699,514

* Including Rx. 18,385 in 1893-4, Rx. 30,200 in 1894-5, and Rx. 38,200 in 1895-6, for compensation to officers.

TABLE XIX.

INCREASE or DECREASE of NET CHARGE for EXCHANGE on IMPERIAL ACCOUNT.†

(Column 7 in Table II.)

Years.	Total of Direct Charges caused by Exchange included in Net Expenditure. (Cols. 6 & 10 in Table XVIII.)	Increase or Decrease on account of					
		Net Sterling Expenditure.	Remittance Accounts.	British Soldiers' Pay.	Compensation to Officers.*	Tota (Colum in Table	
1.	2.	3.	4.	5.	6.	7.	
Amount in:	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	
1875-6 -	1,429,738	1,372,680	57,058	—	—	1,429,738	21
1876-7 -	2,452,458	874,355	148,365	—	—	1,022,720	20·5
1877-8 -	2,265,041	— *129,099*	— *58,318*	—	—	— *187,417*	20·791
1878-9 -	3,107,935	764,040	78,854	—	—	842,894	19·794
1879-80 -	2,948,773	— *12,278*	— *146,884*	—	—	— *159,162*	19·961
1880-1 -	2,265,351	— *611,909*	— *71,513*	—	—	— *683,422*	19·956
1881-2 -	2,504,995	155,966	83,678	—	—	239,644	19·895
1882-3 -	3,104,201	625,806	— *26,600*	—	—	599,206	19·525
1883-4 -	3,351,840	327,326	— *125,687*	46,000	—	247,639	19·536
1884-5 -	3,523,396	— *15,408*	48,664	138,300	—	171,556	19·308
1885-6 -	4,271,454	960,053	— *251,995*	40,000	—	748,058	18·254
1886-7 -	5,613,004	999,370	290,680	51,500	—	1,341,550	17·441
1887-8 -	6,025,311	1,021,980	— *770,773*	161,100	—	412,307	16·898
1888-9 -	6,359,175	460,746	— *206,982*	80,100	—	333,864	16·379
1889-90 -	6,741,305	— *297,479*	564,709	114,900	—	382,130	16·566
1890-1 -	5,455,842	—*1,549,309*	308,546	— *44,700*	—	—*1,285,463*	18·089
1891-2 -	7,184,755	1,862,244	46,669	— *180,000*	—	1,728,913	16·733
1892-3 -	10,266,193	2,864,595	11,843	205,000	—	3,081,438	14·985
1893-4 -	11,249,570	458,037	— *87,234*	240,000	372,574	983,377	14·547
1894-5 (Revised Est.).	14,679,700	2,821,984	— *53,380*	282,100	409,426	3,430,130	13·090
1895-6 (Budget).	15,047,500	114,300	101,900	22,100	129,500	367,800	13,090
10 years, 1884-5 to 1894-5.	11,156,304	9,602,221	— *177,917*	950,000	782,000	11,156,304	—
20 years, 1875-6 to 1895-6.	13,617,762	11,695,320	— *145,458*	1,156,400	911,500	13,617,762	—
Amt. in Budget for 1895-6	15,047,500	13,068,000	— *88,400*	1,156,400	911,500	15,047,500	—

* Omitting portion included in the Net Revenue, *see* footnote to Table XVIII.

† This Table contains the charge included in Net Expenditure, but not that included in Net Revenue (Col. 11 of Table XVIII.)

TABLE XX.

INCREASE OR DECREASE of the PERMANENT DEBT of INDIA, 1875–6 to 1895–6.

Year.	INDIA. Amount, 1st of April.	Incurred.	Discharged.	Increase or Decrease.	ENGLAND. Amount, 1st of April.	Incurred.	Discharged.	Increase or Decrease.	Total Increase or Decrease, India and England.	Amount transferred to Public Works Portion of Debt.	Net Increase or Decrease of Ordinary Portion of Debt.
	Rx.	Rx.	Rx.	Rx.	£	£	£	£	118,446,992	21,983,676	96,463,316
1875–6	69,849,959	2,949,419	26,397	2,923,022	48,597,033	1,200,000	—	1,200,000	4,123,022	4,456,115	— *333,093*
1876–7	72,772,981	415,660	1,265,515	— *849,855*	49,797,033	6,100,000	500,000	5,600,000	4,750,145	4,027,363	722,782
1877–8	71,923,126	3,505,904	474,510	3,031,394	55,397,033	4,280,000	—	4,280,000	7,311,394	5,094,290	2,217,104
1878–9	74,954,520	3,908,574	24,168	3,884,406	59,677,033	3,726,584	3,374,500	352,084	4,236,490	4,482,589	— *246,091*
1879–80	78,838,926	5,157,571	1,123,988	4,033,583	60,029,117	11,435,939	2,609,500	8,826,439	12,860,022	15,018,370	— *2,158,348*
1880–1	82,872,509	3,049,548	63,681	2,985,867	68,855,556	5,044,537	2,470,961	2,573,576	5,559,443	6,228,708	— *669,265*
1881–2	85,858,376	3,000,175	205,387	2,794,788	71,429,132	2,455,647	5,742,832	— *3,287,185*	— *492,397*	4,633,363	— *5,125,760*
1882–3	88,653,164	2,670,110	634,508	2,035,602	68,141,947	6,730,333	6,286,586	443,747	2,479,349	5,705,123	— *3,225,774*
1883–4	90,688,766	2,525,988	22,165	2,503,823	68,585,694	1,841,001	2,317,858	— *476,857*	2,026,966	5,429,911	— *3,402,945*
1884–5	93,192,589	14,196	22,801	— *8,605*	68,108,837	4,299,956	3,137,705	1,162,251	1,153,646	7,004,363	— *5,850,717*
1885–6	93,183,984	2,319	549,233	— *546,914*	69,271,088	4,586,045	50,512	4,535,533	3,988,619	7,784,950	— *3,796,331*
1886–7	92,637,070	1,209,287	1,192,294	16,993	73,806,621	10,914,546	492,990	10,421,556	10,438,549	11,102,153	— *663,604*
1887–8	92,654,063	5,506,373	69,474	5,436,899	84,228,177	—	88,029	— *88,029*	5,348,870	2,959,570	2,389,300
1888–9	98,090,962	3,002,623	213,293	2,789,330	84,140,148	14,652,209	3,758,747	10,893,462	13,682,792	12,362,368	1,320,424
1889–90	100,880,292	2,000,690	119,117	1,881,573	95,033,610	4,161,000	1,002,219	3,158,781	5,040,354	3,273,099	1,767,255
1890–1	102,761,865	182	15,385	— *15,203*	98,192,391	6,895,000	679,183	6,215,817	6,200,614	8,235,682	— *2,035,068*
1891–2	102,746,662	7	54,352	— *54,345*	104,408,208	4,600,000	1,694,065	2,905,935	2,941,590	4,336,495	— *1,394,905*
1892–3	102,692,317	250,023	4,788	245,235	107,404,143	1,300,000	2,020,376	— *720,376*	— *475,141*	5,413,637	— *5,888,778*
1893–4	102,937,552	3,719,113	1,110,587	2,608,526	106,683,767	2,782,000	1,351,975	1,430,025	4,038,551	4,848,722	— *810,171*
1894–5 (Revised Estimate)	105,546,078	—	— *1,172,338*	— *1,172,338*	108,113,792	*6,000,000	107,966	5,892,034	4,719,696	5,281,300	— *561,604*
1895–6 (Budget Estimate)	104,373,740	—	—	—	114,005,826	—	—	—	218,379,566	149,661,839	68,717,727
					10 years, 1884–5 to 1894–5			- -	55,924,494	65,516,676	— *9,592,182*
					20 years, 1875–6 to 1895–6			- -	99,932,574	127,678,163	— *27,745,589*

* Includes 4,000,000*l.* for conversion into Permanent Debt of temporary debt incurred in 1893–94, leaving 2,000,000*l.* of temporary debt

TABLE XXI.

INCREASE or DECREASE of NET PROVINCIAL and LOCAL EXPENDITURE in INDIA.

(Column 5 in Table II.)

Provincial and Local Net Expenditure.	Increase or Decrease. Interest.	Post Office, and Telegraph.	Civil Administration and Miscellaneous Charges.	Famine Relief.	Public Works.	Total Expenditure.	Portion defrayed from Balances.	Total charged to Revenue (Col. 5 in Table II.).
2.	3.	4.	5.	6.	7.	8.	9.	10.
Rx. 6,653,806	Rx. — *16,486*	Rx. 79,153	Rx. 4,425,696	Rx. 93,412	Rx. 2,506,712	Rx. 7,088,487	Rx. 434,681	Rx. 6,653,806
6,693,258	10,709	5,785	— *128,788*	— *93,412*	— *64,463*	— *270,169*	— *309,621*	39,452
9,175,907	2,640	— *268*	2,179,802	209	— *192,601*	1,989,787	— *492,862*	2,482,649
10,429,623	— *7,214*	— *22*	229,175	164,012	520,162	906,113	— *347,603*	1,253,716
9,955,409	— *1,763*	— *705*	52,472	— *164,221*	— *257,891*	— *372,108*	102,106	— *474,214*
10,027,086	233	2,362	— *128,234*	32,252	480,396	387,009	315,338	71,671
12,037,218	— *9,043*	4,607	164,059	14,510	614,174	788,307	— *1,221,831*	2,010,138
10,986,511	1,258	1,967	1,282,776	— *30,953*	416,663	1,671,711	2,722,418	— *1,050,707*
10,833,927	— *10,637*	11,481	173,135	— *8,198*	— *1,056,312*	— *890,531*	— *737,947*	— *152,584*
11,629,005	2,950	— *3,607*	250,195	— *1,188*	370,993	619,343	— *175,735*	795,078
12,271,381	— *2,687*	2,746	34,809	34,235	— *239,583*	— *170,450*	— *812,826*	642,376
12,128,395	— *2,279*	1,768	133,211	— *39,617*	252,148	345,231	488,217	— *142,986*
12,351,603	3,639	— *513*	33,965	— *639*	— *148,170*	— *111,718*	— *334,926*	223,208
12,525,572	— *9,165*	489	174,388	7,397	86,333	259,442	85,473	173,969
13,104,805	5,018	875	151,665	60,489	97,308	315,355	— *263,878*	579,233
12,643,242	— *1,048*	— *1,385*	215,103	— *62,709*	136,099	286,060	747,623	— *461,563*
13,601,782	2,449	645	274,560	11,657	711,526	1,000,837	42,297	958,540
13,401,138	10,118	1,323	230,080	36,309	— *542,089*	— *264,209*	— *63,565*	— *200,644*
13,339,015	— *10,492*	4,171	290,157	— *53,049*	— *158,978*	71,809	133,932	— *62,123*
13,134,100	5,170	2,323	298,174	8,604	— *176,277*	137,994	342,909	— *204,915*
13,835,900	2,400	2,400	382,500	— *4,100*	287,700	670,900	— *30,900*	701,800
1,505,095	753	12,442	1,836,112	2,677	18,367	1,870,351	365,256	1,505,095
7,182,094	— *7,714*	36,447	6,293,204	— *88,412*	1,137,188	7,370,713	188,619	7,182,094
13,835,900	— *24,200*	115,600	10,718,900	5,000	3,643,900	14,459,200	623,300	13,835,900

TABLE XXII.

INCREASE OR DECREASE of NET PROVINCIAL and LOCAL EXPENDITURE in INDIA on CIVIL ADMINISTRATION and MISCELLANEOUS CIVIL CHARGES.
(Column 5 in Table XXI.)

Years.	Total Net Civil Charges.	Increase in Civil Administration.										Increase in Miscellaneous Civil Charges.				Total (Col. 5 in Table XXI.)
		General Administration.	Law and Justice.	Police.	Marine.	Education.	Ecclesiastical.	Medical.	Political.	Scientific and Minor Departments.	Total.	Superannuation.	Stationery and Printing.	Miscellaneous.	Total.	
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Amount in:	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875-6 -	4,425,696	25,239	460,436	2,229,145	— 359	873,430	4,064	448,898	908	53,382	4,098,193	— 2,384	125,341	204,546	327,503	4,425,696
1876-7 -	4,296,908	7,240	— 4,629	61,838	544	—18,207	297	— 3,698	— 277	— 5,270	37,838	— 451	1,724	—167,899	—166,626	—128,788
1877-8 -	6,476,710	507,422	1,543,568	—68,872	—17,112	488	26,499	47,008	— 169	7,020	2,045,852	141,221	89,493	—96,764	133,950	2,179,802
1878-9 -	6,705,885	40,844	182,096	—29,678	35,805	—29,332	6,246	—27,000	— 76	14,460	193,365	—22,344	44,906	13,248*	35,810	229,175
1879-80 -	6,758,357	5,012	—33,103	18,472	—19,809	— 8,738	2,315	—15,856	198	5,723	—45,486	26,699	13,038	58,221*	97,958	52,472
1880-1 -	6,630,123	17,742	—63,669	—14,531	— 8,467	2,381	949	3,939	— 17	— 1,768	—62,441	189	— 6,998	—58,984*	— 65,793	—128,234
1881-2 -	6,794,182	2,591	— 6,136	32,394	30,601	60,810	1,328	19,218	511	19,953	161,210	11,014	— 1,247	— 6,918*	2,849	164,059
1882-3 -	8,076,958	119,283	422,733	111,289	2,477	58,083	— 41,693	145,430	139	45,799	863,535	354,048	52,856	12,337	419,241	1,282,776
1883-4 -	8,250,093	47,779	49,384	40,628	4,982	30,449	—	21,708	— 564	— 9,697	184,669	— 9,654	3,788	— 5,668	— 11,534	173,135
1884-5 -	8,500,288	7,622	73,150	60,587	13,418	51,408	—	29,276	— 80	— 7,906	227,475	28,909	17,344	—23,533	22,720	250,195
1885-6 -	8,535,097	—22,860	37,517	1,690	—29,571	5,895	—	181	— 439	6,855	— 732	17,067	— 4,446	22,920	35,541	34,809
1886-7 -	8,668,308	15,705	8,495	95,642	— 3,547	55,243	—	— 6,896	103	—32,376	132,369	22,384	—21,298	— 244	842	133,211
1887-8 -	8,702,273	471	5,193	35,490	4,083	—31,674	—	— 3,107	14,874	—13,915	11,415	25,562	28,667	—31,679	22,550	33,965
1888-9 -	8,876,661	20,937	72,711	—30,960	19,964	16,559	7	13,227	37,902	352	150,699	32 975	928	—10,214	23,689	174,388
1889-90 -	9,028,326	16,676	—16,660	55,002	26,939	31,610	— 7	14,185	27	—12,228	115,544	35,334	14,301	—14,014	36,121	151,6
1890-1 -	9,243,429	4,762	64,122	90,915	—33,663	49,304	—	20,444	1,262	4,669	196,815	22,742	— 3,400	— 1,054	18,288	215
1891-2 -	9,517,989	6,714	56,239	42,474	4,259	41,423	—	73,195	2,266	1,453	228,023	27,331	35,697	—16,491	46,537	27
1892-3 -	9,748,069	22,957	43,994	52,119	358	11,821	—	40,092	15,167	8,556	195,064	33,387	29,770	—33,141	35,016	2
1893-4 -	10,038,226	28,493	118,578	27,242	5,833	27,872	—	33,140	—4,285	17,822	254,695	27,029	— 718	9,151	35,462	
1894-5 (Rev. Estimate).	10,336,400	30,221	79,381	125,174	—20,835	25,475	—	18,516	750	— 6,984	251,[illegible]	37,642	28,054	—19,220	46,476	
1895-6 (Budget).	10,718,900	2,000	82,000	94,400	15,900	84,700	—	43,100	5,200	11,600	338,900	12,90[illegible]	— 5,300	36,000	4	
10 yrs. 1884-5 to 1894-5 -	1,836,112	124,076	469,570	494,788	—31,180	233,528	—	202,977	67,627	—25,796	1,535,590	286,953	107,535	—93,98		
20 yrs. 1875-6 to 1895-6 -	6,293,204	881,611	2,715,964	801,255	27,459	465,570	— 4,064	466,102	72,492	54,118	5,480,507	829,484	317,159	—83		
Amount in Budget for 1895-6 -	10,718,900	909,900	3,176,400	3,030,400	27,100	1,339,000	—	915,000	73,400	107,500	9,573,700	827,100	442,500	—1		

* A small amount (less than Rx. 1,000) for Civil Furlough, is included in Miscellaneous in each of the years from 1878-9

TABLE XXIII.

INCREASE or DECREASE of NET PROVINCIAL and LOCAL EXPENDITURE on PUBLIC WO
(Column 7 in Table XXI.)

Years.	Net Expenditure on Public Works.	Increase or Decrease in					Total (Col. 7 in Table XXI.)
		Construction of Railways.	Railway Revenue Account.	Irrigation.	Military Works.	Civil Buildings and Roads.	
1.	2.	3.	4.	5.	6.	7.	8.
Amount in:	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1875-6 - -	2,506,712	50,347	— 1,393	— 13,040	—	2,470,798	2,506,712
1876-7 - -	2,442,249	— 50,347	— 17,155	— 26,266	—	29,305	— 64,463
1877-8 - -	2,249,648	2,527	25,009	236,981	—	— 457,118	— 192,601
1878-9 - -	2,769,810	11,333	132,355	109,412	27,448	239,614	520,162
1879-80 - -	2,511,919	— 4,653	— 40,314	31,111	6,366	— 250,401	— 257,891
1880-1 - -	2,992,315	8,936	— 64,494	126,414	15,562	393,978	480,396
1881-2 - -	3,606,489	187,095	— 14,554	— 19,333	— 689	461,655	614,174
1882-3 - -	4,023,152	— 28,822	167,307	— 63,732	—48,376	390,286	416,663
1883-4 - -	2,966,840	— 445,019	— 387,349	—144,535	— 311	— 79,098	—1,056,312
1884-5 - -	3,337,833	359,279	286,004	— 64,708	—	— 209,582	370,993
1885-6 - -	3,098,250	41,379	40,293	137,997	—	— 459,252	— 239,583
1886-7 - -	3,350,398	51,022	— 144,495	— 32,256	—	377,877	252,148
1887-8 - -	3,202,228	— 102,132	— 218,434	389,975	—	— 217,579	— 148,170
1888-9 - -	3,288,561	— 58,544	4,473	29,746	—	110,658	86,333
1889-90 - -	3,385,869	— 17,427	— 64,274	16,747	—	162,262	97,308
1890-1 - -	3,521,968	— 9,786	— 111,621	— 9,441	—	266,947	136,099
1891-2 - -	4,233,494	168,045	169,972	17,506	—	356,003	711,526
1892-3 - -	3,691,455	— 24,971	— 173,026	— 83,163	—	— 260,879	— 542,039
1893-4 - -	3,532,477	— 64,359	28,696	— 22,591	—	— 100,724	— 158,978
1894-5 (Rev. Est.)	3,356,200	— 53,803	— 75,900	50,576	—	— 97,150	— 176,277
1895-6 (Budget)	3,643,900	— 10,700	— 6,100	122,000	—	182,500	287,700
10 years, 1884-5 to 1894-5 -	18,367	— 70,576	— 544,316	495,096	—	138,163	18,367
20 years, 1875-6 to 1895-6 -	1,137,188	— 40,947	— 463,607	802,440	—	839,302	1,137,188
Amount in Budget for 1895-6	3,643,900	9,400	— 465,000	789,400	—	3,310,100	3,643,900

[illegible] not be stated for 1876–7.]

INCREASE or DE[illegible]N on PROVINCIAL and LOCAL ACCOUNT.

[illegible]ble XXII.)

Provinces.	1877–8.	1878–9.	1879–80.	1880–1.	1881–2.	1882–3.	18[illegible]	[illegible]	[illegible]885–6.	1886–7.	1887–8.	1888–9.	1889–90.	1890–1.	1891–2.	1892–3.	1893–4.	Revised Estimate, 1894–5.	Budget, 1895–6.	Total. 10 years, 1884–5 to 1894–5.	Total. 19 years, 1876–7 to 1895–6.
India, General	Rx. *596*	Rx. *3,833*	Rx. —	Rx. —	Rx. —	Rx. —	Rx. 2,223	Rx. 190	Rx. 191	Rx. *2,[illegible]579*	Rx. *1*	Rx. *3*	Rx. 121	Rx. 2	Rx. *15*	Rx. 4	Rx. *7*	Rx. 74	Rx. —	Rx. *2,213*	Rx. *4,228*
Central Provinces	34,807	*925*	*643*	792	*1,822*	891	13,715	1,603	*13,457*	2,717	1,084	*2,933*	833	*1,007*	2,316	4,930	4,138	4,211	2,200	2,832	53,420
Burma	*221*	29,753	653	3,164	1,150	2,411	3,074	*1,183*	2,266	401	11,116	8,980	4,970	*2,030*	619	2,248	1,158	6,960	1,300	36,688	76,789
Assam	8	13,589	*2,987*	7,496	*753*	916	3,134	*2,578*	*718*	599	1,443	*782*	3,520	*2,567*	*964*	5,460	4,536	*754*	1,200	9,773	29,798
Bengal	128,079	8,050	3,964	5,116	*1,003*	6,234	5,307	6,413	*1,870*	2,306	*1,978*	10,485	5,960	*2,579*	4,790	3,630	6,941	2,578	*1,200*	30,263	191,223
North-West Provinces and Oudh.	123,137	*2,494*	3,915	*3,065*	69	1,792	10,263	1,778	*177*	*844*	*3,331*	3,984	*4,046*	6,115	*3,536*	2,761	4,807	2,759	2,600	3,492	141,487
Punjab	101,575	189	2,296	*3,060*	2,858	5,356	8,372	*6,150*	*8,154*	4,781	*5,109*	*2,142*	53	5,971	*713*	3,012	4,048	3,468	*300*	5,215	116,351
Madras	*9*	*1,798*	746	3,323	3,341	101,620	*1,518*	5,528	*114*	2,621	*3,759*	1,785	4,291	1,451	4,479	462	1,873	3,852	*3,500*	16,941	124,674
Bombay	120,642	*1,628*	*2,962*	3,976	*1,249*	63	3,209	2,021	*827*	5,703	1,[illegible]06	1,563	974	*594*	4,738	450	999	7,073	*300*	21,085	144,857
Total (Column 3 in Table XXII.)	507,422	40,844	5,012	17,742	2,591	119,283	47,779	7,622	*22,860*	15,705	471	20,937	16,676	4,762	6,714	22,957	23,493	30,221	2,000	124,076	874,371

TABLE XXV.

INCREASE or DECREASE in LAW and JUSTICE on PROVINCIAL and LOCAL ACCOUNT.
(Column 4 in Table XXII.)

Provinces.	1877–8.	1878–9.	1879–80.	1880–1.	1881–2.	1882–3.	1883–4.	1884–5.	1885–6.	1886–7.	1887–8.	1888–9.	1889–90.	1890–1.	1891–2.	1892–3.	1893–4.	Revised Estimate, 1894–5.	Budget, 1895–6.	Total. 10 years, 1884–5 to 1894–5.	Total. 19 years, 1876–7 to 1895–6.
India, General	Rx. 1,392	Rx. *5,870*	Rx. *333*	Rx. 553	Rx. *108*	Rx. 72	Rx. 12	Rx. 59	Rx. *34*	Rx. *56*	Rx. 69	Rx. *33*	Rx. *93*	Rx. 15	Rx. 43	Rx. *61*	Rx. 61	Rx. *13*	Rx. —	Rx. *102*	Rx. *4,325*
Central Provinces	48,424	9,645	*761*	*4,210*	*736*	7,366	*4,975*	1,884	275	6,747	2,552	1,472	763	*624*	4,730	5,557	1,582	5,994	*200*	29,048	85,485
Burma	*198*	70,718	*8,252*	14,061	390	7,444	7,859	13,829	3,298	17,561	*12,646*	17,241	*12,424*	*5,114*	908	*2,274*	21,222	14,163	17,200	41,965	165,016
Assam	*154*	41,760	145	*5,941*	*1,439*	2,575	1,530	*655*	*246*	*2*	*641*	2,412	712	1,966	*2,784*	*696*	3,718	2,806	4,300	7,245	49,366
Bengal	554,693	19,214	*4,161*	2,718	24,948	57,950	30,214	1,755	28,584	*9,399*	*13,086*	34,602	5,686	22,865	7,766	15,780	33,636	11,470	11,400	137,904	836,635
North-West Provinces and Oudh.	357,439	22,196	*14,668*	*2,279*	*9,159*	11,699	*14,575*	18,767	*13,031*	*11,068*	28,628	3,206	8,589	25,816	23,363	1,713	29,069	34,508	*2,300*	130,853	407,073
Punjab	184,479	11,063	*1,131*	*13,001*	*3,652*	6,152	9,870	15,465	20,363	3,615	10,055	12,172	*11,580*	9,792	12,764	12,891	11,586	*4,454*	19,200	77,204	305,589
Madras	*40,551*	22,764	18,756	*19,509*	*15,984*	329,196	9,767	4,835	3,180	9,213	*1,032*	481	*1,690*	2,276	11,021	12,866	2,622	3,522	13,900	42,459	365,573
Bombay	438,044	*9,334*	*22,698*	*35,061*	*896*	339	9,682	17,211	*4,872*	*8,116*	*8,736*	1,158	*6,623*	7,130	*1,572*	*1,782*	15,082	11,325	18,500	2,994	419,281
Total (Col. 4 in Table XXII.)	1,543,568	182,096	*33,103*	*62,669*	*6,136*	422,733	49,384	73,150	37,517	8,495	5,193	72,711	*16,660*	64,122	56,239	43,994	118,578	79,381	82,000	469,570	2,720,593

TABLE XXVI.

INCREASE or DECREASE in POLICE on PROVINCIAL and LOCAL ACCOUNT.
(Column 5 in Table XXII.)

Provinces.	1877-8.	1878-9.	1879-80.	1880-1.	1881-2.	1882-3.	1883-4.	1884-5.	1885-6.	1886-7.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.	Revised Estimate, 1894-5.	Budget 1895-6.	Total. 10 years, 1884-5 to 1894-5.	Total. 19 years, 1876-7 to 1895-6.
India, General	Rx. 292	Rx. — 8,858	Rx. 94	Rx. — 661	Rx. 739	Rx. 125	Rx. 801	Rx. 224	Rx. 278	Rx. — 278	Rx. — 60	Rx. — 150	Rx. — 379	Rx. — 284	Rx. 121	Rx. — 235	Rx. 258	Rx. — 293	Rx. 700	Rx. — 1,022	Rx. — 7,566
Central Provinces	121	406	— 8,752	1,212	766	13,102	1,225	1,008	3,349	1,944	— 2,688	— 1,229	1,025	— 1,318	791	8,077	4,905	— 1,291	5,800	13,565	28,453
Burma	— 4,090	— 733	15,908	— 2,783	17,608	48,496	14,218	— 6,606	4,111	55,588	22,214	— 10,404	3,952	— 5,208	— 27,294	24	4,768	13,701	7,200	61,452	150,670
Assam	1,035	10,348	— 1,166	2,019	6,981	— 8,075	11,647	6,727	— 4,772	3,177	306	1,919	— 2,362	25,984	956	— 7,109	13,364	— 4,248	13,600	27,115	70,231
Bengal	12,996	— 26,286	— 7,815	— 553	2,174	41,032	4,891	8,320	— 934	— 9,941	2,776	5,733	41,522	49,508	8,903	10,545	— 27,164	34,123	7,700	115,071	157,430
North-West Provinces and Oudh.	— 19,552	— 5,421	14,568	— 11,950	3,436	— 10,849	5,858	28,788	11,610	— 6,827	4,023	— 501	8,942	6,670	2,346	24,791	16,547	18,941	15,500	86,542	106,920
Punjab	809	1,896	— 3,418	4,400	6,168	— 7,393	451	1,322	— 10,147	1,047	1,829	— 964	878	733	22,939	45,951	— 9,119	11,650	4,400	64,697	73,132
Madras	— 89,166	37,340	3,609	— 9,901	— 5,341	— 117	7,195	4,586	— 2,800	9,243	— 13,442	— 5,745	7,395	12,818	15,788	2,424	11,774	3,775	27,900	41,230	17,335
Bombay	28,683	— 33,270	5,444	3,686	— 197	35,168	— 5,658	16,218	995	41,689	20,532	— 19,619	— 5,971	2,012	18,024	— 32,349	11,909	48,916	11,600	86,138	142,812
Total (Col. 5 in Table XXII.)	— 68,872	— 29,678	18,472	— 14,531	32,334	111,289	40,628	60,587	1,690	95,642	35,490	— 30,960	55,002	90,915	42,474	52,119	27,242	125,174	94,400	494,788	739,417

TABLE XXVII.

INCREASE or DECREASE in EDUCATION on PROVINCIAL and LOCAL ACCOUNT.
(Column 7 in Table XXII.)

Provinces.	1877-8.	1878-9.	1879-80.	1880-1.	1881-2.	1882-3.	1883-4.	1884-5.	1885-6.	1886-7.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.	Revised Estimate, 1894-5.	Budget, 1895-6.	Total. 10 years, 1884-5 to 1894-5.	Total. 19 years, 1876-7 to 1895-6.
India, General	Rx. 1,539	Rx. — 8,743	Rx. — 151	Rx. 1,805	Rx. 2,090	Rx. 172	Rx. — 4,152	Rx. — 40	Rx. 187	Rx. 337	Rx. — 451	Rx. 1,332	Rx. — 893	Rx. — 340	Rx. 290	Rx. — 90	Rx. — 24	Rx. — 50	Rx. —	Rx. 298	Rx. — 7,182
Central Provinces	— 1,509	1,219	— 907	334	2,235	— 974	— 63	1,998	— 2,839	6,367	— 2,935	— 1,706	— 7	1,203	638	439	1,106	7,196	1,700	9,462	13,495
Burma	— 1,866	— 2,242	— 2,267	1,156	4,185	630	7,604	2,713	4,152	4,670	— 4,644	— 3,491	— 3,192	3,167	2,494	1,130	6,025	3,244	7,700	13,555	31,162
Assam	— 343	305	— 160	1,828	929	2,289	1,876	1,518	1,306	1,256	— 221	29	81	948	532	335	2,186	— 118	5,800	6,334	20,376
Bengal	6,686	3,215	— 5,253	4,797	13,610	27,293	12,867	25,309	— 10,663	7,636	— 5,107	5,142	5,248	2,512	10,622	— 6,713	7,596	3,542	15,400	19,815	123,739
North-West Provinces and Oudh.	— 9,301	— 12,881	— 4,309	— 4,374	5,510	4,693	—		— 5,276	— 3,620	14,421	— 3,526	— 33	— 258	3,036	8,107	— 991	— 228	2,200	6,632	— 6,580
Punjab	3,260	404	— 788	— 323	5,778	— 95				20,096	— 22,340	9,451	2,153	3,761	6,143	— 49	— 4,608	635	8,800	18,536	40,782
Madras	1,120	— 6,601	757	1,122	18,106	11,42				66	— 1,061	— 4,360	16,216	29,199	13,295	8,557	8,349	— 1,413	22,300	71,777	129,309
Bombay	902	— 4,002	4,340	— 3,964	8,367	19					— 9,336	13,688	12,032	9,112	4,373	105	8,233	12,667	20,800	87,119	133,676
Total (Col. 7 in Table XXII.)	488	— 29,332	— 8,739	2,381	60,810						74	16,559	31,610	49,304	41,423	11,821	27,872	25,475	84,700	233,528	483,777

INCREASE OR [redacted] PROVINCIAL and LOCAL ACCOUNT.

[redacted] XXII.)

Provinces.	1877-8.	1878-9.	1879-80.	1880-1.	1881-2.	1882-3.	1883-4.	[redacted]	1885-6.	1886-7.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.	Revised Estimate, 1894-5.	Budget, 1895-6.	Total. 10 Years, 1884-5 to 1894-5.	Total. 19 Years, 1876-7 to 1895-6.
India, General	Rx. *54*	Rx. *11,418*	Rx. 150	Rx. 770	Rx. *70*	Rx. 133	Rx. 442	Rx. *285*	Rx. 1,134	Rx. *942*	Rx. 112	Rx. 90	Rx. *144*	Rx. *326*	Rx. 140	Rx. 172	Rx. *28*	Rx. 258	Rx. —	Rx. 466	Rx. *9,866*
Central Provinces	*2,064*	2,452	*3,517*	*1,026*	*498*	16,034	*518*	*1,256*	1,735	534	*275*	*997*	628	159	*99*	4,602	1,234	*1,167*	900	6,354	16,861
Burma	2,024	7,174	*706*	4	1,309	*2,958*	2,679	1,575	*289*	152	*1,217*	1,940	*2,453*	2,716	*543*	2,731	2,347	2,032	4,900	6,516	22,517
Assam	141	440	169	291	673	7,652	934	2,130	1,750	721	634	1,420	1,609	3,314	968	1,881	569	2,361	1,100	15,227	28,757
Bengal	*388*	*16,764*	*13,608*	3,969	*1,616*	29,500	*1,152*	7,409	*1,704*	1,487	*47*	5,906	5,233	5,606	1,139	3,458	11,825	6,346	8,200	39,249	54,799
North-West Provinces and Oudh.	1,293	*3,477*	3,764	489	*1,975*	27,032	11,151	4,268	977	790	*7,066*	879	3,195	1,197	882	6,671	2,916	443	4,300	10,884	57,729
Punjab	*50*	*277*	1,439	1,013	5,717	25,168	2,115	1,253	*2,624*	2,919	*3,930*	4,046	*64*	*203*	1,197	8,113	1,183	3,161	4,700	13,801	54,879
Madras	13,520	*944*	*5,186*	*2,957*	13,535	39,999	2,482	8,063	565	*6,795*	2,366	3,119	11,883	1,518	67,404	1,543	10,494	1,625	6,200	93,722	168 434
Bombay	32,586	*4,186*	1,639	1,386	2,143	2,870	3,575	6,119	*1,363*	*5,762*	6,316	*2,276*	*5,703*	6,463	2,107	10,921	2,600	3,457	12,800	16,758	75,690
Total (Col. 8 in Table XXII.)	47,008	*27,000*	*15,856*	3,939	19,218	145,430	21,708	29,276	181	*6,896*	*3,107*	13,227	14,185	20,444	73,195	40,092	33,140	18,516	43,100	202,977	469,800

TABLE XXIX.

INCREASE OR DECREASE in STATIONERY and PRINTING on PROVINCIAL and LOCAL ACCOUNT.

(Column 14 in Table XXII.)

Provinces.	1877-8.	1878-9.	1879-80.	1880-1.	1881-2.	1882-3.	1883-4.	1884-5.	1885-6.	1886-7.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.	Revised Estimate, 1894-5.	Budget, 1895-6.	Total. 10 Years, 1884-5 to 1894-5.	Total. 19 Years, 1876-7 to 1895-6.
India, General	Rx. 114	Rx. *493*	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. —	Rx. 52	Rx. *40*	Rx. *9*	Rx. *3*	Rx. —	Rx. —	Rx. *384*
Central Provinces	6,224	*187*	*1,663*	1,455	*947*	3,108	*2,672*	1,430	1,036	*1,988*	1,137	637	2,855	305	*1,330*	1,248	1,536	2,021	500	8,107	15,855
Burma	1,980	4,605	1,897	*2,544*	3,284	1,215	262	365	*70*	*219*	6,477	7,373	11,832	*5,301*	592	7,711	3,629	3,241	3,800	35.265	50,129
Assam	606	3,599	*1,230*	*221*	437	298	1,480	394	*1,174*	*236*	*67*	*47*	559	*63*	1,306	*584*	2,192	1,009	*500*	2,893	7,708
Bengal	50,580	7,887	*6,636*	6,476	*6,826*	16,598	*10,689*	17,131	*5,437*	*8,767*	3,095	*870*	*298*	1,701	32,364	6,023	*11,318*	15,749	*9,300*	33,342	98,563
North-West Provinces and Oudh.	229	8,743	*5,748*	*5,298*	11,832	5,570	*799*	9,841	*2,768*	*1,930*	*6,499*	4,119	*1,055*	*446*	327	10,319	*4,646*	4,811	*4,300*	2,232	22,302
Punjab	*112*	16,372	*4,885*	2,390	5,398	280	*2,053*	2,821	1,487	2,435	113	*2,877*	4,697	2,066	1,879	*4,467*	228	489	700	6,050	27,461
Madras	3,732	*576*	37,850	*7,040*	*15,760*	21,246	13,484	*10,182*	*1,676*	*7,596*	22,609	*9,101*	*6,052*	558	*205*	*2,118*	4,843	*1,118*	1,300	144	44,198
Bombay	26,140	4,461	*6,497*	*2,216*	1,335	4,541	4,775	*4,456*	4,156	*3,047*	1,802	1,194	1,763	*2,220*	712	11,078	2,827	1,255	2,500	19,520	50,103
Total (Col. 13 in Table XXII.)	89,493	44,906	13,038	*6,998*	*1,247*	52,856	3,788	17,344	*4,446*	*21,298*	28,667	928	14,301	*3,400*	35,697	29,770	*718*	28,054	*5,300*	107,555	316,435

TABLE XXX.

PROVINCIAL BALANCES—SPECIAL CONTRIBUTIONS.

Provinces.	Contributions to Imperial Government *and Repayments by it.*						
	1879–80.	1880–1.	1882–3.	1885–6.	1886–7.	1890–1.	1894–5.
1.	2.	3.	4.	5.	6.	7.	8.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
India, General	—	—	—	—	—	—	—
Central Provinces	25,000	25,000	— *50,000*	—	120,000	30,000	43,000
Burma	30,000	30,000	— *60,000*	Minimum balance made up by Imperial Government.	—	—	180,000
Assam	15,000	15,000	— *30,000*	—	20,000	10,000	16,000
Bengal	100,000	100,000	— *200,000*	—	—	100,000	30,000
North-West Provinces and Oudh	75,000	75,000	— *150,000*	—	—	—	50,000
Punjab	30,000	30,000	— *60,000*	—	—	—	—
Madras	20,000	20,000	— *40,000*	—	60,000	175,000	30,000
Bombay	40,000	40,000	— *80,000*	—	200,000	175,000	56,000
Total	335,000	335,000	— *670,000*	—	400,000	490,000	405,000

TABLE XXXI.

PROVINCIAL BALANCES—AMOUNT at end of each YEAR.

March 31.	1875.	1876.	1877.	1878.	1879.	1880.	1881.	1882.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Central Provinces	52,645	61,177	77,977	84,510	91,559	63,426	66,382	161,603
Burma	12,611	10,893	15,993	71,905	144,701	267,764	288,597	350,962
Assam	4,400	5,350	15,183	18,234	23,369	31,137	58,016	103,590
Bengal	337,001	68,612	95,590	268,970	427,902	510,425	499,112	754,301
North-West Provinces and Oudh	— *19,919*	— *4,996*	123,473	127,942	265,042	585,771	666,561	1,334,174
Punjab	136,133	35,304	62,214	36,605	84,800	90,817	150,314	296,293
Madras	26,932	7,092	7,596	53,016	58,009	80,886	73,071	137,337
Bombay	167,381	141,287	569	60,000	121,249	110,148	148,003	566,786
Total	717,184	324,719	398,595	721,182	1,216,631	1,740,374	1,950,056	3,705,046

TABLE XXXI—*continued.*

PROVINCIAL BALANCES—*continued.*

March 31.	1883.	1884.	1885.	1886.	1887.	1888.	1889.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Central Provinces	195,378	271,590	289,635	311,715	196,059	209,206	231,789
Burma	179,755	89,725	—	—	71,743	148,771	160,331
Assam	117,477	112,261	71,684	96,983	68,407	76,159	102,502
Bengal	214,690	68,663	120,204	146,981	199,892	330,899	265,107
North-West Provinces and Oudh	1,052,952	695,322	626,274	446,214	433,806	380,716	426,664
Punjab	185,327	169,562	128,016	170,463	173,569	186,015	218,156
Madras	286,155	295,607	208,324	355,016	433,705	539,076	653,008
Bombay	416,892	412,365	418,371	710,347	548,978	524,404	542,726
Total	2,648,626	2,115,095	1,862,508	2,237,719	2,126,159	2,395,246	2,600,283

TABLE XXXI.—*continued.*

PROVINCIAL BALANCES—*continued.*

[illegible]arch 31.	1890.	1891.	1892.	1893.	1894.	Revised Estimate, 1895.	Budget 1896.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
[illegible] Provinces	219,467	187,894	205,434	183,636	122,864	39,200	60,000
[illegible]urma	224,403	330,619	381,217	447,859	357,206	74,000	60,000
Assam	122,591	104,720	135,905	145,241	116,709	91,000	50,000
Bengal	367,654	247,277	235,343	225,517	262,404	337,300	326,200
North-West Provinces and Oudh	529,374	516,830	512,431	495,679	470,524	320,900	200,000
Punjab	247,420	278,787	277,068	171,018	148,319	130,400	105,500
Madras	797,580	660,841	419,071	259,990	293,626	350,000	227,300
Bombay	584,087	460,200	407,011	383,122	402,565	304,300	206,400
Total	3,092,576	2,787,168	2,573,480	2,312,062	2,174,217	1,647,100	1,235,400

TABLE XXXII.

COMPARISON of the NET REVENUE and NET EXPENDITURE of INDIA for 1884–5 and 1894–5, as shown in TABLE I. of the APPENDIX, and in TABLE I. of the MEMORANDUM of the BRITISH COMMITTEE of the INDIAN NATIONAL CONGRESS.

	1884–85.		1894–95. Revised Estimate.	
	Net Revenue.	Net Expenditure.	Net Revenue.	Net Expenditure.
	Rx.	Rx.	Rx.	Rx.
Figures in Table I. of the Appendix	41,521,367	41,907,813	53,738,300	52,747,800
Additions to be made to both Net Revenue and Net Expenditure:				
Cost of collection of Revenue	9,358,219	9,358,219	9,614,900	9,614,900
Miscellaneous Receipts	342,954	342,954	451,500	451,500
Exchange on Remittance Transactions	12,383	12,383	190,300	190,300
Net Expenditure stated in Table I. of the British Committee's Memorandum, with corresponding Net Revenue	51,234,923	51,621,369	63,995,000	63,004,500
Deficit or Surplus shown in Table I. of the Appendix	—	386,446	—	—
	—	—	990,500	—

TABLE XXXIII.

SUMMARY of the FIGURES in TABLES IV., V., and VI., to which Reference is made in Paragraph 9 of the MEMORANDUM of the BRITISH COMMITTEE of the INDIAN NATIONAL CONGRESS.

(In thousands of Rx., omitting 000).

Increase of Net Expenditure.	1875–6 to 1884–5. 9 Years.			1884–5 to 1895–6. 11 Years.			1875–6 to 1895–6. 20 Years.		
	Excluding Exchange.	Exchange.	Total.	Excluding Exchange.	Exchange.	Total.	Excluding Exchange.	Exchange.	Total.
Collection of Revenue	1,774	7	1,781	1,418	180	1,598	3,192	187	3,379
Civil Services	2,064	305	2,369	3,437	2,202	5,639	5,501	2,507	8,008
	3,838	312	4,150	4,855	2,382	7,237	8,693	2,694	11,387
Military Services	339	753	1,092	4,097	4,307	8,404	4,436	5,060	9,496
	4,177	1,065	5,242	8,952	6,689	15,641	13,129	7,754	20,883
Other heads	*— 1,189*	1,106	*— 83*	*— 7,398*	5,492	*— 1,906*	*— 8,587*	6,598	*— 1,989*
Total	2,988	2,171	5,159	1,554	12,181	13,735	4,542	14,352	18,894

HOME CHARGES

(in thousands of £ and Rx., omitting 000).

Increase of Net Home Charges.	1875–6 to 1884–5. 9 Years.			1884–5 to 1895–6. 11 Years.			1875–6 to 1895		
	Excluding Exchange.	Exchange.	Total.	Excluding Exchange.	Exchange.	Total.	Excluding Exchange.	Exchan	
Collection of Revenue	10	7	17	5	36	41	15	43	
Civil Services	105	305	410	419	1,649	2,068	524	1,954	2,478
	115	312	427	424	1,685	2,109	539	1,997	2,536
Military Services	436	569	1,005	498	2,724	3,222	934	3,293	4,227
	551	881	1,432	922	4,409	5,331	1,473	5,290	6,763
Other heads	748	1,106	1,854	965	5,343	6,308	1,713	6,449	8,162
Total	1,299	1,987	3,286	1,887	9,752	11,639	3,186	11,739	14,925

EXCHANGE

(in thousands of Rx., omitting 000).

Increase of Net Charge for Exchange.	Increase due to Fall in Exchange.			Increase due to Additional Expenditure.			Total.		
	1875–6 to 1884–5. 9 Years.	1884–5 to 1895–6. 11 Years.	1875–6 to 1895–6. 20 Years.*	1875–6 to 1884–5. 9 Years.	1884–5 to 1895–6. 11 Years.	1875–6 to 1895–6. 20 Years.*	1875–6 to 1884–5. 9 Years.	1884–5 to 1895–6. 11 Years.	1875–6 to 1895–6. 20 Years.*
Collection of Revenue	5	32	31	2	148	156	7	180	187
Civil Services	279	1,299	1,517	26	903	990	305	2,202	2,507
	284	1,331	1,548	28	1,051	1,146	312	2,382	2,694
Military Services	463	2,309	2,515	290	1,998	2,545	753	4,307	5,060
	747	3,640	4,063	318	3,049	3,691	1,065	6,689	7,754
Other heads	925	4,539	5,021	181	953	1,577	1,106	5,492	6,598
Total	1,672	8,179	9,084	499	4,002	5,268	2,171	12,181	14,352

* In this Table the increase in 20 years is not the sum of the increase in the two periods.

APPENDIX No. 10.

Paper handed in by Sir William Wedderburn, Bart., M.P.

NOTE on Sir H. WATERFIELD'S TABLES, dated India Office, 26th June 1895.

TABLE I.

1. With regard to Table I. the Net Revenue and Expenditure are given according to the old form, which, while not affecting the differences from year to year, shows amounts considerably smaller than the true Net Revenue and Expenditure of India. The magnitude of this difference can be seen at a glance.

	Old Form.	New Form.
	Rx.	Rx.
Net Revenue, 1894–5 -	53,738,300	62,348,100
Net Expenditure - -	52,747,800	61,357,600
Surplus - -	990,500	990,500

The real annual net expenditure of British India is now well over Rx. 60,000,000.

2. The distinction drawn between Imperial Expenditure and Provincial Expenditure is, of course, an important one. The system may be explained as follows. The Government of India enter into periodical contracts with the provincial governments by which the local governments are made responsible under conditions for a large portion of the expenditure of British India, having assigned to them in this connexion a proportionate part of the Revenues. For instance, under the last quinquennial contract with the Government of Bengal three-fourths of the revenue from stamps in Bengal and three-fourths of the cost of collecting the stamp revenue in Bengal were assigned to the Provincial Government. Again, the whole of the cost of law and justice, police and education, in Bengal, with the whole of the corresponding departmental receipts, were so assigned; and so on in varying proportions under nearly every head of Revenue and Expenditure.

3. Imperial Expenditure includes and principally consists of the whole of the expenditure on the Army and the Imperial Debt, with the greater portion of that on the Commercial Services (Railways, Irrigation, Post Office, &c.) and Famine Relief and Insurance, together with the whole burden of the home charges and the cost of exchange thereon. The charges for Upper Burma, which constitute a heavy annual drain, are also met out of Imperial Revenue, the province not being yet sufficiently settled or sufficiently solvent for the purpose of entering into a contract with the Imperial Government.

4. This system on the whole makes for economy, but its weak point seems to be that whereas the provincial governments are directly invited to incur increasing expenditure by reason of the growing revenues at their disposal, they are not called upon to bear any of the increasing burdens due to the fall in exchange (except in the case of Exchange Compensation Allowance) even when part and parcel of the expenditure which they practically control.

5. The increase of Rx. 10,711,838 in the Net Imperial Revenue is largely made up of increased taxation and a decrease of nearly Rx. 1,320,000 in the cost of the Opium Revenue in 1894–5 (due to partial failure of the crop). The Imperial Revenue in 1894–5 compares thus with that in 1884–5. [N.B.—The figures which follow give the Imperial share of the actual receipts without deducting either assignments and compensations or the other charges for collection.]

Heads of Revenue.	1884–5.	1894–5.	Increase (+) or Decrease (−).
	Rx.	Rx.	Rx.
- - - - - -	13,131,283	16,641,600	+3,510,317
- - - - - -	8,816,469	7,322,000	−1,494,469
- - - - - -	6,476,127	8,613,400	+2,137,273
- - - - -	1,823,082	1,223,200	− 599,882
- - - - - -	2,031,538	4,176,300	+2,144,762
ates - - - - -	860	4,200	+ 3,340
- - - - - -	897,348	3,779,200	+2,881,852
axes - - - -	255,927	1,028,300	+ 772,373
- - - - - -	440,782	949,100	+ 508,318
stration - - - -	144,139	209,300	+ 65,161
butes - - - - - -	699,017	797,800	+ 98,783
	Rx. 34,716,572	Rx. 44,744,400	+Rx. 10,027,828
Deduct Refunds and Drawbacks - -	126,098	204,400	+78,302
Total Imperial Revenue - - - -	Rx. 34,590,474	Rx. 44,540,000	+Rx. 9,949,526

6. This increase of Rx. 9,949,526 in the Imperial Revenue includes the following amounts (approximate) brought in by additional taxation since 1884–5:—

	Rx.
Income Tax (Imperial share) -	750,000
Customs (Petroleum, Spirits, Import Duties, Cotton Duties) -	2,750,000
Salt (enhancement) - - -	2,000,000
	Rx. 5,500,000

This sum of Rx. 5,500,000, due to additional taxation, and therefore representing a deterioration and not an "improvement" in the financial position, is not exhaustive. A statement should be obtained from the India Office showing the additional taxation imposed since 1884–5 and the amount therefrom, gross and net, in 1894–5 (Revised Estimate) and 1895–6 (Budget Estimate), distinguishing between the Imperial and Provincial shares.

7. With regard to the reduction of Rx. 3,573,257 in the Net Imperial Expenditure, the term is a little too inclusive, as this reduction only refers to the Imperial expenditure in India. It may be desirable to differentiate that portion of Imperial expenditure which is automatically due to the fall in exchange, but increased expenditure in England (with the added cost of exchange all such increase entails) is an increase of Imperial expenditure, and not a mere set off against any so-called "improvement." The exchange on the increase of 1,751,945*l.* was in 1894–5 Rx. 1,459,954, which gives a total of Rx. 3,211,899 increased Imperial expenditure in home charges. Again, included in the total of Rx. 11,156,204, given as the increase in exchange in the 10 years, is Rx. 781,900 for exchange compensation allowance (Imperial share), which is not an automatic increase of expenditure, but one deliberately, even if legitimately, incurred.

8. Finally this reduction of Rx. 3,573,257 in the Net Imperial Expenditure includes a reduction of Rx. 1,499,934 in the Famine Insurance Grant, which, according to the Government of India's contention, is tantamount to the reduction of a surplus, and consequently represents a deterioration and not an improvement in the financial position.

9. Having regard to the foregoing remarks, the following statement (adopting Sir Henry Waterfield's figures) will show the real change in the financial position due to actual increase of expenditure, excluding that automatically due to the fall in Exchange.

			Rx.
The Increase (approximate) in the Net Imperial Revenue on the basis of taxation in 1884–5 is			5,211,838
The Increase in Net Imperial Expenditure is made up as follows:—			
		Rx.	
Decrease in India		— 2,073,323	
Increase in Home Charges:—			
Sterling	£1,751,945		
Exchange	Rx. 1,459,954		
		+ 3,211,899	
Exchange Compensation		+ 781,900	
Net Increase		+ 1,920,476	1,920,476
Showing an improvement of			Rx. 3,291,362
But against this must be set the net automatic increase due to the fall in Exchange of			8,914,350
Showing the net deterioration to be			Rx. 5,622,988
		Rx.	
This has been met by increased taxation amounting to (approximate)		5,500,000	
And the reduction of a statutory surplus (the Famine Grant) by		1,499,934	
Making a total of			6,999,934
Leaving an improvement in the Imperial Balance of			Rx. 1,376,946

10. If the comparison be carried forward one year, the financial position will appear even less satisfactory. The revenue from opium in 1895–6 is estimated at Rx. 1,500,000 less than in 1594–5, but this will be partly counterbalanced by a further Rx. 1,000,000 on a full year's receipts from the cotton duties. It may be mentioned that a very considerable improvement may actually take place in the Opium Revenue; on the other hand, the Chitral Expedition. for which, practically, no provision was made in the Estimates, will more than absorb any such improvement. According to the Budget Estimate there will be a surplus in 1895, of Rx. 46,200, consequently the improvement in the Imperial Balance, as compared with the deficit of Rx. 386,446 in 1884–5, will be Rx. 432,646. Compared then with 1884–5 the financial position in 1895–6 is as follows:—[N.B.—The increase in Net Imperial Revenue is Rx. 10,220,238, of which Rx. 6,500,000 (approximate) is the product of new taxation since 1884–5. The chief variations in Net Imperial Expenditure in India for 1895–6, as compared with 1894–5, are an improvement in the Debt Services of over Rx. 1,000,000, and an increase of nearly Rx. 1,250,000 in the expenditure on the Army and Military Works in India.]

			Rx.
The increase (approximate) in the Net Imperial Revenue on the basis of taxation in 1884–5 is			3,720
The increase in Net Imperial Expenditure is made up as follows:—			
		Rx.	
Decrease in India		— 2,142,123	
Increase in Home Charges:—			
Sterling	£1,889,045		
Exchange	Rx. 1,574,204		
		+ 3,463,249	
Exchange Compensation		+ 920,000	
Net increase		+ 2,241,126	
Showing an improvement of			R
But against this must be set the net automatic increase due to the fall in Exchange of			9
Showing the net deterioration to be			Rx. 7,559,2
		Rx.	
This has been met by increased taxation amounting to (approximate)		6,500,000	
And the reduction of a statutory surplus (the Famine Grant) by		1,491,934	
Making a total of			7,991,934
Leaving an improvement in the Imperial Balance of			Rx. 432,646

11. Allowing for the improvement in the Imperial Balance in 1895 and 1896 respectively, the net deterioration, in the financial position of the Government of India, as compared with 1884–5, was Rx. 5,622,988 in 1894–5 and promises to be Rx. 7,559,288 in the current financial year. It is worthy of note that, while there is a further deterioration in the financial position in 1895–6 of nearly Rx. 2,000,000, Exchange is only worse by about Rx. 250,000 (including the increased cost of Exchange Compensation Allowance.)

Table II.

12. With regard to Table II., Sir Henry Waterfield gives the following analysis of the increase of Rx. 10,839,987 in the total Net Expenditure:—

Increase in Expenditure in England			£1,751,945
,, Exchange			Rx. 11,156,204
		Rx.	Rx. 12,908,149
Reduction of Imperial Expenditure in India		3,573,257	
Increase of Provincial Expenditure in India		1,505,095	
Net reduction			Rx. 2,068,162
Total increase			Rx. 10,839,987

From what has been said in the foregoing paragraphs the analysis would be more instructive if made as follows:—[N.B.—The Imperial share of Exchange Compensation Allowance is classed in Table II. with Exchange, but it would seem that the Provincial share of Exchange Compensation has been taken as part of the Provincial Expenditure. In the Statement here given, Exchange Compensation, not being automatically due to Exchange, is treated as ordinary expenditure, whether Imperial or Provincial.]

		Rx.
Increase in expenditure in England:—		
Sterling	£1,751,945	
Exchange	Rx. 1,459,954	
		3,211,899
Increase in expenditure in India:—	Rx.	
Reduction of Imperial Expenditure (including Exchange Compensation)	— 1,291,423	
Increase of Provincial Expenditure (including Exchange Compensation)	+ 1,505,095	
Net Increase		213,672
Increase in exchange due to fall in exchange		8,914,350
		Rx. 12,339,921
Deduct for suspension of the Famine Insurance Grant		1,499,934
Net increase of total expenditure		Rx. 10,839,987

13. If the comparison be made with 1895–6, the statement would be as follows:—

		Rx.
Increase in expenditure in England:		
Sterling	£1,889,045	
Exchange	Rx. 1,574,204	
		3,463,249
Increase in expenditure in India:	Rx.	
Reduction of Imperial Expenditure (including Exchange Compensation)	— 1,222,123	
Increase of Provincial Expenditure (including Exchange Compensation)	+ 2,206,895	
Net increase		984,772
Increase in exchange due to fall in exchange		9,038,400
		Rx. 13,486,421
Deduct for suspension of the Famine Insurance Grant		Rx. 1,491,934
Net increase of total expenditure		Rx. 11,994,487

TABLE III.

14. With regard to Table III. it is necessary to [illegible]ement the figures by adding the increases of [illegible]ure in England (with corresponding exchange) [illegible]on Exchange Compensation Allowance. It [illegible]d once for all that the only portion of the [illegible]rden of exchange which may be properly [illegible]tside the control of the Government of [illegible]erefore properly excluded from com-[illegible]enditure from year to year, is the cost [illegible] England of the amount of the sterling [illegible] beginning of any given period under [illegible]d the additional rupee pay of British [illegible]ay is on a sterling basis). As owing to [illegible]hange this charge automatically increases [illegible]oluntary addition to Government expen-[illegible]s necessary to show it separately; but any [illegible] in the charge for exchange due to Exchange [illegible]pensation Allowance, or to an increase in the [illegible]ome Charges, is part and parcel of such additional [illegible]xpenditure, clearly foreseen, and necessarily provided for at the time of such increase.

15. It is necessary then to combine the figures of Table X., as further analysed in Tables XI.–XVII., with those of Table III., while there must also be added the exchange on the increase of sterling charges and the cost of Exchange Compensation Allowance. For instance, it seems altogether futile to show a large reduction of expenditure on public works in India when a great portion of this reduction has been obtained—in the form of extra receipts—at a cost of nearly a million sterling (with Rx. 750,000 for exchange) added to the Home Charges on Railway Revenue account. The analysis therefore of the variation in Net Imperial Expenditure in 1894–5 (adopting Sir H. Waterfield's figures) as compared with 1884–5 should appear as follows:—[N.B. As has already been explained the temporary cessation of precautionary expenditure on Famine Insurance is in the nature of a reduction of a balance, involving a deterioration of the financial position, and should not be classed with decreases of Expenditure, which really indicate an improvement in the financial position. As to the apportionment of the Home Charges, *see* end of next paragraph.]

INCREASE IN NET IMPERIAL EXPENDITURE.

		Rx.	
Public Works:—			
Decrease in India		— 3,368,046	
Increase in England:—			
Sterling	£921,738		
Exchange	Rx. 768,115	+ 1,689,853	
Net Decrease			— Rx. 1,678,193
Interest:—			
Decrease in India		— 1,226,084	
Increase in England:—			
Sterling	£30,855		
Exchange	Rx. 25,712	+ 56,567	
Net Decrease			— Rx. 1,169,517
Post Office, Telegraphs, &c.:—			
Decrease in India		— 555,643	
Decrease in England:—			
Sterling	£92,872		
Exchange	Rx. 77,393	— 170,265	
Net Decrease			— Rx. 725,908
Civil Charges:—			
Increase in India		+ 533,412	
Increase in England:—			
Sterling	£412,598		
Exchange	Rx. 343,832	+ 756,430	
Net Increase			+ Rx. 1,289,842

Military Expenditure:—			
Increase in India		Rx. + 2,543,038	
Increase in England:—			
Sterling	£479,626		
Exchange	Rx. 399,688	+ 879,314	
Net Increase			+ Rx. 3,422,352
Exchange Compensation Allowance			+ Rx. 781,900
Total Net Increase (as shown in paragraph 9)			+ Rx. 1,920,476

TABLE IV.

16. With regard to Table IV. the criticism of incompleteness again applies. It does not seem serviceable to detach the Military Expenditure in England from that in India. Dividing the increase in the Military Expenditure of the Government of India between two tables does not reduce the total increase, although it makes it more difficult for the mind to realise that total. Sir H. Waterfield gives the increase in Net Military Expenditure in India from 1884–5 to 1894–5 as Rx. 2,543,038 (Exchange and Compensation Allowance excluded). An examination of the figures in the Finance Accounts for 1884–5 and the Financial Statement for 1895–6 yields a slightly different result, namely, Rx. 2,560,938, or a difference of Rx. 17,900. This is made up of the estimate for Exchange Compensation Allowance under the heads of Special Defence Works and Military Works. Starting with an increase of Rx. 2,560,938 in Net Military Expenditure in India, and taking the figures available, the total increase in Net Military Expenditure of the Government of India compared with 1884–5 is as follows, in 1894–5 and 1895–6 (*Budget Estimate*), respectively:—[N.B. In the following figures that part of the cost of exchange which is due solely to the fall in exchange has been excluded, as also the additional rupee pay of the British soldier due to the same cause. The distribution of the Home Charges among the main heads of expenditure in this and other tables in this note is according to the Statement of Accounts published in the yearly Financial Statements of the Government of India. Sir H. Waterfield seems to have adopted a slightly different distribution not readily traceable in those accounts. This difference of detail, which is due to transfers of small accounts from one head to another or to cross classifications, does not affect the totals. In this connexion *vide* paragraph 28 *post*.]

INCREASE IN NET MILITARY EXPENDITURE AS COMPARED WITH 1884–5.
1894–5. (*Revised Estimate.*)

1. Army:—		Rx.	Rx.
Increase in India		2,484,867	
Increase in England:—			
Sterling	£398,897		
Exchange	Rx. 332,414		
		731,311	
Exchange compensation		518,600	
			3,734,778
2. Military Works (including Exchange Compensation):—			
Increase in India		5,671	
Increase in England:—			
Sterling	£18,429		
Exchange	Rx. 15,357		
		33,786	
3. Special Defence Works:—			
India		70,400	
England:—			
Sterling	£62,300		
Exchange	Rx. 51,917		
		114,217	
Total Net Increase			Rx. [illegible]

INCREASE IN NET MILITARY EXPENDITURE AS COMPARED WITH 1884–5.
1895–6. (*Budget Estimate.*)

1. Army:—		Rx.	Rx.
Increase in India		3,411,267	
Increase in England:—			
Sterling	£487,197		
Exchange	Rx. 405,997		
		893,194	
Exchange compensation		610,000	
			4,914,461
2. Military Works (including Exchange Compensation):—			
Increase in India		188,271	
Increase in England:—			
Sterling	£10,929		
Exchange	Rx. 9,108		
		20,037	
			208,308
3. Special Defence Works:—			
India		70,000	
England:—			
Sterling	£46,200		
Exchange	Rx. 38,500		
		84,700	
			154,700
Total Net Increase			Rx. 5,277,469

17. With regard to Military Expenditure generally the following points seem to deserve special attention.

(*a.*) *Addition to the Army, and Upper Burma.*—If Rx. 1,617,338 is the cost of the addition of 30,000 men to the army, some explanation is required of the principle upon which it is estimated that the quartering of some of these extra troops on Upper Burma costs an additional Rx. 420,000,

nearly ten years after the annexation, and some six or seven years after the settlement of that province. In this connexion it would be desirable to know the numbers of (*a*) European and (*b*) Native troops in Burma (1) before the annexation of Upper Burma, and (2) since the annexation.

(*b.*) *Special Operations.*—According to a Parliamentary Return entitled "East India (Military Expenditure)," and dated India Office, 8th June 1894, the expenditure in India in 1884–5 on special operations was, Quetta, Rx. 102,700 and Minor Expeditions, Rx. 56,219, total Rx. 158,919; from paragraphs 155 and 200 of the Financial Statement, 1895–6, it would appear that the cost of special operations in 1894–5 was, Waziristan, Rx. 202,500, and other expeditions, Rx. 40,000, total Rx. 242,500; this would show an increase in 1894–5 over 1884–5 of Rx. 83,581, instead of Rx. 36,081, or Rx. 47,500 more increase than Sir H. Waterfield shows. Doubtless the India Office possesses later information, which has modified the figures for 1894–5. If the comparison in this connexion be made with 1895–6, the increase over 1884–5 would be Rx. 159,981 (*vide* Financial Statement, 1895–6, paragraphs 50, 155, and 200), besides from Rx. 1,500,000 to Rx. 2,000,000 on account of the Chitral Expedition.

But any comparison between any two years must necessarily give an inadequate idea of the cost in recent years to the Government of India of these special operations. It must be borne in mind that during the ten years 1875–6 to 1884–5 the total cost of special operations (excluding, of course, the Afghan and Egyptian Wars) was only Rx. 161,562, incurred in 1875–6 and 1884–5, while during the ten years from 1885–6 to 1894–5 (excluding the charges on account of Upper Burma) no less than Rx. 4,925,877 was expended on special operations. The following table shows the yearly expenditure during the two periods, side by side:—

SPECIAL OPERATIONS.

	Rx.		Rx.
76 - -	2,643	1885–86 - -	2,190,124
-	—	1886–87 -	—
-	—	1887–88 - -	15,541
-	—	1888–89 -	374,378
-	—	1889–90 - -	420,938
-	—	1890–91 -	399,560
-	—	1891–92 - -	751,836
-	—	1892–93 -	257,300
-	—	1893–94 - -	273,650
-	158,919	1894–95 -	242,500
x.	161,562	Total - Rx.	4,925,877

estimate of Rx. 318,900 for 1895-6 and 0,000 for the Chitral Expedition be added, it be seen that during the twelve years 1884–5 to 95–6 Rx. 7,153,696 has been spent on these special operations.

(*c.*) *Special Defence Works.*—The scheme of special defence works started in 1886–7 is now approaching completion, hence the small amount shown under this head; but during the ten years from 1886–7 to 1895–6 a total net expenditure of Rx. 4,479,738 was incurred on this account.

(*d.*) *Special Military Expenditure.*—During the 12 years 1884–5 to 1895–6 over and above a large increase in ordinary Military Expenditure (*i.e.*, Army and Military Works), and excluding all charges on account of Upper Burma, and the cost of frontier railways, special and extraordinary expenditure has been incurred to the amount of Rx. 11,633,434.

(*e.*) *Strategic Frontier Railways.*—In recent years large sums have been spent on unreproductive frontier railways built and maintained purely for military purposes. It will be necessary to ascertain exactly what this amount is year by year (distinguishing cost of construction and cost of maintenance), for what railways incurred, and how charged in the accounts (whether against Revenue or not, and if against revenue, then whether under the head of Military Works, Railway Construction, or Railway Revenue Account). Such expenditure is obviously military, and the burden thereof ought not to be thrown on the general railway enterprise of the Government of India; nor should it be met otherwise than out of Revenue, unless it should be deemed necessary to raise a special loan for the purpose.

TABLE V.

18. With regard to Table V., it is not quite clear why the net charge for the Indian Midland and Bengal-Nagpur railways should be claimed as a virtual expenditure on account of the famine insurance grant. If these railways should be worked at a profit in the future, the Government of India will hardly feel called upon to increase the grant by the amount of any such profits; and therefore it seems a needless confusion of the accounts to claim the net loss upon these undertakings as a set-off to the suspension of the annual provision for famine insurance.

TABLE VI.

19. This table affords perhaps the most striking instance of the fallacy of separating the expenditure in England from that in India. It cannot be other than confusing to show an improvement on Railway Revenue Account by "omitting the heavy charges for interest in England." As a matter of fact the improvement of Rx. 2,706,242 in India was largely absorbed by an increase in the gold payments for interest, &c., of £911,884, involving with exchange an additional charge of Rx. 1,671,787, leaving a net improvement (exclusive of exchange compensation allowance, and of that part of the cost of exchange due to the fall in exchange) of Rx. 1,034,455. But to show any improvement at all in the Railway Revenue Account by putting exchange out of the way is apt to be misleading. The railways have been built very largely by English capital raised in sterling in London, and the interest charges must be met by gold payments, the cost af exchange upon which has for the last ten years been clearly foreseen by Indian Finance Ministers. In spite of this fact, making for the insolvency of the undertakings, there has been little slackening in the accumulation of railway sterling debt, with the result that in ten years of falling exchange, 911,884*l.* has been added to the annual charges on account of the railways. It is of no avail to show increasing profits in India—which can only be called profits by ignoring most important items on the debit side of the account—when the actual railway enterprise of the Government of India is carried on at a heavy loss.

20. The following figures show the true financial results to the Government of India, on Imperial Account, of the Indian railways in 1884–5 and 1894–5.

[N.B.—Rx. 90,100 for exchange compensation is included in the charges for working expenses in 1894–5.]

INDIAN RAILWAYS (Imperial Account).

——	1884–5.	1894–5.	Increase.
Net Traffic Receipts.	Rx. 7,400,192	Rx. 11,672,600	Rx. 4,272,408
Charges for Interest, &c.:			
In India	Rx. 2,366,258	Rx. 4,027,700	Rx. 1,661,442
In England	£4,826,816	£5,738,700	£911,884
Exchange	Rx. 1,172,877	Rx. 4,782,200	Rx. 3,609,323
Total charges	Rx. 8,365,951	Rx. 14,548,600	Rx. 6,182,649
Net loss	Rx. 965,759	Rx. 2,876,000	Rx. 1,910,241

If from the net loss in each year be deducted the charge for exchange properly due to the fall in exchange on the basis of the sterling expenditure in 1884–5, the result is as follows:—[N.B. Of the Rx. 4,782,200 charged to exchange in 1894–5, Rx. 759,903 was due to increased sterling charges, and not primarily due to the fall in exchange.]

	1884–5.	1894–5.	Increase.
	Rx.	Rx.	Rx.
Actual loss - - - - - - -	965,759	2,876,000	1,910,241
Exchange - - - - - - -	1,172,877	4,022,297	2,849,420
Profit (Exchange excluded) - - -	Rx. 207,118	Rx. 1,146,297	Rx. 939,179

21. From the foregoing figures it will be seen that the improvement of the Railway Revenue Account in India is no index of the actual results of the railway enterprise of the Government of India. In 1894–5 the railways cost the Government Rx. 2,876,000 net, or Rx. 1,910,241 more than in 1884–5, and this is the serious fact which must be kept in mind in considering the railway policy of the Government of India. It does not seem sound finance to borrow in gold for enterprises, however intrinsically desirable, which will probably, owing to the state of the exchange, result in heavy loss in the future.

22. With regard to Indian railways generally, the following points seem to require careful attention:—

(*a*.) The Government of India is practically the owner of all the Indian railways, which have been built at a heavy cost, and are maintained at a heavy annual expense. Of course, the Indian railway system is capable of almost infinite development, hardly more than the main trunk lines being yet in existence, and it is therefore of importance that that development should proceed upon lines of sound finance. The Government of India have recently been carrying out this development by methods which do not appear to be sound. When a feeder line has to be built the present practice is to make over the project to a company, the company raising the capital and the Government building the line and either working the completed undertaking or arranging that it shall be worked by an existing company. After a certain number of years the Government will inevitably buy out the company at what is certain to be an unnecessarily high figure.

This system seems to combine four distinct disadvantages: (1) The capital in the first instance is raised on less favourable terms than the Government could command; (2) A large amount of money is wasted in promotion money, commission, and other preliminary expenses of company floating; (3) A whole separate staff and establishment, with directorate, &c. is brought into existence at unnecessary expense for a line which is dependent for its existence upon the trunk railway, and which could be, and is, most effectively and economically worked with the original undertaking; and (4) a small and separate railway with separate interests is planted in the middle of a great system of State Railways, and must ultimately be bought out on terms less favourable to the State than those on which it could originally have been built.

In this connexion it will be necessary to call for documents showing the latest terms upon which the Government of India is prepared to promote the construction of railways by companies. A statement should be asked for showing the financial results of every railway since construction, the terms upon which constructed, and the future rights and responsibilities of the Government with regard thereto.

(*b*.) The Government of India, some years ago, became entitled to purchase the Great Indian Peninsular, the Bombay and Baroda, and other guaranteed railways, but waived their right for a period of years in return for certain modifications of the contracts. A statement should be called for showing approximately, for each railway, (1) What is the present yearly loss to the Revenues of India on account of this waiver by the Government; (2.) What is the present yearly gain to the revenues of India on account of the modifications of the contracts; and (3) What was the price at which the Government might have purchased these railways in 1875, and what is the probable price which the Government will have to pay on the next date on which it can exercise the option of purchase, and when.

(*c*.) With regard to the Bengal Central Railway, it is desirable to know why a guarantee was given to this company, and upon what terms, and what the yearly loss has been. In the finance accounts of the Government of India there is a constantly recurring footnote with reference to this railway to the effect that "although for convenience "classified among State railways, this line is "the property of the Bengal Central Railway "Company."

(*d*.) The following extract from an article in the "Economist" for July 27th, 1895, upon the Administration Report of Indian Railways, 1894–5, gives a very clear and authoritative statement of the nature of one portion of the present contracts between the Government of India and the guaranteed railway companies.

"The result of the working of the Great Indian Peninsular Railway, which is clearly brought out in the report, shows that during the first half of 1894 the net earnings amounted to Rx. 1,265,800, while during the second half of the year the net earnings only amounted to Rx. 358,700, or a total for the year of Rx. 1,624,500. Now, as we have already explained, in order to arrive at the surplus profits which have to be declared each half year separately, the guaranteed interest in sterling has to be converted into rupees at the nominal rate of 1*s*. 10*d*., and not at their true value, and in the case of this railway the sum to be thus set aside amounts half-yearly to Rx. 657,700. Upon this basis of calculation the surplus profits during the first half of the year amounted to Rx. 608,100, of which the company's half share was Rx. 304,000. During the second half of the year there were no surplus profits. The net receipts, in fact, fell far short of the amount required to meet the guaranteed interest, and, owing to the arrangement by which the profits are declared on a half-yearly instead of a yearly basis, the surplus profits at the end of the fist half-year do not form a set-off against the loss during the second half, and the Government had, therefore, to make good the loss partly out of its own share of surplus profits, and partly from the general revenues of the country.

"The net result on the year's working was, therefore, this: The Company obtained Rx. 304,000 of so-called surplus profits, which enabled them to pay their shareholders an extra dividend of 16*s*. 4*d*. over and above the guaranteed interest of 5 per cent. The Government, on the other hand, had to pay the guaranteed interest, which at the average rate for the official year amounted to no less a sum than Rx. 2,207,800. To meet this, they had the net receipts for the whole year, less the company's share of surplus profits, viz., (Rx. 1,624,300 — Rx. 304,000), Rx. 1,320,300, and they therefore had to provide Rx. 887,500 to make good the guaranteed interest. In other words, while the company were able to distribute an extra dividend of 16*s*. 4*d*., the State suffered a loss of Rx. 887,500. Had, on the other hand, the terms of the contract simply provided a 5 per cent. sterling guarantee with a half share of any surplus profits at the end of the year after meeting the guaranteed interest out of the earnings of the undertaking, the company would have had no

surplus profits with which to declare an extra dividend, and as the whole of the net earnings would have gone towards meeting the guaranteed interest, the loss of the State would have been reduced to (Rx. 2,207,800 — Rx. 1,624,300) Rx. 583,500, a loss solely due to the fall in the value of the rupee, and therefore practically unavoidable.

"It is evident, therefore, that the loss which the Indian Government has had to bear in connexion with the three older guaranteed companies still in existence, and which during the past year alone amounted to over Rx. 1,500,000, has not, as is usually asserted, been solely due to the depreciation of the rupee, but must to a considerable extent be attributed to the very faulty nature of the contracts with the companies. It must also be remembered that not only do these contracts enable the companies to declare higher dividends than their properties really earn, but they also naturally enhance the price of the company's stock in the money market, and as, when the Indian Government wishes to exercise their option of purchase, they have to do so at a valuation based on the average market value of the stock for three years previous to the date of purchase, it follows that they will be compelled to purchase at an inflated capital value."

TABLE VII.

23. With regard to the figures in Table VII., they must, as in the case of the preceding tables, be read in conjunction with the figures relating to the expenditure in England and exchange compensation allowance. Further, as the Imperial expenditure on the Civil Administration (including that for Upper Burma, which is classed as Imperial) is less than a fourth of the total cost of Civil Administration in India, it is necessary to deal with the total expenditure, Provincial as well as Imperial, in order to form a correct idea of the growth of the cost of the Civil Administration in India. Again, the cost of collecting the revenue less the cost of producing the opium revenue (practically the whole of which is cost of cultivation and manufacture) and the cost of manufacture, excavation, and purchase of salt, must be included in a complete statement of the charges for Civil Administration. [N.B.—The cost of collection of Revenue is taken to be the amount shown in the accounts under the head of Direct Demands on the Revenues less the refunds and drawbacks, the charges under opium, and the cost of manufacture of salt (Rx. 134,285 in 1884–5, and Rx. 125,000, estimated, in 1894–5). Exchange is excluded, and Exchange Compensation Allowance, of which Rx. 130,000 is estimated to fall under the head of Collection of Revenue, *i.e.*, Rx. 30,000 Imperial and Rx. 100,000 Provincial, is shown separately.]

INCREASE in NET COST of CIVIL ADMINISTRATION.

1884–5 to 1894–5.

1. Civil Departments:			
Increase in India:—			
Increase in Imperial	Rx. 843,866	Rx.	
Increase in Provincial	Rx. 1,535,590	+ 2,379,456	
Increase in England:—			
Sterling	£96,727		
Exchange	Rx. 80,605	+ 177,332	
Net Increase			Rx. 2,556,788
2. Miscellaneous Charges:			
Decrease in India:—			
Decrease in Imperial	Rx. 310,454		
Increase in Provincial	Rx. 300,522	— 9,932	
Increase in England:—			
Sterling	£315,871		
Exchange	Rx. 263,226	+ 579,097	
Net Increase			Rx. 569,165
3. Collection of Revenue:			
Increase in India:—			
Increase in Imperial	Rx. 510,845		
Increase in Provincial	Rx. 1,351,786	+ 1,862,631	
Increase in England:—			
Sterling	£432		
Exchange	Rx. 360	+ 792	
Net Increase			Rx. 1,863,423
4. Exchange Compensation Allowance:			
Imperial Expenditure		+ 149,600	
Provincial Expenditure		+ 378,300	
Net Increase			Rx. 527,900
Total Net Increase			Rx. 5,517,276

Of this total net increase of Rx. 5,517,276, the Imperial share is Rx. 1,951,078 and the Provincial share Rx. 3,566,198.

24. With regard to the analysis given in Table VII. of the net increase in the Civil Administration Charges, each one of the separate items requires careful investigation. For instance, the net increase of Rx. 76,606 under the head of Political conveys a very inadequate idea of the growth of expenditure under this head during recent years. Besides this increase in Imperial expenditure, there was an increase under this head of Rx. 67,627 on Provincial account, making a total increase in India of Rx. 144,233, excluding Rx. 23,400, the estimated Imperial share of the charge for Compensation Allowance, but including Rx. 4,100, the estimated Provincial share of that charge. The expenditure in England under the head Political shows a decrease of 10,388*l.*, involving a saving of Rx. 8,657 in exchange, the total decrease in Home Charges for Political thus being Rx. 19,045. The following figures show the details of the increase in the Political charges, Imperial and Provincial, in India in 1893–4 (the latest detailed figures available) as compared with 1884–5. [N.B.—There was a slight decrease in the total Political charges in India in 1894–5 as compared with 1893–4, but for 1895–6 there is an estimated further increase. The figures for 1893–4 include Rx. 15,824 on account of Exchange Compensation Allowance.]

INCREASE of POLITICAL CHARGES in INDIA, 1884–5 to 1893–4.

	1884–5.	1893–4.	Increase (+) or Decrease (−).
	Rx.	Rx.	Rx.
Political agents	257,167	338,151	+ 80,984
Charges on North-West Frontier	67,045	124,615	+ 57,570
Political subsidies	133,553	231,060	+ 97,507
Entertainments and presents	33,097	27,579	− 5,518
Refugees and State prisoners	41,307	81,892	+ 40,585
Miscellaneous	44,148	34,041	− 10,107
Afghan Delimination Commission	182,950	—	− 182,950
Special political expenditure: Cabul, Sikkim, Gilgit, Kurram, Chitral Missions, &c.	—	57,656	+ 57,656
Organising Imperial Service troops	—	20,117	+ 20,117
Expenditure against certain revenues	—	14,489	+ 14,489
Total	Rx. 759,267	Rx. 929,600	+ Rx. 170,333

25. If the charge for Exchange Compensation Allowance be deducted the net increase would be Rx. 154,509. Properly speaking the charges for the Afghan Delimitation Commission ought to be excluded as temporary expenditure, when it would appear that the permanent political charges, excluding Exchange Compensation, have increased by Rx. 337,459 during the last 10 years. In this connection it would be desirable to know what was the estimate, and what has been the actual cost from first to last of the Gilgit Agency in the past, and what it is estimated to be in the future. It would also be interesting to have a similar statement with regard to Upper Burma.

TABLE VIII.

26. With regard to Table VIII. and all tables relating to the Indian Debt, the transactions are so intricate that it would be desirable to obtain from the India Office a special memorandum dealing with the Indian Debt in all its forms. In the meantime the following would be of assistance:—A Return showing to what extent the disbursements of the Secretary of State in England have been met by drawings on the Government of India; to what extent by borrowing by the Secretary of State in England, or by money received from railway companies, the equivalent of which was repaid to the companies in rupees in India; and to what extent in other ways.

TABLE IX.

27. With regard to Table IX. no special comment is necessary after what has already been said so often. In the 10 years there was a large reduction in the expenditure in England, so that the working of the Post Office Telegraph and Mint has resulted even more favourably than is shown by Sir Henry Waterfield.

TABLES X. to XVII.

28. These tables have been dealt with generally in conjunction with the previous tables. With regard to Tables XIV., XV. and XVII. a few words of explanation are necessary. These three tables show an increase of expenditure in England amounting to 455,256*l.* Of this only 178,527*l.* is shown as the increase in the Army effective charges. But according to the classification in the accounts of the Government of India, the increase in Army effective charges has been 465,298*l.* This difference of result has been achieved by using the term "Army effective charges" in a narrower sense than that adopted in the accounts of the Government of India. This is not only confusing, but apparently unjustifiable. It is not easy to see upon what grounds furlough pay (drawn by officers on the active list) and military stores are excluded from Army effective charges, more especially when they are very properly included therein in the official accounts. A similar confusing cross-division has been made with regard to civil expenditure, although the confusion of terms has been avoided. The following figures show the distribution of the net increases shown in these three tables, total 455,256*l.* [N.B.—Included in the increases for civil charges of 104,919*l.* is 59,862*l.* shown in Tables XVII. as "other" stores. It is unnecessary to correct this vagueness here, as the following figures are intended to show how the larger increase of 527,598*l.* in military expenditure, is included in the net increase of 455,256*l.* shown in Tables XIV., XV., and XVII. under the titles of "Army Effective Charges," "Furlough Pay," and "Stores."]

Main Heads of Expenditure.	Increase (+) or Decrease (−).	
	£	£
Army Effective Charges	+ 465,298	
Special Defence Works	+ 62,300	
Net Increase (Military)		+ 527,598
Civil Charges, Increases	+ 104,919	
„ „ Decrease	− 83,330	
Net Increase (Civil)		+ 21,589
Public Works, Furlough	+ 7,851	
Telegraph Stores	− 101,782	
Net Decrease, other Heads		− 93,931
Net Increase shown in Tables XIV., XV., and XVII.		+ 455,256

With regard to Table XVI., it may be mentioned that the large reduction of 371,394*l.*, shown under the head of military pensions for the British forces, is part of a larger reduction of 705,198*l.* effected in 1885–6 by the abandonment of the system of capitalizing pensions payable to the War Office. The reduction, which has no real significance, as it is due to a change in the system of accounts, is only temporary; and the expenditure under this head is gradually mounting up to what it was in 1884–5.

TABLES XVIII. AND XIX.

29. With regard to exchange, Sir H. Waterfield shows a total increase in the ten years of Rx. 11,156,204 (excluding the small increase of Rx. 59,493 shown in connection with the net revenue), which is made up as follows:—

Increase in Cost of Exchange.

	Rx.
On Net Sterling Expenditure	9,602,221
On Remittance Accounts	− 177,917
In Soldiers' Pay	950,000
For Exchange Compensation	781,900
Total Net Increase	Rx. 11,156,204

As has already been explained the increase of Rx. 9,602,221 on account of Net Sterling Expenditure

is not wholly due to the fall in exchange, but is partly due to an increase of Sterling Expenditure.

30. If, at a time when 100*l.* of expenditure in England costs the Government of India Rx. 150, 100*l.* be added to the Home Charges, obviously, although Rx. 50 of this additional expenditure will appear in the column headed Exchange, this Rx. 50 is as much additional expenditure as is the Rx. 100, which is made nominally to represent the 100*l.* Further, if at a time of falling Exchange the Government of India incur additional sterling expenditure, whether by necessity or otherwise, they must be taken to have incurred at the time whatever of additional expenditure it may ultimately cost to provide that additional amount in gold. In ascertaining the increased cost of Exchange in Net Sterling Expenditure for any given period the only increase properly due to Exchange is the increased cost of remitting, at the end of the period, the amount of the Sterling Expenditure at the beginning thereof.

In 1884–5 the Net Sterling Expenditure of the Government of India was	£13,792,555
Costing for Exchange (*i.e.*, in addition to Rs. 10 or Rx. 1 for every 1*l.*)	Rx. 3,351,479
Or a total cost of	Rx. 17,144,034
In 1894–5 the cost of remitting 13,792,555*l.* to England was	Rx. 25,286,301
Or an increase, due solely to the fall in Exchange, of	Rx. 8,142,267
If to this be added the cost of Exchange in 1894–5 on the 1,751,945*l.* added sterling charges since 1884–5	,, 1,459,954
We get the total shown in column 6 of Table XVIII.	Rx. 9,602,221

31. The following figures show how the increase in the cost of Exchange should be presented :—

Increase in Cost of Exchange.

	Rx.	Rx.
On Net Sterling Expenditure as in 1884–5	8,142,267	
In Soldiers' Pay	950,000	
Automatic increase in Exchange	9,092,267	
On Remittance Accounts	— 177,917	
Net automatic increase in Exchange		8,914,350
On Additional Sterling Expenditure since 1884–5	1,459,954	
On Exchange Compensation	781,900	
Net increase due to New Expenditure		2,241,854
Total		Rx. 11,156,204

32. With regard to the increase of Rx. 9,092,267 automatically due to the fall in Exchange it is very important to note how the incidence of this heavy charge is distributed among the main heads of expenditure. Dividing the expenditure into four main heads :— I. Civil Services (including Civil Departments, Miscellaneous Civil Charges, Buildings and Roads, and an insignificant increase of Rx. 200 under Famine Insurance—included in order to agree the total—but excluding Direct Demands on the Revenues, *i.e.*, Rx. 59,493); II. Military Services (including Army, Military Works, and Special Defence Works); III. Debt Services (*i.e.*, Interest); and IV. Commercial Services (including Post Office and Telegraphs, Mint, Railways, and Irrigation), the following figures show how the burden of the Rx. 9,092,267 is borne :—

Automatic increase in Cost of Exchange, 1884–5 to 1894–5.

	Rx.
I. Civil Services	1,294,414
II. Military Services	3,259,283
III. Debt Services	1,521,716
IV. Commercial Services	3,016,854
Total	Rx. 9,092,267

Now, it must be remembered that the increase of Rx. 3,016,854 under the head of Commercial Services does not all represent actual increase of Expenditure, but, as a set-off to the increased returns from the Indian Government's commercial undertakings, largely represents the diversion of potential revenue. In spite of this heavy additional charge, the total net cost of the Commercial Services to the Government of India in 1894–5 was only Rx. 2,787,500 as against Rx. 1,972,171 in 1884–5 [the average annual net cost has been about Rx. 2,048,000 during the last 20 years, 1875–6—1894–5], or an increase of Rx. 815,329. Again, in spite of the increase of Rx. 1,521,716 under the head of Debt Services, the total net expenditure of the Government of India for Interest in 1884–5 was only Rx. 3,959,800 (excluding Rx. 301,000 exceptional expenditure on account of "anticipation interest and brokerage paid " in respect of the conversion of the 4 per cent. debt," *vide* F. S. 1895–6, para. 21) as against Rx. 3,907,848 in 1884–5, or an increase of Rx. 51,952. Consequently under the two heads of Debt and Commercial Services, the automatic increase in the cost of Exchange, amounting to Rx. 4,538,570 (nearly half the total burden), although it has prevented a very considerable improvement, has only caused an actual addition to expenditure of Rx. 867,281. The total additional expenditure entailed upon the Government of India in 1894–5 by the automatic increase in the net cost of Exchange since 1884–5 is therefore Rx. 5,420,978, or, including Rx. 28,333 on account of the cost of collection of the Revenue (*i.e.*, Rx. 59,493, less the Charge for Exchange Compensation allowance—Rx. 31,160—and trifling amounts in connection with opium, and increased sterling charges) a total of Rx. 5,449,311. The following contrast is instructive :—

Principal additions to Net Expenditure 1884–5—1894–5.

On account of the automatic increase in the cost of Exchange		Rx. 5,449,311
On account of increased Civil and Military Charges :—		
Civil Services (*vide* para. 23)	Rx. 5,517,276	Rx. 9,476,128
Military Services (*vide* para. 16)	,, 3,958,852	

TABLE XX.

33. With regard to the Debt, Sir H. Waterfield's Table shows a large reduction in the ordinary debt during the last ten years :—

Increase in Debt since end of Financial Year 1884–5.

Increase in India	Rx. 11,161,894
,, ,, England	£44,734,738
Total	Rx. 55,896,632
Debt transferred to Public Works	,, 65,392,589
Net decrease in the ordinary Debt	Rx. 9,495,957

This large decrease in ordinary Debt of Rx. 9,495,957 is entirely illusory. The fallacy consists in taking the increase of 44,734,738*l.* in sterling debt as only equivalent to an increase of Rx. 44,734,738, and then setting off against it what is largely rupee expenditure on

Public works. The following table shows the equivalent in tens of rupees of this 44,734,738*l.* :—

Year.	Increase of Gold Debt.	Rate of Exchange.	Equivalent in Tens of Rupees.
	£	*d.*	Rx.
1885–86 -	4,535,533	18·254	5,963,229
1886–87 -	10,421,556	17·441	14,340,760
1887–88 -	— 88,029	16·898	— 125,026
1888–89 -	10.893,462	16·379	15,962,090
1889–90 -	3,158,781	16·566	4,576,285
1890–91 -	6,215,817	18·090	8,246,523
1891–92 -	2,995,935	16·733	4,297,044
1892–93 -	— 720,376	14·985	— 1,153,755
1893–94 -	1,430,025	14·547	2,359,290
1894–95 -	5,892,034	13·090	10,802,812
Total -	£44,734,738		Rx. 65,269,252

Again, the Rx. 65,392,589 transferred to Public Works contains a sum of 19,943,152*l.* treated as equivalent to Rx. 19,943,152, besides a large amount of sterling expenditure duly converted into Rx. at the current rate of exchange. This sum of 19,943,152*l.* is made up of three separate amounts raised in 1886–7, 1888–9, and 1890–1, shown in column 21 of a table at page 195 of the Finance and Revenue Accounts of the Government of India for 1893–4; and, when converted into Rx. at the Rates of Exchange for those three years respectively, is equivalent to Rx. 28,133,680. Consequently the amount transferred to Public Works should be shown as Rx. 73,583,117.

34. Making these corrections, the following figures show the true state of the case :—

Increase in Debt since end of Financial Year 1884–5.

	Rx.
Increase in India - - -	11,161,894
Increase in England - - £44,734,738 =	65,269,252
Total Increase in Debt -	Rx. 76,431,146
Deduct Amount transferred to Public Works - - - - -	,, 73,583,117
Net Increase in Ordinary Debt (ten years) - -	Rx. 2,848,029

Obviously, if 1*l.* = Rs. 18⅓, as at present, 1,000,000*l.* sterling raised in England, whether applied to the ordinary purposes of Government or to redeeming debt (whether gold or silver), and whether remitted to India or used in reduction of the Secretary of State's drawings in Bills on India, must either produce Rx. 1,833,000 in India on Exchange or—which comes to the same thing—set free that amount in the hands of the Government of India for other purposes. Consequently, to show Rx. 1,000,000 of expenditure on Public Works as a set-off to 1,000,000*l.* of sterling debt without first reducing the sterling to a rupee denomination appears to be indefensible. It would be instructive to know how much of the total sum of Rx. 73,583,117 (corrected amount), transferred to Public Works, is productive.

Tables XXI. to XXIX.

35. These Tables referring to the Provincial Expenditure have already been dealt with generally in commenting on previous tables. As the disturbing elements of Sterling Expenditure and Exchange (except Compensation Allowance) are entirely absent, these tables call for no special criticism here. Of course, with regard to all the tables in Sir H. Waterfield's Memorandum, it must be borne in mind that they are largely in the nature of summaries, and that most of the figures thus presented require searching analysis in order to arrive at the true condition of Indian Finance.

Tables XXX. and XXXI.

36. These Tables, dealing with the Provincial balances, are chiefly instructive as showing a general deterioration in the financial position of the Local Governments in harmony with the more serious deterioration in that of the Imperial Government. Compared with 1891 the balances of the Provincial Governments in 1896 are estimated to be less by nearly Rx. 2,000,000, which means, if the present increased rate of expenditure be maintained, not only less recuperative financial power for the Local Governments, but also, by a natural process of action and reaction, increased difficulties for the Imperial Government at the next revision of Provincial Contracts with, it may be, the necessity for additional taxation.

W. Wedderburn.

12th August 1895.

APPENDIX No. 2.

Paper handed in by Sir William Wedderburn, Bart., M.P.

MEMORANDUM ON INDIAN FINANCIAL EXPENDITURE.

1. The accompanying six tables have been prepared with the object of putting into a convenient form the main facts connected with Indian Financial Expenditure during the last 20 years, 1875–6 to 1895–6. No attempt has been made either to justify or condemn any increase or decrease in expenditure, the sole purpose being to state the essential facts as disclosed by an analysis of the finance accounts of the Government of India.

2. Table I. gives the net expenditure of the Government of India from 1875–6 to 1895–6 (Budget estimate). The figures for the years 1875–6 to 1883–4 have been compiled from Appendix III. of the Financial Statement for 1886–7, when the accounts for those years were finally re-cast in the form since adopted by the Government of India. The figures for the later years have been compiled from Statements E. and F. of the Financial Statement for 1895–6, with frequent reference to the Financial Statements of successive years.

3. The table given in this memorandum differs somewhat in form and substance from that in Statements E. and F. of the Financial Statement for 1895–6. Reasons for the modifications here adopted will be found in Appendix A. to a note on Sir J. Westland's Budget, recently published by this Committee. It will be sufficient here to explain briefly how the figures in the following table have been obtained.

	Rx.
Taking the figures for the closed accounts for 1893–4, the gross expenditure was - - - - - - -	92,112,212
Of this, the departmental receipts, which are properly a set-off against expenditure under corresponding heads amounted to -	29,834,644
Leaving - - -	62,277,568
Then deducting therefrom the refunds and drawbacks of revenue - - -	256,020
The balance is that shown in the present table as total net expenditure charged against revenue - - - Rx.	62,021,548

4. In Table E. to the Financial Statement for 1895–6, the total net expenditure is given as Rx. 60,416,501, or less by Rx. 1,605,047 than the total shown above. This difference is accounted for as follows:—

	Rx.
Assignments and compensations treated as expenditure and *not* deducted from revenue - - - - - -	1,528,260
Miscellaneous expenditure treated as expenditure in full, the miscellaneous receipts being entirely unrelated should not be treated as a set-off - - - - -	273,831
Profits on Post Office, and Telegraph and Mint placed under general heading of Commercial Services, and so operating in reduction of net charges under this general heading - - - - - -	−197,044
	Rx. 1,605,047

5. Table II. is supplemented to Table I. It shows with reference to the totals given in Table I. for each of the eight main heads of expenditure (1) the total increase or decrease from year to year; (2) the amount of this increase expended on exchange, including—for those years where they operated—the increased rupee pay of the British soldier (whose pay is on a sterling basis) and the charge for exchange compensation allowance; and (3) the actual increase or decrease with exchange totally excluded. The figures for (1) are in Roman type, those for (2) in italics, and those for (3) in black type.

6. With regard to the amount shown against exchange in Table II. it must be borne in mind that this represents for each year the increased amount expended on exchange, and not merely the extra amount due to the fall in exchange. As during the 20 years of falling exchange there was a steady increase in the home charges, a portion of the increased cost of exchange in nearly every year was really not due to the fall in exchange, but was due to, and a portion of, increased sterling expenditure.

7. Table III. further supplements Tables I. and II. It shows (1) the net expenditure of the Government of India under the principal heads (distinguishing that due to exchange) for 1875–6, 1884–5, and 1895–6 (Budget estimate); and (2) the increase or decrease in such expenditure for the three periods 1875–6 to 1884–5 (nine years), 1884–5 to 1895–6 (11 years), and 1875–6 to 1895–6 (20 years), respectively. The reason for selecting 1884–5 rather than 1885–6, as the middle year for the purposes of this comparison, is that 1884–5 was the last of a series of four years of financial equilibrium and practically stationary expenditure, while 1885–6 was the first of a series of years (not yet completed) of financial instability, of rapidly increasing expenditure, and of heavy charges on account of military operations.

8. Tables IV., V. and VI. carry the analysis of the main increases or decreases in expenditure still further, Table IV. showing for the period 1875–6 to 1895–6 the exact effect of exchange in this connexion, and Tables V. and VI. showing the same thing for the periods 1875–6 to 1884–5 and 1884–5 to 1895–6 respectively.

9. The figures given in the tables seem to establish the following facts:—

TOTAL EXPENDITURE.

(i.) In the last 20 years the net expenditure of British India has risen from Rx. 46,450,000 to Rx. 65,350,000, showing an increase of Rx. 18,900,000. The total increase of Rx. 18,900,000 is made up of an increase of Rx. 20,900,000 under the three heads of Collection of Revenue, Civil Services, and Military Services, and a decrease of about Rx. 2,000,000 under other heads of expenditure.

(ii.) In the last 20 years the total cost of exchange (including that upon the sterling pay of British troops and exchange compensation allowance) has increased by Rx. 14,350,000. The total increase of Rx. 14,350,000 is made up of an increase of Rx. 7,750,000 under the heads of Civil and Military Services (including Collection of Revenue) and Rx. 6,600,000 under other heads of expenditure.

(iii.) In the last 20 years, excluding exchange altogether, the net expenditure of British India has arisen from Rx. 45,100,000 to Rx. 49,650,000, showing an increase of about Rx. 4,550,000. The total increase of Rx. 4,550,000 is made up of an increase of Rx. 13,150,000 under the three heads of Collection of Revenue, Civil Services, and Military Services, and a decrease of Rx. 8,600,000 under other heads of expenditure.

(iv.) In the last 20 years, therefore, the total increase of Rx. 18,900,000 in the total net expenditure of British India is made up as follows:

	Rx.	
Increase in Civil and Military Services - -	13,150,000	
Add increase in cost of exchange - - -	7,750,000	
Total increase - - -		20,900,000
Decrease in other expenditure - - -	*8,600,000*	
Deduct increase in cost of exchange - - -	6,600,000	
Total decrease - - -		*2,000,000*
Net total increase - - -		Rx. 18,900,000

(v.) From 1875–6 to 1884–5 there was an increase in total net expenditure (excluding exchange altogether) of Rx. 3,000,000; from 1884–5 to 1895–6 the increase is Rx. 1,550,000. The increase of Rx. 3,000,000 during the former period is made up of an increase of Rx. 4,200,000 under the heads of Civil and Military Services (including Collection of Revenue) and a decrease of Rx. 1,200,000 under other heads of expenditure; while the increase of Rx. 1,550,000 during the more recent period is made up of an increase of Rx. 8,950,000 in Civil and Military expenditure and a decrease of Rx. 7,400,000 in other expenditure.

HOME CHARGES.

(vi.) In the last 20 years of falling exchange the sterling expenditure of the Government of India has been increased by nearly £3,200,000, involving a further charge of Rx. 2,650,000 for exchange, so that additional sterling expenditure of the Government of India has added Rx. 5,850,000 to Indian charges. Of this amount, £1,450,000, with exchange Rx. 1,250,000, total Rx. 2,700,000, falls under Civil and Military expenditure); and £1,700,000, with exchange Rx. 1,450,000, total Rx. 3,150,000, falls under other heads of expenditure (almost entirely railways and debt).

(vii.) In the last 11 years (from 1884–5 to 1895–6) over 900,000, involving nearly Rx. 800,000 for exchange, and making a total additional burden of Rx. 1,700,000, has been added to the sterling expenditure on the civil and military services alone.

EXCHANGE.

(viii.) In the last 20 years there has been an increase of Rx. 14,350,000, which in one way or another is claimed by the Government of India to be due to the fall in the exchange value of the rupee. But of this Rx. 2,650,000 is the present cost of exchange on increases in sterling expenditure since 1875–6, and therefore not primarily due to the fall in exchange, while Rx. 1,450,000 is due to the grant of exchange compensation allowance, leaving Rx. 10,250,000 as the true increase in the cost of exchange automatically brought about by the fall in exchange.

(ix.) Of the increase of Rx. 10,250,000 in 20 years, properly due to the fall in exchange, about Rx. 5,000,000 falls upon the commercial (chiefly railways) and Debt Services, in which enhanced profits or economies have far more than counterbalanced this additional burden; leaving only Rx. 5,250,000 as the true additional burden thrown upon the Civil and Military Services during the last 20 years strictly on account of the fall in the exchange value of the rupee.

CIVIL SERVICES.

(x.) In the last 20 years there has been an increase in the total net expenditure on the Civil Services (*i.e.*, Civil Departments, Miscellaneous Civil Charges, and Buildings and Roads) of Rx. 8,000,000. Of this increase Rx. 2,350,000 accrued during the first nine years (1875-6 to 1884-5) and Rx. 5,650,000 during the last 11 years (1884-5 to 1895-6).

(xi.) In the last 20 years, excluding exchange altogether, there has been an increase in net Civil Service expenditure (exclusive of that on account of Collection of Revenue) of Rx. 5,500,000. Of this increase Rx. 2,050,000 accrued during the first nine years (1875-6 to 1884-5) and Rx. 3,450,000 during the last 11 years (1884-5 to 1895-6).

MILITARY SERVICES.

(xii.) In the last 20 years there has been an increase in the total net military expenditure of the Government of India (*i.e.*, Army Services and Military Works) of Rx. 9,500,000. Of this increase Rx. 1,100,000 accrued during the first nine years (1875-6—1884-5) and Rx. 8,400,000 during the last 11 years (1884-5 to 1895-6).

(xiii.) In the last 20 years, excluding exchange altogether, there has been an increase in net military expenditure of Rx. 4,450,000, of which only Rx. 350,000 accrued during the first nine years (1875-6 to 1884-5) and no less than Rx. 4,100,000 in the last 11 years (1884-5 to 1895-6).

(xiv.) In March 1885, Sir Auckland Colvin, at that time Indian Finance Minister, estimated the net cost of the Army (exclusive of war charges) at a little below 15,000,000*l.*, or, as it would now be expressed with exchange excluded, Rx. 15,000,000. This amount, he said, "may be considered to be "about the normal military expenditure in India "and in England." (F.S. 1885-6, paragraph 136.) If Rx. 1,000,000 be added for military works, the normal net expenditure on the military services, exclusive of that due to exchange, and not counting that spent on Special Defence, may be taken at Rx. 16,000,000, according to the Indian Government's standard. The following figures show (1) the amount of the net expenditure on the military services (exchange excluded) in each year from 1876-7 to 1895-6; (2) the excess year by year over this standard; and (3) the aggregate of such excess expenditure during the 20 years.

Year.	Net Military Expenditure (Exchange excluded).	Excess over Indian Government's Standard (Rx. 16,000,000).	
	Rx.	Rx.	
1876-77	16,029,710	29,710	
1877-78	16,884,476	884,476	
*1878-79	17,268,746	1,268,746	
*1879-80	21,560,932	5,560,932	Aggregate Excess over Indian Government's Standard during nine years 1876-7 to 1884-5
*1880-81	24,797,202	8,797,202	
1881-82	16,059,915	59,915	Rx. 18,239,980
1882-83	16,768,079	768,079	
1883-84	16,947,584	947,584	
†1884-85	15,923,336	— 76,664	
†1885-86	18,692,977	2,692,977	
†‡1886-87	17,815,561	1,815,561	
‡1887-88	18,554,495	2,554,495	
‡1888-89	18,073,451	2,073,451	
‡1889-90	18,434,169	2,434,169	Aggregate Excess over Indian Government's Standard during 11 years 1885-6 to 1895-6
‡1890-91	19,069,447	3,069,447	
‡1891-92	20,311,850	4,311,850	Rx. 33,541,705
‡1892-93	20,176,550	4,176,550	
‡1893-94	19,561,605	3,561,605	
§‡1894-95	18,830,900	2,830,900	
¶‡1895-96	20,020,700	4,020,700	
Aggregate excess over Indian Government's Standard during 20 years		Rx. 51,781,685	

* Afghan War. † Upper Burma.
‡ Army increased by 27,000 men. [Estimated extra charge about Rx. 1,500,000 annually.]
§ Revised Estimate. ¶ Budget Estimate.

The aggregate excess Military charge during the 29 years of Rx. 51,800,000 is roughly made up as follows:—

	Rx.
Afghan War - - -	11,500,000
Annexation of Upper Burma -	4,000,000
Increase in Army (nine full years)	13,500,000
Expeditions, Increased Expenditure, Occupation of Upper Burma, &c. - - -	22,800,000
	Rx. 51,800,000

W. WEDDERBURN,
Chairman, British Committee,
Indian National Congress.

H. MORGAN-BROWNE,
Secretary, British Committee,
Indian National Congress.

Offices of the British Committee of the
Indian National Congress,
84 & 85, Palace Chambers, Westminster, S.W.
26th June 1895.

TABLE I.—NET EXPENDITURE OF BRITISH INDIA FOR THE 21 YEARS 1875-6 TO 1895-6.

Heads of Expenditure.	1875-76.		1876-77.		1877-78.		1878-79.		1879-80.		1880-81.		1881-82.	
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx	Rx.
I. COLLECTION OF REVENUE:														
1. Land and Forest -	3,371,446		3,357,510		3,384,647		3,416,139		3,403,379		3,450,617		3,562,640	
2. Opium - - -	2,218,643		2,841,647		2,661,538		1,698,929		2,067,524		2,028,775		2,057,554	
3. Other heads - -	1,083,132		1,078,155		1,177,180		1,080,148		998,892		1,012,760		1,141,312	
4. Assignments, &c. -	903,524		878,983		867,122		1,032,118		1,142,645		1,215,013		1,194,440	
		7,576,745		8,156,295		8,090,487		7,227,334		7,612,440		7,707,165		7,955,946
II. DEBT SERVICES -	—	4,246,734	—	4,507,669	—	4,620,423	—	4,769,355	—	4,635,305	—	3,717,827	—	3,950,841
III. CIVIL SERVICES:														
1. Civil Departments -	9,037,136		9,310,789		9,056,115		9,075,163		9,019,364		9,206,751		9,615,295	
2. Miscellaneous Civil Charges.	3,557,116		3,577,952		3,525,143		3,734,299		3,769,585		3,891,767		4,066,833	
3. Buildings and Roads -	2,838,837		2,843,230		2,379,750		2,615,988		2,491,220		2,849,133		3,430,542	
		15,433,089		15,731,971		14,961,008		15,425,450		15,280,169		15,947,651		17,112,670
IV. MILITARY SERVICES:														
1. Army - - -	14,641,877		15,531,098		16,421,249		16,261,451		16,681,191		16,607,944		16,865,110	
2. Military Works - -	1,321,260		1,163,071		1,114,696		1,151,039		928,052		932,441		1,020,248	
Afghanistan - -	—		—		—		692,391		4,801,429		7,539,091		-1,487,682	
*Minor Expeditions -	2,643		—		—		—		—		—		—	
		15,965,780		16,694,169		17,535,945		18,104,881		22,410,672		25,079,476		16,397,676
V. COMMERCIAL SERVICES:														
1. Posts and Telegraphs -	336,625		281,855		263,171		252,926		126,657		149,021		293,725	
2. Mint - - -	— 83		— 121,492		— 307,733		— 66,361		— 119,352		3,732		20,859	
3. Railways - - -	1,558,760		1,146,207		150,150		2,075,695		1,570,478		1,044,050		285,584	
4. Irrigation - -	1,147,068		1,021,869		991,674		812,815		311,550		283,565		568,897	
		3,042,370		2,328,439		1,097,262		3,075,075		1,889,333		1,480,368		1,169,065
VI. SPECIAL SERVICES:														
1. Famine Relief - -	602,030		† 2,145,517		† 5,347,634		313,547		104,059		34,840		‡1,567,886	
2. Construction of Railways.	29,680		38,260		50,896		171,782		1,842,733		2,473,654		512,655	
		631,710		2,183,777		5,398,530		485,329		1,946,792		2,508,494		2,080,541
VII. SPECIAL DEFENCE:	—	—	—	—	—	—	—	—	—	—	—	—	—	—
VIII. PROVINCIAL SURPLUS OR DEFICIT.	—	- 434,681	—	- 125,060	—	+ 367,802	—	+ 715,405	—	+ 613,299	—	+ 297,961	—	+1,519,792
GRAND TOTAL - -		46,461,747		49,477,260		52,071,457		49,802,829		54,388,010		56,738,942		50,186,531

* The figures for the years 1875-6—1892-3 represent the actual expenditure in India, and are taken from a Parliamentary Return entitled "East India (Military Expenditure)," and dated India Office, 8th June 1894.
† Great Famine in Madras and Bombay. ‡ Beginning of Famine Insurance Fund, an annual sum of Rx. 1,500,000 being granted for building protective railways, extinguishing debt, &c., as a precaution against future famines.

TABLE I.—NET EXPENDITURE OF BRITISH INDIA FOR THE 21 YEARS 1875-6 TO 1895-6—*continued.*

Heads of Expenditure.	1882–83.		1883–84.		1884–85.		1885–86.		1886–87.		1887–88.		1888–89.	
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. COLLECTION OF REVENUE:														
1. Land and Forest -	3,611,135		3,979,921		4,042,784		4,095,280		4,184,017		4,206,479		4,305,957	
2. Opium - - -	2,283,180		1,854,983		2,966,640		3,057,674		2,729,063		2,424,575		2,597,905	
3. Other Heads - -	1,082,949		1,029,580		1,073,353		1,049,613		1,171,642		1,114,164		1,119,181	
4. Assignments, &c. -	1,195,087		1,238,840		1,275,442		1,396,587		1,446,937		1,468,963		1,486,235	
		8,172,351		8,103,324		9,358,219		9,599,154		9,531,659		9,214,181		9,509,278
II. DEBT SERVICES - -	—	4,070,945	—	3,668,508	—	3,907,848	—	3,631,879	—	3,639,855	—	4,695,199	—	3,870,437
III. CIVIL SERVICES:														
1. Civil Departments -	9,609,502		9,933,805		10,370,023		10,816,283		11,236,858		11,410,622		11,505,582	
2. Miscellaneous Civil Charges.	3,986,372		3,928,261		3,947,381		4,162,395		4,204,580		4,277,103		4,425,452	
3. Buildings and Roads -	3,858,497		4,283,257		3,484,948		2,941,933		3,600,939		3,667,064		3,640,317	
		17,454,371		18,145,323		17,802,352		17,920,611		19,042,377		19,354,789		19,571,351
IV. MILITARY SERVICES:														
1. Army - - -	16,008,169		†17,103,737		15,989,714		16,312,783		§17,022,239		17,866,278		18,233,500	
2. Military Works - -	920,418		975,397		909,232		927,762		873,254		1,191,647		1,065,662	
Afghanistan - -	17,869		—		—		—		—		—		—	
Egypt - - -	609,285		51,736		—		—		—		—		—	
* Quetta - - -	—		—		102,700		2,185,371		—		—		—	
* Burma - - -	—		—		—		631,000		1,517,800		1,475,300		631,600	
* Minor Expeditions -	—		—		56,219		4,753		—		15,541		374,378	
		17,555,741		18,130,870		17,057,865		20,061,669		19,413,293		20,548,766		20,305,140
V. COMMERCIAL SERVICES:														
1. Posts and Telegraphs -	335,889		410,825		441,207		433,795		217,702		183,746		22,856	
2. Mint - - -	– 95,222		– 50,106		– 93,804		– 106,694		– 99,922		– 157,463		– 121,171	
3. Railways - - -	1,305,860		304,912		1,051,751		731,713		1,188,668		2,122,386		2,233,392	
4. Irrigation - -	716,027		547,200		573,017		715,469		653,949		747,372		722,246	
		2,262,554		1,212,831		1,972,171		1,774,283		1,960,397		2,896,041		2,857,323
VI. SPECIAL SERVICES:														
1. Famine Relief - -	1,495,972		1,522,813		1,548,357		1,500,000		‖ 309,020		91,408		78,336	
2. Construction of Railways.	480,923		‡ – 176,295		263,501		632,055		183,077		80,945		22,401	
		1,976,895		1,346,518		1,811,858		2,132,055		492,097		172,353		100,737
VII. SPECIAL DEFENCE -	—	—	—	—	—	—	—	—	—	325,626	—	456,017	—	789,595
VIII. PROVINCIAL SURPLUS OR DEFICIT.	—	– 1,202,626	—	– 464,679	—	– 288,944	—	+ 523,882	—	+ 35,665	—	+ 370,591	—	+ 285,118
GRAND TOTAL - -	—	50,290,231	—	50,142,695	—	51,621,369	—	55,643,533	—	54,440,969	—	57,707,937	—	57,288,979

* The figures for the years 1875–6—1892–3 represent the actual expenditure in India, and are taken from a Parliamentary Return entitled "East India (Military Expenditure)," and dated India Office, 8th June 1894.

† Including 1,000,000*l.* paid to the Imperial Exchequer on account of Arrears for Non-effective Army Services (F. S. 1884–5, paras. 12 and 53).

‡ Refund of past expenditure.

§ Addition of 27,000 men to the established strength of the Army, ultimately costing about Rx. 1,500,000 annually.

‖ Partial suspension of Famine Insurance Fund, which has not been fully restored since.

TABLE I.—NET EXPENDITURE OF BRITISH INDIA FOR THE 21 YEARS 1875-6 TO 1895-6—*continued.*

Heads of Expenditure.	1889–90.		1890–91.		1891–92.		1892–93.		1893–94.		1894–95. (Revised Estimate.)		1895–96. (Budget Estimate.)	
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. COLLECTION OF REVENUE:														
1. Land and Forest	4,404,229		4,460,709		4,679,052		4,801,570		4,928,020		5,040,300		5,184,200	
2. Opium	1,605,107		2,180,797		1,861,813		1,602,496		1,876,607		1,646,400		2,755,200	
3. Other Heads	1,114,892		1,148,754		1,220,084		1,232,564		1,276,670		1,378,900		1,477,100	
4. Assignments, &c.	1,544,448		1,510,092		1,531,860		1,567,776		1,528,260		1,549,300		1,539,300	
		8,668,676		9,300,352		9,292,809		9,204,406		9,609,557		9,614,900		10,955,800
II. DEBT SERVICES	—	3,367,762	—	3,264,254	—	3,435,733	—	3,504,536	—	3,570,882	—	4,260,800	—	3,310,400
III. CIVIL SERVICES:														
1. Civil Departments	11,679,034		11,774,192		12,197,685		12,652,036		13,006,538		13,299,600		13,749,300	
2. Miscellaneous Civil Charges.	4,869,149		4,228,491		4,601,697		5,094,494		5,184,698		5,629,300		5,648,000	
3. Buildings and Roads	3,666,847		3,904,987		4,416,904		4,041,767		4,001,784		3,719,000		4,044,100	
		19,715,030		19,907,670		21,216,286		21,788,297		22,193,020		22,647,900		23,441,400
IV. MILITARY SERVICES:														
1. Army	18,876,319		19,154,573		20,219,161		21,794,991		21,629,721		22,397,200		23,522,600	
2. Military Works	1,094,944		1,176,631		1,164,724		1,151,525		1,134,714		951,700		1,120,500	
* Burma	435,800		350,300		529,200		502,500		‡ 500,000		‡ 500,000		‡ 500,000	
* Minor Expeditions	420,988		399,560		751,836		257,300		§ 273,650		¶ 242,500		‖ 313,900	
		20,828,051		21,081,064		22,664,921		23,706,316		23,538,085		24,091,400		25,462,000
V. COMMERCIAL SERVICES:														
1. Posts and Telegraphs	39,862		— 22,813		— 33,611		— 33,000		— 60,769		— 195,700		— 119,600	
2. Mint	— 148,982		— 232,264		— 112,937		— 198,328		— 136,275		19,900		— 3,900	
3. Railways	1,852,601		687,291		315,864		1,847,052		1,535,503		2,417,100		2,148,200	
4. Irrigation	661,629		569,550		672,979		521,577		566,158		546,200		566,200	
		2,405,110		1,001,764		842,295		2,137,301		1,904,617		2,787,500		2,590,900
VI. SPECIAL SERVICES:														
1. Famine Relief	600,000		600,000		1,268,319		1,116,103		1,117,801		51,500		55,000	
2. Construction of Railways.	4,974		† — 4,812		163,233		339,487		73,903		20,100		9,400	
		604,974		595,188		1,431,552		1,455,590		1,191,704		71,600		64,400
VII. SPECIAL DEFENCE	—	689,481	—	491,837	—	604,848	—	458,060	—	324,974	—	184,600	—	154,700
VIII. PROVINCIAL SURPLUS OR DEFICIT.	—	+ 548,996	--	— 198,627	—	— 240,924	—	— 177,359	—	— 311,291	—	— 654,200	—	— 623,300
GRAND TOTAL	—	56,828,080	--	55,443,502	—	59,247,520	—	62,077,147	—	62,021,548	—	63,004,500	—	65,356,300

* The figures for the years 1875–6—1892–3 represent the actual expenditure in India, and are taken from a Parliamentary Return entitled "East India (Military Expenditure)," and dated India Office, 8th June 1894.
† Refund of past expenditure. ‡ Estimated. § Rx. 174,000 Kachin, South Lushai, &c., Rx. 30,000 Gilgit (F. S., 1893–4, para. 63); Rx. 21,500 Kachin, South Lushai, &c., Rx. 48,150 Gilgit [Supplementary Grants] (F. S., 1894–5, para. 83).
‖ Rx. 107,400 Waziristan, &c., Rx. 150,000 Chitral, Rx. 61,500 other expeditions (F. S., 1895–6, paras. 50, 155, and 200). ¶ Rx. 202,500 Waziristan, &c., Rx. 40,000 other expeditions (F. S., 1895–6, paras. 155 and 200).

TABLE II.—Annual Increase or Decrease in Net Expenditure of British India for the 21 Years 1875-6 to 1895-6.

	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83.	1883-84.	1884-85.	1885-86.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. Collection of Revenue:										
Total Increase (+) or Decrease (−)	+ 579,550	− 65,808	− 863,153	+ 385,106	+ 94,725	+ 248,781	+ 216,405	− 69,027	+ 1,254,895	+ 240,935
Deduct Increase (+) or Decrease (−) due to Exchange	+ *828*	+ *1,591*	+ *3,076*	− *1,470*	− *1,389*	+ *821*	+ *3,784*	− *3,008*	+ *3,956*	+ *5,681*
Increase (+) or Decrease (−) excluding Exchange	+ **578,722**	− **67,399**	− **866,229**	+ **386,576**	+ **96,114**	+ **247,960**	+ **212,621**	− **66,019**	**+1,250,939**	+ **235,254**
II. Debt Services:										
Total Increase (+) or Decrease (−)	+ 260,935	+ 112,754	+ 148,932	− 134,050	− 917,478	+ 233,014	+ 120,104	− 402,437	+ 239,340	− 275,969
Deduct Increase (+) or Decrease (−) due to Exchange	+ *156,796*	− *9,036*	+ *166,846*	− *7,029*	− *106,434*	+ *72,325*	+ *57,001*	− *11,363*	+ *73,923*	+ *135,408*
Increase (+) or (−) Decrease excluding Exchange	+ **104,139**	+ **121,790**	− **17,914**	− **127,025**	− **811,044**	+ **160,689**	+ **63,103**	− **391,074**	+ **165,417**	− **411,377**
III. Civil Services:										
Total Increase (+) or Decrease (−)	+ 298,882	− 770,963	+ 464,442	− 145,281	+ 667,482	+ 1,165,019	+ 341,701	+ 690,952	− 342,971	+ 118,259
Deduct Increase (+) or Decrease (−) due to Exchange	+ *134,230*	− *32,410*	+ *127,382*	− *37,629*	+ *21,907*	+ *8,364*	+ *56,757*	+ *17,470*	+ *8,716*	+ *163,905*
Increase (+) or Decrease (−) excluding Exchange	+ **164,652**	− **738,553**	+ **337,060**	− **107,652**	+ **645,575**	**+1,156,655**	+ **284,944**	+ **673,482**	− **351,687**	− **45,646**
IV. Military Services:										
Total Increase (+) or Decrease (−)	+ 728,389	+ 841,776	+ 568,936	+ 4,305,791	+ 2,668,804	− 8,681,800	+ 1,158,065	+ 575,129	− 1,073,005	+ 3,003,804
Deduct Increase (+) or Decrease (−) due to Exchange	+ *282,787*	− *12,990*	+ *184,666*	+ *13,605*	− *567,466*	+ *55,487*	+ *449,901*	+ *395,624*	− *48,757*	+ *234,163*
Increase (+) or Decrease (−) excluding Exchange	+ **445,602**	+ **854,766**	+ **384,270**	**+4,292,186**	**+3,236,270**	**−8,737,287**	+ **708,164**	+ **179,505**	**−1,024,248**	**+2,769,641**
V. Commercial Services:										
Total Increase (+) or Decrease (−)	− 713,931	− 1,231,177	+ 1,977,813	− 1,185,742	− 408,965	− 311,303	+ 1,093,489	− 1,049,723	+ 759,340	− 197,888
Deduct Increase (+) or Decrease (−) due to Exchange	+ *303,786*	− *78,324*	+ *287,180*	− *31,059*	− *34,629*	+ *69,755*	+ *121,919*	− *15,279*	+ *89,846*	+ *466,356*
Increase (+) or Decrease (−) excluding Exchange	**−1,017,717**	**−1,152,853**	**+1,690,633**	**−1,154,683**	− **374,336**	− **381,058**	+ **971,570**	**−1,034,444**	+ **669,494**	− **664,244**
VI. Special Services:										
Total Increase (+) or Decrease (−)	+ 1,552,067	+ 3,214,753	− 4,913,201	+ 1,461,463	+ 561,702	− 427,953	− 103,646	− 630,377	+ 465,340	+ 320,197
Deduct Increase (+) or Decrease (−) due to Exchange	+ *22*	+ *1,563*	− *1,522*	+ *49,401*	+ *91,610*	− *66,115*	− *57,061*	− *17,914*	− *48*	—
Increase (+) or Decrease (−) excluding Exchange	**+1,552,045**	**+3,213,190**	**−4,911,679**	**+1,412,062**	+ **470,092**	− **361,838**	− **46,585**	− **612,463**	+ **465,388**	+ **320,197**
VII. Special Defence:										
Total Increase (+) or Decrease (−)	—	—	—	—	—	—	—	—	—	—
Deduct Increase (+) or Decrease (−) due to Exchange	—	—	—	—	—	—	—	—	—	—
Increase (+) or Decrease (−) excluding Exchange	—	—	—	—	—	—	—	—	—	—
VIII. Provincial Surplus or Deficit:										
Total Increase (+) or Decrease (−)	+ 309,621	+ 492,862	+ 347,603	− 102,106	− 315,338	+ 1,221,831	− 2,722,418	+ 737,947	+ 175,735	+ 812,826
Deduct Increase (+) or Decrease (−) due to Exchange	—	—	—	—	—	—	—	—	—	—
Increase (+) or Decrease (−) excluding Exchange	+ **309,621**	+ **492,862**	+ **347,603**	− **102,106**	− **315,338**	**+1,221,831**	**−2,722,418**	+ **737,947**	+ **175,735**	+ **812,826**
GRAND TOTALS:										
Total Increase (+) or (Decrease (−)	+ 3,015,513	+ 2,594,197	− 2,268,628	+ 4,585,181	+ 2,356,932	− 6,552,411	+ 103,700	− 147,536	+ 1,478,674	+ 4,022,164
Deduct Increase (+) or Decrease (−) due to Exchange	+ *878,449*	− *129,606*	+ *767,628*	− *14,177*	− *596,401*	+ *140,637*	− *632,301*	+ *319,530*	+ *127,636*	+ *1,005,513*
Increase (+) or Decrease (−) excluding Exchange	**+2,137,064**	**+2,723,803**	**−3,036,256**	**+4,599,358**	**+2,947,333**	**−6,693,048**	− **528,601**	− **467,066**	**+1,351,038**	**+3,016,651**

TABLE II.—ANNUAL INCREASE OR DECREASE IN NET EXPENDITURE OF BRITISH INDIA FOR THE 20 YEARS, 1876-7 TO 1895-6—*continued.*

	1886-87.	1887-88.	1888-89.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx	Rx.
I. COLLECTION OF REVENUE:										
Total Increase (+) or Decrease (−)	− 67,495	− 317,478	+ 295,097	− 840,602	+ 631,676	− 7,543	− 88,403	+ 405,151	+ 5,343	+ 1,340,900
Deduct Increase (+) or Decrease (−) due to Exchange	+ *194*	+ *5,245*	− *86*	− *7,353*	− *4,403*	+ *3,940*	+ *4,972*	+ *70,804*	+ *69,799*	+ *30,300*
Increase (+) or Decrease (−) excluding Exchange	− 67,689	− 322,723	+ 295,183	− 833,249	+ 636,079	− 11,453	− 93,375	+ 334,347	− 64,456	+1,310,600
II. DEBT SERVICES:										
Total Increase (+) or Decrease (−)	+ 7,976	+ 1,055,344	− 824,762	− 502,675	− 103,508	+ 171,479	+ 68,803	+ 66,346	+ 689,918	− 950,400
Deduct Increase (+) or Decrease (−) due to Exchange	+ *199,384*	+ *423,332*	− *210,794*	− *158,457*	− *250,425*	+ *353,960*	+ *328,640*	+ *172,289*	+ *552,091*	+ *37,300*
Increase (+) or Decrease (−) excluding Exchange	− 191,408	+ 630,012	− 613,968	− 344,218	+ 146,917	− 182,481	− 259,837	− 105,943	+ 137,827	− 987,700
III. CIVIL SERVICES:										
Total Increase (+) or Decrease (−)	+ 1,121,766	+ 312,412	+ 216,562	+ 143,679	+ 192,640	+ 1,308,616	+ 572,011	+ 404,723	+ 454,880	+ 793,500
Deduct Increase (+) or Decrease (−) due to Exchange	+ *203,701*	+ *97,187*	+ *70,892*	− *35,721*	− *285,024*	+ *321,710*	+ *558,907*	+ *313,595*	+ *715,290*	+ *83,000*
Increase (+) or Decrease (−) excluding Exchange	+ 918,065	+ 215,225	+ 145,670	+ 179,400	+ 477,664	+ 986,906	+ 18,104	+ 91,128	− 260,410	+ 710,500
IV. MILITARY SERVICES:										
Total Increase (+) or Decrease (−)	− 648,376	+ 1,135,473	− 243,626	+ 522,911	+ 253,013	+ 1,583,857	+ 1,041,395	− 168,231	+ 553,315	+ 1,370,600
Deduct Increase (+) or Decrease (−) due to Exchange	+ *229,040*	+ *396,539*	+ *237,418*	+ *162,193*	− *382,265*	− *341,454*	+ *1,176,695*	+ *446,714*	+ *1,284,020*	+ *180,800*
Increase (+) or Decrease (−) excluding Exchange	− 877,416	+ 738,934	− 481,044	+ 360,718	+ 635,278	+1,242,403	− 135,300	− 614,945	− 730,705	+1,189,800
V. COMMERCIAL SERVICES:										
Total Increase (+) or Decrease (−)	+ 186,114	+ 935,644	− 38,718	− 452,213	− 1,403,346	− 159,469	+ 1,295,006	− 232,684	+ 882,883	− 196,600
Deduct Increase (+) or Decrease (−) due to Exchange	+ *364,502*	+ *295,306*	+ *343,032*	− *116,469*	− *666,123*	+ *636,022*	+ *1,022,698*	+ *351,772*	+ *1,128,381*	+ *43,700*
Increase (+) or Decrease (−) excluding Exchange	− 178,388	+ 640,338	− 381,750	− 335,744	− 737,223	− 795,491	+ 272,308	− 584,456	− 245,498	− 240,300
VI. SPECIAL SERVICES:										
Total Increase (+) or Decrease (−)	− 1,639,958	− 319,744	− 71,616	+ 504,237	− 9,786	+ 836,364	+ 24,038	− 263,886	− 1,120,104	− 7,200
Deduct Increase (+) or Decrease (−) due to Exchange	—	—	—	—	—	+ *750*	+ *1,406*	− *2,005*	+ *49*	− *200*
Increase (+) or Decrease (−) excluding Exchange	−1,639,958	− 319,744	− 71,616	+ 504,237	− 9,786	+ 835,614	+ 22,632	− 261,881	−1,120,153	− 7,000
VII. SPECIAL DEFENCE:										
Total Increase (+) or Decrease (−)	+ 325,626	+ 130,391	+ 333,578	− 100,114	− 197,644	+ 113,011	− 146,788	− 133,086	− 140,374	− 29,900
Deduct Increase (+) or Decrease (−) due to Exchange	+ *55,346*	− *30,232*	+ *83,412*	− *18,994*	− *30,563*	+ *31,906*	− *14,870*	− *10,649*	− *13,456*	− *13,400*
Increase (+) or Decrease (−) excluding Exchange	+ 270,280	+ 160,623	+ 250,166	− 81,120	− 167,081	+ 81,105	− 131,918	− 122,437	− 126,918	− 16,500
VIII. PROVINCIAL SURPLUS OR DEFICIT:										
Total Increase (+) or Decrease (−)	− 488,217	+ 334,926	− 85,473	+ 263,878	− 747,623	− 42,297	+ 63,565	− 133,932	− 342,909	+ 30,900
Deduct Increase (+) or Decrease (−) due to Exchange	—	—	—	—	—	—	—	—	—	—
Increase (+) or Decrease (−) excluding Exchange	− 488,217	+ 334,926	− 85,473	+ 263,878	− 747,623	− 42,297	+ 63,565	− 133,932	− 342,909	+ 30,900
GRAND TOTALS:										
Total Increase (+) or Decrease (−)	− 1,202,564	+ 3,266,968	− 418,958	− 460,899	− 1,384,578	+ 3,804,018	+ 2,829,627	− 55,599	+ 982,952	+ 2,351,800
Deduct Increase (+) or Decrease (−) due to Exchange	+ *1,052,167*	+ *1,189,377*	+ *523,874*	− *174,801*	− *1,618,803*	+ *1,689,712*	+ *3,073,448*	+ *1,342,520*	+ *3,736,174*	+ *361,500*
Increase (+) or Decrease (−) excluding Exchange	−2,254,731	+2,077,591	− 942,832	− 286,098	+ 234,225	+ 2,114,306	− 243,821	−1,398,119	− 2,753,222	+ 1,990,300

TABLE III.—NET EXPENDITURE OF BRITISH INDIA, 1875-6, 1884-5, AND 1895-6.

HEADS OF EXPENDITURE.	1875-6.	1884-5.	1895-6 (Budget Estimate).	Increase (+) or Decrease (−) 1875-6 to 1884-5 (9 Years).	Increase (+) or Decrease (−) 1884-5 to 1895-6 (11 Years).	Increase (+) or Decrease (−) 1875-6 to 1895-6 20 Years.
	1.	2.	3.	4.	5.	6.
I. COLLECTION OF REVENUE:	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Total Expenditure - -	7,576,745	9,358,219	10,955,800	+ 1,781,474	+ 1,597,581	+ 3,379,055
Deduct Exchange - -	*4,748*	*12,507*	*192,000*	+ *7,759*	+ *179,493*	+ *187,252*
Expenditure excluding Exchange.	7,571,997	9,345,712	10,763,800	+ 1,773,715	+ 1,418,088	+ 3,191,803
II. DEBT SERVICES:						
Total Expenditure - -	4,246,734	3,907,848	3,310,400	− 338,886	− 597,448	− 936,334
Deduct Exchange - -	*233,339*	*626,372*	*2,211,100*	+ *393,033*	+ *1,584,728*	+ *1,977,761*
Expenditure excluding Exchange.	4,013,395	3,281,476	1,099,300	− 731,919	− 2,182,176	− 2,914,095
III. CIVIL SERVICE:						
Total Expenditure - -	15,433,089	17,802,352	23,441,400	+ 2,369,263	+ 5,639,048	+ 8,008,311
Deduct Exchange - -	*230,171*	*534,958*	*2,737,400*	+ *304,787*	+ *2,202,442*	+ *2,507,229*
Expenditure excluding Exchange.	15,202,918	17,267,394	20,704,000	+ 2,064,476	+ 3,436,606	+ 5,501,082
IV. MILITARY SERVICES:						
Total Expenditure - -	15,965,780	17,057,865	25,462,000	+ 1,092,085	+ 8,404,135	+ 9,496,220
Deduct Exchange - -	*381,672*	*1,134,529*	*5,441,300*	+ *752,857*	+ *4,306,771*	+ *5,059,628*
Expenditure excluding Exchange.	15,584,108	15,923,336	20,020,700	+ 339,228	+ 4,097,364	+ 4,436,592
V. COMMERCIAL SERVICES:						
Total Expenditure - -	3,042,370	1,972,171	2,590,900	− 1,070,199	+ 618,729	− 451,470
Deduct Exchange - -	*528,628*	*1,241,823*	*5,111,000*	+ *713,195*	+ *3,869,177*	+ *4,582,372*
Expenditure excluding Exchange.	2,513,742	730,348	−2,520,100	− 1,783,394	− 3,250,448	− 5,033,842
VI. SPECIAL SERVICES:						
Total Expenditure - -	631,710	1,811,858	64,400	+ 1,180,148	− 1,747,458	− 567,310
Deduct Exchange - -	*64*	—	—	− *64*	—	− *64*
Expenditure excluding Exchange.	631,646	1,811,858	64,400	+ 1,180,212	− 1,747,45 8	− 567,246
VII. SPECIAL DEFENCE:						
Total Expenditure - -	—	—	154,700	—	+ 154,700	+ 154,700
Deduct Exchange - -	—	—	*38,500*	—	+ *38,500*	+ *38,500*
Expenditure excluding Exchange.	—	—	116,200	—	+ 116,200	+ 116,200
VIII. PROVINCIAL SURPLUS OR DEFICIT:						
Total Expenditure - -	−434,681	−288,944	−623,300	+ 145,737	− 334,356	− 188,619
Deduct Exchange - -	—	—	—	—	—	—
Expenditure excluding Exchange.	−434,681	− 288,944	− 623,300	+ 145,737	− 334,356	− 188,619
GRAND TOTALS:						
Total Expenditure - -	46,461,747	51,621,369	65,356,300	+ 5,159,622	+ 13,734,931	+ 18,894,553
Deduct Exchange - -	*1,378,622*	*3,550,189*	*15,731,300*	+ *2,171,567*	+ *12,181,111*	+ *14,352,678*
Expenditure excluding Exchange.	45,083,125	48,071,180	49,625,000	+ 2,988,055	+ 1,553,820	+ 4,541,875

TABLE IV.—Showing under certain specified heads the Increase (+) or Decrease (−), both in India and in England, of the Net Expenditure of the Government of India in 1895–6 (Budget Estimate) as compared with 1875–6 (as shown in Table III.), classified as to, A, Civil and Military Expenditure, and, B, Other Expenditure. Showing also the exact operation of Exchange in various forms in making up the total difference under these heads. [£=Rx.=Rs. 10.]

Heads of Expenditure.	Increase or Decrease excluding Exchange.		Total Increase or Decrease, excluding Exchange. (Total of Cols. 1 and 2.)	Increase in Cost of Exchange properly due to the Fall in Exchange since 1875–6.	Increase due to (*a*) Exchange Compensation Allowance, and (*b*) Sterling pay of British Troops.	Increase or Decrease due to Cost of Exchange on Increase of Sterling Charges.	Total Increase or Decrease in any way due to Exchange. (Total of Cols. 4, 5, and 6.)	Total Increase or Decrease in Net Expenditure, as shown in Table III., Col. 6. (Total of Cols. 3 and 7.)
	India.	England.						
	1.	2.	3.	4.	5.	6.	7.	8.
A. Civil and Military Expenditure:—	Rx.	£.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. Collection of Revenue	+ 3,177,043	+ 14,760	+ 3,191,803	+ 31,252	(*a*) + 143,700	+ 12,300	+ 187,252	+ 3,379,055
III. Civil Departments, Miscellaneous Charges, and Civil Works.	+ 4,976,645	+ 524,437	+ 5,501,082	+ 1,516,699	(*a*) + 553,500	+ 437,030	+ 2,507,229	+ 8,008,311
IV. Army Services and Military Works	+ 3,502,740	+ 933,852	+ 4,436,592	+ 2,515,018	(*a*) + 616,000 (*b*) + 1,156,400	+ 778,210	+ 5,059,628	+ 9,496,220
Total Civil and Military Expenditure	+ 11,656,428	+ £1,473,049	+ 13,129,477	+ 4,062,969	+ 2,469,600	+ 1,227,540	+ 7,754,109	+ 20,883,586
B. Other Expenditure:—								
II. Debt Services	− 3,142,280	+ 528,185	− 2,914,095	+ 1,537,607	—	+ 440,154	+ 1,977,761	− 636,334
V. Commercial Services	− 6,173,312	+ 1,139,470	− 5,033,842	+ 3,483,514	(*a*) + 149,300	+ 949,558	+ 4,582,372	− 451,470
VI. Special Services	− 566,659	− 587	− 567,246	+ 425	—	− 489	+ 64	− 567,310
VII. Special Defence	+ 70,000	+ 46,200	+ 116,200	—	—	+ 38,500	+ 38,500	+ 154,700
VIII. Provincial Surplus or Provincial Deficit.	− 188,619	—	− 188,619	—	—	—	—	− 188,619
Total other Expenditure	− 10,300,870	+ £1,713,268	− 8,587,602	+ 5,021,546	+ 149,300	+ 1,427,723	+ 6,598,569	− 1,989,033
Grand Total	+ 1,355,558	+ £3,186,317	+ 4,541,875	+ 9,084,515	+ 2,612,900	+ 2,655,263	+ 14,352,678	+ 18,894,553

NOTE.—The total amount for Exchange Compensation Allowance in 1895–6, namely, Rx. 1,456,500, is taken from a table given at paragraph 145 of the F. S., 1895 6. Its distribution among the heads of expenditure in this Table has been roughly estimated by reference to the table above mentioned, and more complete tables given at paragraphs 75 and 113 of the F. S., 1894–5.

TABLE V.—Showing under certain specified heads the Increase (+) or Decrease (−), both in India and in England, of the Net Expenditure of the Government of India in 1884–5 as compared with 1875–6 (as shown in Table III.), classified as to, A, Civil and Military Expenditure, and, B, Other Expenditure. Showing also the exact operation of Exchange in various forms in making up the total difference under these heads. [£=Rx.=Rs. 10.]

Heads of Expenditure.	Increase or Decrease, excluding Exchange.		Total Increase or Decrease, excluding Exchange. (Total of Cols. 1 and 2.)	Increase in Cost of Exchange properly due to the Fall in Exchange since 1875–6.	Increase due to (*a*) Exchange Compensation Allowance, and (*b*) Sterling pay of British Troops.	Increase or Decrease due to Cost of Exchange on Increase of Sterling Charges.	Total Increase or Decrease in any way due to Exchange. (Total of Cols. 4, 5, and 6.)	Total Increase or Decrease in Net Expenditure, as shown in Table III., Col. 4. (Total of Cols. 3 and 7.)
	India.	England.						
	1.	2.	3.	4.	5.	6.	7.	8.
A. Civil and Military Expenditure:—	Rx.	£	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. Collection of Revenue	+ 1,763,714	+ 10,001	+ 1,773,715	+ 5,329	—	+ 2,430	+ 7,759	+ 1,781,474
III. Civil Departments, Miscellaneous Charges, and Civil Works.	+ 1,959,192	+ 105,284	+ 2,064,476	+ 279,203	—	+ 25,584	+ 304,787	+ 2,369,263
IV. Army Services and Military Works.	− 96,498	+ 435,726	+ 339,228	+ 462,976	(*b*) + 184,000	+ 105,881	+ 752,857	+ 1,092,085
Total Civil and Military Expenditure	+ 3,626,408	+ £551,011	+ 4,177,419	+ 747,508	+ 184,000	+ 133,895	+ 1,065,403	+ 5,242,822
B. Other Expenditure:—								
II. Debt Services	− 1,184,519	+ 452,630	− 731,919	+ 283,044	—	+ 109,989	+ 393,033	− 338,886
V. Commercial Services	− 2,079,417	+ 296,023	− 1,783,394	+ 641,262	—	+ 71,933	+ 713,195	− 1,070,199
VI. Special Services	+ 1,180,799	− 587	+ 1,180,212	+ 78	—	− 142	− 64	+ 1,180,148
VII. Special Defence	—	—	—	—	—	—	—	—
VIII. Provincial Surplus or Provincial Deficit.	+ 145,737	—	+ 145,737	—	—	—	—	+ 145,737
Total other Expenditure	− 1,937,430	+ £748,066	− 1,189,364	+ 924,384	—	+ 181,780	+ 1,106,164	− 83,200
Grand Total	+ 1,688,978	+ £1,299,077	+ 2,988,055	+ 1,671,892	+ 184,000	+ 315,675	+ 2,171,567	+ 5,159,622

TABLE VI.—Showing under certain specified heads the Increase (+) or Decrease (−), both in India and in England, of the Net Expenditure of the Government of India in 1895-6 (Budget Estimate) as compared with 1884-5 (as shown in Table III.), classified as to, A, Civil and Military Expenditure, and B, Other Expenditure. Showing also the exact operation of Exchange in various forms in making up the total difference under these heads. [£=Rx.=Rs. 10.]

Heads of Expenditure.	Increase or Decrease, excluding Exchange.		Total Increase or Decrease, excluding Exchange. (Total of Cols. 1 and 2.)	Increase in Cost of Exchange properly due to the Fall in Exchange since 1884-5.	Increase due to (a) Exchange Compensation Allowance and (b) Sterling Pay of British Troops.	Increase or Decrease due to Cost of Exchange on increase of Sterling Charges.	Total Increase or Decrease in any way due to Exchange. (Total of Cols. 4, 5, and 6.)	Total Increase or Decrease in Net Expenditure, as shown in Table III., Col. 5. (Total of Cols. 3 and 7.)
	India.	England.						
	1.	2.	3.	4.	5.	6.	7.	8.
A. Civil and Military Expenditure:—	Rx.	£	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
I. Collection of Revenue	+ 1,413,329	+ 4,759	+1,418,088	+ 31,827	(a) +143,700	+ 3,966	+ 179,493	+ 1,597,581
III. Civil Departments, Miscellaneous Charges, and Civil Works.	+ 3,017,453	+ 419,153	+3,436,606	+ 1,299,648	(a) +553,500	+ 349,294	+2,202,442	+ 5,639,048
IV. Army Services and Military Works.	+ 3,599,238	+ 498,126	+4,097,364	+2,309,266	(a) +610,000 (b) +972,400	+ 415,105	+4,306,771	+ 8,404,135
Total Civil and Military Expenditure	+ 8,030,020	+£922,038	+8,952,058	+ 3,640,741	+ 2,279,600	+ 768,365	+6,688,706	+15,640,764
B. Other Expenditure:—								
II. Debt Services	− 2,357,731	+ 75,555	−2,182,176	+ 1,521,765	—	+ 62,963	+1,584,728	− 597,448
V. Commercial Services	− 4,093,895	+ 843,447	−3,250,448	+ 3,017,005	(a) +149,300	+ 702,872	+3,869,177	+ 618,729
VI. Special Services	− 1,747,458	—	−1,747,458	—	—	—	—	− 1,747,458
VII. Special Defence	+ 70,000	+ 46,200	+ 116,200	—	—	+ 38,500	+ 38,500	+ 154,700
VIII. Provincial Surplus or Provincial Deficit.	− 334,356	—	− 334,356	—	—	—	—	− 334,356
Total other Expenditure	− 8,363,440	+£965,202	−7,398,238	+ 4,538,770	+ 149,300	+ 804,335	+5,492,405	−1,905,833
Grand Total	− 333,420	+£1,887,240	+1,553,820	+ 8,179,511	+ 2,428,900	+1,572,700	+12,181,111	+13,734,931

Note.—The total amount for Exchange Compensation Allowance in 1895-6, namely, Rx. 1,456,500, is taken from a table given at paragraph 145 of the F. S., 1895-6. Its distribution among the heads of expenditure in this table has been roughly estimated by reference to the table abov mentioned and more complete tables given at paragraphs 75 and 113 of the F. S., 1894-5.

APPENDIX No. 12.

Paper handed in by Sir Wm. Wedderburn, Bart., M.P.

INDIAN FINANCE.

NOTE ON MR. WESTLAND'S BUDGET, 1894-5.

Prepared by the British Committee of the Indian National Congress.

1. In his speech on the introduction of the Tariff Bill in the Viceroy's Council, on the 1st of March last, Mr. Westland, the Financial Member of Council, attributed the estimated deficit of Rx. 3,500,000 on the Indian Budget for 1894-95 to "one cause, and one alone," namely, exchange. More particularly he stated that "the fall in the value of the rupee has of late been "increasing the burden of our sterling payments in a "ratio which far outstrips any possible increase to be "hoped for in our revenues." It appears, therefore, that the Government of India, speaking by its Finance Minister, maintains that loss by exchange is the sole cause of the present financial difficulties.

2. This is not the view taken by Indian public opinion. In a memorial addressed to the Secretary to the Goverment of India by the Bombay Presidency

Association, and dated 12th March, 1894, Mr. Westland's conclusions are directly challenged. It is admitted that exchange has been a disturbing factor in Indian finance, but it is denied that it has been the sole or even the principal cause of the present financial embarassments of the Government of India. The Association contends that the true causes are to be found in "the appalling growth of military expenditure in "all its ramifications during the past eight years, in "the increased charges on army services, arms and "ammunitions, stores, military roads, special defences, "and strategic railways. The large growth, again, of "the charges on account of civil salaries and esta-"blishments must be next held responsible. Upper "Burmah is a third cause which has grievously "burdened the general revenues of the empire. And, "lastly, the unjust compensation allowance to the "services."

3. From these adverse contentions the following two main issues appear to arise:—

I. Is loss by exchange the sole cause of the estimated deficit?

II. Is the increase in military and civil expenditure the true source of the present financial difficulties?

In determining these issues it will be necessary to consider what are the relations between the increased cost of exchange, the increase in the revenues, the increases under various heads of expenditure, the decreases under other heads, and the threatened deficit.

4. It so happens that the last 10 years afford in most respects a convenient period for investigation. During this period there have been no wars or famines to strain the resources of India or to injuriously affect the finances of the country. They have, on the whole, been ten years of prosperity. In 1882 the country had so far recovered from the ill-effects of the great famine of 1876–77 and of the second Afghan war that it was found possible to remit nearly Rx. 3,000,000 of taxation under salt and customs. At the same time the cost of exchange had already become so serious an item that radical changes in the form of keeping the accounts were adopted, and a return furnished showing the financial position during the first years of the decade in the form now used. Exact comparisons are therefore possible throughout the period taken. In short, the beginning of the 10 years which are the subject of this inquiry coincides with the return of the country, under Lord Ripon and Major Baring, to a condition of financial equilibrium which has not been since disturbed by extraneous causes; while exchange, the internal element of instability, already stood fully revealed as a source of future financial trouble. What are the causes which from a condition of surplus, have now produced a deficit of Rx. 3,500,000?

5. In order to arrive at the facts it is proposed to apply two separate tests: One is a comparison of the accounts to-day with those of 10 years ago, taking as the starting point or "standard of comparison" the averages shown in the closed accounts for the years 1882–83 to 1884–85; and the other is a comparison between aggregate increases during those 10 years in important items of account over the fixed "standard of comparison" above referred to. A comparison, even though one of averages, between any two items of account in any two given periods may or may not be a true test of relative variation. For instance, as compared with a common standard, the increase of revenue (owing to new taxation) was Rx. 3,000,000 more in 1890–91 than it was in 1888–89, whereas the increase in the cost of exchange similarly compared was Rx. 1,700,000 less, due entirely to a temporary rise in the rate of exchange. To correct the possibility of fortuitous results and to check, as it were, deductions which might be shown to be arbitrary, this further test of variation with a common standard during a series of years has been adopted.

6. As regards the first of these tests the following methods have been adopted:—

(1.) The present state of affairs is taken to be the average shown in the financial statement of the Government of India for 1894–95; that is to say, for any given item of account the average amount shown under the three heads of Accounts, 1892–93; Revised Estimate, 1893–94; and Budget Estimate, 1894–95.

(2.) With regard to the "standard of comparison," the figures from which the averages are calculated are in all cases taken from Appendix III. of the Financial Statement for 1886–87, where the accounts for 1882–83 to 1884–85 and former years (beginning with 1875–76) were finally recast in their present form.

(3.) The cost of exchange is shown separately, but the gain by exchange, being always of small amount, has not been separately dealt with on the revenue side. In calculating net revenue, however, the cost of exchange is, of course, included in the total under the head of direct demands upon the revenue, which is deducted from the gross revenue under the 11 principal heads.

(4.) The net expenditure is always given, thus to arrive at the present expenditure on account of Miscellaneous Civil Charges the following calculations are made:—

Miscellaneous Civil Charges.

	Rx.	Rx.	Net Rx.
Accounts, 1892–93	5,537,840		
Deduct exchange	1,277,519		
		4,260,321	
Deduct receipts		876,994	
			3,383,327
Revised estimate, 1893–94	5,619,100		
Deduct exchange	1,333,600		
		4,285,500	
Deduct receipts		960,900	
			3,324,600
Budget estimate, 1894–95	5,754,000		
Deduct exchange	1,474,800		
		4,279,200	
Deduct receipts		982,700	
			3,296,500
			3)10,004,427
Net average expenditure, *less* exchange			3,334,809

7. As regards the second test, the figures taken are those of the closed accounts for the years 1883–84 to 1892–93. In this case also net expenditure is given, distinguishing the cost of exchange. As in the case of the "standard of comparison," mentioned above, the figures for 1883–84 and 1884–85 are taken from Appendix III. of the Financial Statement for 1886–7.

8. Having thus indicated the lines upon which it is proposed to proceed, the general allegation by the Finance Minister, that the cost of exchange has outstripped the increase of revenue, may be first examined. That it has done so proportionately is obvious, but the practical question is, Has it done so actually? Several comparisons are possible. The first

and most simple is to take the increase in the revenue collected under the 11 principal heads of Land, Opium, Salt, Stamps, Excise, Provincial Rates, Customs, Assessed Taxes, Forest, Registration, and Tributes from Native States, and to compare it with the increase shown under the head of Exchange :—

	Accounts 1882-3 to 1884-5.	Financial Statement for 1894-5.	Increase.
	Rx.	Rx.	Rx.
Average gross revenue under 11 principal heads.	51,357,687	60,962,558	9,604,871
Average amount shown under head of exchange.	3,365,238	10,459,258	7,094,020
Excess of increase of revenue - - -			2,510,851

9. There are two points which require to be mentioned in connexion with the above figures. In the first place, the average cost of exchange for the years 1882–83 to 1884–85 is abnormally raised by the inclusion in the accounts of 1,000,000*l.* (true sterling) paid to the Imperial Exchequer in 1883–84 on account of arrears for non-effective Army services (*vide* Financial Statement 1884–85 pars. 12 and 53) The average cost of exchange on this sum, at the average rate of exchange for the three years, amounts to Rx. 77,833, which should be deducted from the amount given above, leaving the true average cost of exchange for 1832–83 and 1884–85 at Rx. 3,287,405. In the second place, a considerable portion of the increase shown in the cost of exchange is due not only to a falling rupee, but to an actual increase in the sterling charges, which has nothing to do with exchange. The Home Charges for the two periods here dealt with compare as follows :—

Home Charges.

	£
Average for the years 1882–83 to 1884–85 - - - -	14,410,813
Deduct 333,333*l.*, average charge of the 1,000,000*l.* just referred to - -	333,333
True average, 1882–83 to 1834–85 -	14,077,480
Average shown in Financial Statement, 1894–95 - - -	16,024,813
Increase - - -	1,947,333

This amount, 1,947,333*l.*, at the average rate of exchange for the three years, 1892–93 to 1894–95, as shown in the Financial Statement 1894–95, would involve a loss by exchange of rather more than Rx. 1,265,000, which should therefore be deducted from the average cost of exchange shown in the Financial Statement for 1894–95, in order to arrive at the true extra cost involved by the depreciation of the rupee independent of the enhanced sterling expenditure, *i.e.*, Rx. 10,459,258 — Rx. 1,265,000 = Rx. 9,194,258. Making the corrections here indicated, and taking this time the increase in the net revenue, *i.e.*, revenue after deducting refunds and drawbacks, assignments and compensations, and the charges for collection, the comparison would stand as follows :—

	Accounts 1882-3 to 1884-5.	Financial Statement for 1894-5.	Increase.
	Rx.	Rx.	Rx.
Average net revenue under 11 principal heads.	42,511,152	50,934,094	8,422,942
True average cost of exchange -	3,287,405	9,194,258	5,906,853
Excess of increase of revenue - - -			2,516,089

10. In the above statements of revenue, and in all subsequent ones, it should be noted that the Post Office, Telegraph and Mint, and Railway Accounts have, for the sake of simplicity, been classed as expenditure and not as revenue. It may be mentioned here, however, that during the decade the Post Office, &c., which was formerly a burden on the revenue, became a source of profit resulting in a gain to the revenue of Rx. 570,742 ; and that the railway revenue, after meeting all charges (except the cost of exchange), rose from Rx. 245,140 to Rx. 1,889,115, or a gain of Rx. 1,643,975, being a total gain to the revenue under these two heads of Rx. 2,214,717. At the same time, the cost of exchange in connexion with obtaining this revenue increased by Rx. 2,711,646, of which sum about Rx. 560,000 would be due to increased sterling payments in connexion with the railways, and therefore not already included above. These matters being taken into account, there would be an addition to the increase of revenue of Rx. 2,214,717 —Rx 560,000, *say*, Rx. 1,650,000, while the increase shown in the cost of exchange would remain as at present, as all but about Rx. 560,000 of the increase in connexion with railways is already included in the Rx. 5,906,853 shown above. This would make the excess increase of net revenue over the increase of cost of exchange about Rx. 4,000,000.

11. But the truest test as to whether exchange has "of late" outstripped the increase in the revenues is afforded by a comparison extending over a series of years. Taking first the gross revenue under the 11 principal heads and the total cost of exchange in each of the 10 years 1883–84 to 1892–93, and comparing them in each year with the fixed "standard of comparison," the aggregate increase of the revenue over the standard is Rx. 45,804,647, while that of exchange over its standard is only Rx. 24,992,266, showing an aggregate excess increase during the 10 years of Rx. 20,812,381 in favour of revenue (*vide* Appendix, Table A). In other words the average increase of revenue in each of the 10 years 1883–84 to 1892–93 over the average for 1882–83 to 1884–85 was sufficient to meet the average additions to exchange and to provide Rx. 2,000,000 a year for increased expenditure.

12. Much the same results are obtained if the comparison be made between the aggregate increase of net revenue and the aggregate true increase of the cost of exchange. In paragraph 9 the true average cost of exchange was shown to be Rx. 3,287,405, and the true average amount of the home charges 14,077,480*l.* for the years 1882–83 to 1884–85. Taking the standard costs of exchange at Rx. 3,287,405, and calculating for each of the 10 years 1883–84 to 1892–93 the cost of exchange on remitting 14,100,000*l.* at the average rate of exchange obtained in each year for the Secretary of State's bills and telegraphic transfers, the following results are obtained (*vide* Appendix, Table B) :

	Rx.
Aggregate increase of net revenue 1883–84 and 1892–93 over standard.	40,037,298
Aggegate increase of true cost of exchange for the same period.	21.535,030
Excess of increase of revenue -	18,502,268

13. Looking at these figures it is clear that the cost of exchange has not outstripped the increase in the revenues. Indeed during these 10 years the increase in the revenues has been nearly enough to pay the increased loss by exchange twice over. It is therefore obvious that Mr. Westland is in error when he asserts that the one and only cause of the existing financial trouble is exchange. If it is not the sole cause, can it be said to be the principal cause of embarrassment ?

14. In the Financial Statement for 1894–95 the average gross revenue shown is Rx. 90,875,613 against an average gross expenditure of Rx. 91,851,650, leaving an average deficit of Rx. 976,037. On the other hand the accounts for the three years 1882–83 to 1884–85 show an average surplus of Rx. 722,622. In the following tables these accounts are arranged so as to show net expenditure only, as against the total revenue collected under the 11 principal heads of Land, Salt, &c. In both cases, as noted in paragraph 10, the accounts under Post Office, Telegraph, and Mint, and under Railways, have been treated as expenditure, the Post Office, &c, because although it yields a net profit now it was formerly a loss to the revenue, and the railway revenues because, although yielding in both cases a profit, that profit was completely swallowed up by exchange. The respective surplus and deficit remain the same.

TABLE I.—SHOWING the AVERAGE NET EXPENDITURE [*vide* Par. 6 (4)] of the GOVERNMENT of INDIA, distinguishing the cost of Exchange, as shown in the Accounts for the three years 1882–83 and 1884–85, compared with that shown in the Financial Statement for 1894–95 (average of the amounts under Accounts 1892–93, Revised Estimate 1893–94, and Budget Estimate 1894–95).

	Average for Years 1882-83 to 1884-85.	Average shown in F. S. 1894-95.	Increase (+) or Decrease (−).
	Rx.	Rx.	Rx.
Direct Demands on the Revenue	8,835,233	9,999,899	+ 1,164,666
Exchange	11,302	28,565	+ 17,263
Total	8,846,535	10,028,464	1,181,929
Interest	3,294,813	1,942,550	− 1,352,263
Exchange	587,815	1,663,029	+ 1,075,214
Total	3,882,628	3,605,579	− 277,049
Post Office, &c.	254,366	− 316,376	− 570,742
Exchange	61,897	158,900	+ 97,003
Total	316,263	− 157,476	− 473,739
Salaries, &c. Civil Departments	9,864,150	12,601,081	+ 2,736,931
Exchange	106,960	373,265	+ 266,305
Total	9,971,110	12,974,346	+ 3,003,236
Miscellaneous Civil Charges	3,175,936	3,334,809	+ 158,873
Exchange	426,464	1,361,973	+ 935,509
Total	3,602,400	4,696,782	− 1,094,382
Famine Relief, &c.	1,522,372	769,049	− 753,323
Exchange	9	752	+ 743
Total	1,522,381	769,801	− 752,580
Construction of Railways	183,382	146,995	− 36,387
Exchange	5,995	—	− 5,995
Total	189,377	146,995	− 42,382
Railways	− 245,140	−1,889,115	− 1,643,975
Exchange	1,132,456	3,747,099	+ 2,614,643
Total	887,316	1,857,984	+ 970,668
Irrigation	609,935	500,809	− 109,126
Exchange	2,144	483	− 1,661
Total	612,079	501,292	− 110,787
Civil Works	3,857,319	3,971,487	+ 114,168
Exchange	18,248	56,468	+ 38,220
Total	3,875,567	4,027,955	+ 152,388
Military Works	934,026	1,071,561	+ 137,535
Exchange	989	13,648	+ 12,659
Total	935,015	1,085,209	+ 150,194
Army	15,417,934	19,696,722	+ 4,278,788
Exchange	1,002,246	3,001,008	+ 1,998,762
Total	16,420,180	22,697,730	+ 6,277,550
Egyptian War, &c.	217,584	—	− 217,584
Exchange	8,713	—	− 8,713
Total	226,297	—	− 226,297
Special Defence	—	263,385	+ 263,385
Exchange	—	54,068	+ 54,068
Total	—	317,453	+ 317,453
Provincial Allotments and Balances.	− 652,083	− 613,519	+ 38,564
Total Net Expenditure charged against Revenue.	50,635,065	61,938,595	+11,303,530
Revenue	51,357,687	60,962,558	+ 9,604,871
Surplus (+) or Deficit (−)	+722,622	− 976,037	− 1,698,659

TABLE II.—SHOWING the INCREASES and DECREASES in the net EXPENDITURE of the GOVERNMENT of INDIA, as shown in the previous Table, classified as to (*a*) Civil and Military and (*b*) Other Expenditure; showing also the operation of Exchange under each item.

	Increase or Decrease, excluding Exchange.	Increase or Decrease, in Exchange.	Total
(*a*) Civil and Military Expenditure:—	Rx.	Rx.	Rx.
Direct Demands	+1,164,666	+ 17,263	+ 1,181,929
Salaries, &c.	+2,736,931	+ 266,305	+ 3,003,236
Miscellaneous	+ 158,873	+ 935,509	+ 1,094,382
Civil Works	+ 114,168	+ 38,220	+ 152,388
Total Civil Services	+4,174,638	+1,257,297	+ 5,431,935
Army	+4,278,788	+1,998,762	+ 6,277,550
Military Works	+ 137,535	+ 12,659	+ 150,194
Special Defence	+ 263,385	+ 54,068	+ 317,453
Total Military Services	+4,679,708	+2,065,489	+ 6,745,197
Total Civil and Military Services	+8,854,346	+3,322,786	+12,177,132
(*b*) Other Expenditure:—			
Interest	−1,352,263	+1,075,214	− 277,049
Post Office, &c.	− 570,742	+ 97,003	− 473,739
Famine Relief	− 753,323	+ 743	− 752,580
Construction of Railways	− 36,387	− 5,995	− 42,382
Railways	−1,643,975	+2,614,643	+ 970,668
Irrigation	− 108,126	− 1,661	− 110,787
Egyptian War, &c.	− 217,584	− 8,713	− 226,297
Provincial Balances, &c.	+ 38,564	—	+ 38,564
Total Other Expenditure	−4,644,836	+3,771,234	− 873,602
Grand Total	+4,209,510	+7,094,020	+11,303,530

15. These two tables bring out into clear relief the financial history of the past decade. There are several noteworthy points.

1. The expenditure on the Civil and Military Services exhibits the large increase of Rx. 8,854,346, apart from any increase due to exchange.
2. The increase in exchange under Civil and Military expenditure accounts for little more than a quarter of the total increase of Rx. 12,177,132 for these charges.
3. A more detailed examination of the accounts shows that about Rx. 500,000 of the increase of Rx. 3,322,786 under the head of exchange is due to an increase of about 750,000*l.* in the home charges on account of Civil and Military expenditure.
4. The contrast between the large increase under Civil and Military expenditure and the uniform improvement or decrease under other heads of expenditure is striking. Thus under the heads of Interest, Post Office, &c., and Famine Relief and Insurance, in one way or another, Rx. 1,500,000 was taken off expenditure, after meeting heavy additions under these heads on account of exchange.
5. Generally, the decrease of expenditure under all other heads except the Civil and Military Services was sufficient to meet a far larger increased burden of exchange, and to yield in addition an improvement in the accounts of Rx. 873,602.

6. The increase of expenditure upon the Civil and Military Services with less than half the total increased burden of exchange has swallowed up a former surplus of Rx. 722,622, absorbed the total increase in the revenues of Rx. 9,604,871, consumed an improvement under other heads of expenditure of Rx. 873,602, and in addition brought about a deficit of Rx. 976,037.

16. It would seem then that exchange, so far from being the sole cause, is not even the principal cause of the present difficulties. In the first place, the increase in the net Military and Civil expenditure, apart from exchange, is Rx. 8,854,346, against an increase in the cost of exchange under all heads of Rx. 7,094,020. In the second place, Rx. 3,771,234 of the increased cost of exchange is more than covered by decreased expenditure under cognate headings, without using one rupee of the increase in the revenue. This seems to show that the low exchange is not even a necessary cause of financial embarrassment. In the third place, of the Rx. 3,322,786 remaining, about Rx. 500,000 is due to increased sterling charges and not to exchange, which means that out of the total increase of more than Rx. 12,000,000 in the Military and Civil charges, less than Rx. 3,000,000 is due to the depreciation of the rupee and over Rx. 9,000,000 to increased expenditure on the Military and Civil Services.

17. There remains the test of a comparison of aggregate increases. During the 10 years 1883–84 to 1892–93 the aggregate increase of gross revenue over the average of the three years 1832–83 to 1834–85 compares with the aggregate increases under Military and Civil Expenditure and exchange as follows (*vide* Appendix, Tables A, C, and D):—

	Rx.	Rx.
Revenue		45,804,647
Total cost of Exchange		24,992,266
Military and Civil Charges:—		
Expenditure	42,544,526	
Exchange	10,882,732	
		53,427,258

These figures show the following remarkable facts:—

	Rx.
1. Excess increase of Military and Civil charges over increase of the Revenues 1883-84 to 1892–93	7,622,611
2. Excess increase of Military and Civil expenditure (exclusive of Exchange) over total cost of Exchange, 1883–84 to 1892–93	17,552,260
3. Ratio between increased Military and Civil expenditure and the increased cost of Exchange thereon	4:1

18. Upon these facts and figures it is claimed that upon the two main issues stated in paragraph 3, the proper finding should be (I.) that loss by exchange is not the sole (or even the principal) cause of the existing financial difficulties, and (II.) that the increase in Military and Civil expenditure is the true source of the present embarrassment.

19. It only remains to notice a few points in connexion with the increased expenditure already shown. These will be conveniently dealt with under the following principal heads: — Army Services, Civil Services, Upper Burma, Home Charges. Two tables are also given showing the growth of Indian indebtedness during the last 20 years for which the accounts are available, *i.e.*, 1873 to 1893.

Army Services.

20. The table at page 3 shows an increase (exclusive of exchange) in the cost of the Army of Rx. 4,278,788. Taking the finance and revenue accounts for 1892–93 (the latest available), and comparing some of the more important heads of account with those for 1882–83, the results shown in the following table are obtained. The net expenditure only has been compared, while exchange has been eliminated on both sides of the account.

TABLE III.—SHOWING excess NET EXPENDITURE on the ARMY (exchange excluded) in 1892–93 over that in 1882–83.

	India.	England.	Total.
	Rx.	£	Rx.
Regimental pay, &c.	1,232,288	538,919	1,771,207
Commissariat establishment	1,428,672	−83,814	1,344,858
Ordnance establishment	185,580	427,472	613,052
Other effective charges	553,225	−16,402	536,823
Total effective	3,399,765	866,175	4,265,940
Non-effective	92,429	152,151	244,580
Grand Total	3,492,194	1,018,326	4,510,520

The following figures show the established strength of the Army for the years 1882–83 and 1892–93:—

	1882-83.	1892-93.	Increase.
Europeans	64,702	75,687	10,985
Indians	125,774	143,099	17,325
Total	190,476	218,786	28,310

21. There are several matters that call for comment in connexion with these two tables.

(1.) On a total net expenditure (excluding exchange) for effective Army Services of Rx. 12,130,792 in 1882–83 there was an increase in 1892–93 of Rx. 4,265,940, or more than 35 per cent., against an increase of not quite 13 per cent. in the established strength of the Army.

(2.) The large increase in the established strength of the Army of 28,000 men, which was made at the time of, and since, the annexation of Upper Burma, added Rx. 2,000,000 to the cost of the Army; but according to a table at p. 44 of the Financial Statement for 1893–94 the special expenditure on the Army which can be properly charged to Upper Burma has not exceeded an average of about Rx. 500,000 during the six years 1888–89 to 1893–94.

(3.) Although the total net increase in the net non-effective charges is Rx. 244,580, a comparison between the increases on account of Pensions to European Officers and Natives gives the following striking results:—

Pensions.	1882-83.	1892-93.	Increase.
	£	£	£
European Officers	1,391,765	1,908,899	517,134
	Rx.	Rx.	Rx.
Natives	643,762	719,192	75,430

The above sums by no means represent the total amounts paid in Military Pensions, &c., to Europeans, but are the principal items in the account, and are technically named: "Pay and "Pensions of Non-Effective and Retired Officers "of the Indian Service, including Pay of Non-"Effective Colonels of Royal Artillery." On the other hand, the entry under Military Pensions for Natives is the whole amount so paid. The increase for European Officers represents an increase of 37 per cent., while that for Natives shows only 11 per cent.

(4.) The following table shows another curious contrast between the Europeans and the Natives.

TABLE IV.—SHOWING the VARIATION in the AVERAGE COST per HEAD of the EUROPEAN and NATIVE ARMIES (Infantry) between 1882–83 and 1892–93.

European Army (Infantry).

	1882-83.	1892-93.	Increase.	Increase per cent.
No. of men	45,766	53,713	7,947	17
	Rx.	Rx.	Rx.	
Pay, &c.	1,664,208	2,207,155	542,947	32½
	Rs.	Rs.	Rs.	
Cost per head	363	410	47	13

Native Army (Infantry).

——	1882-83.	1892-93.	Increase.	Increase per cent.
No. of men - -	103,716	113,692	9,976	9¼
Pay, &c. - -	Rx. 2,114,985	Rx. 2,232,866	Rx. 117,881	5½
Cost per head - -	Rs. 204	Rs. 196	Rs. −8	−4

Additional charge due to increased cost of European soldiers Rx. 252,451.

Decreased charge due to diminished cost of Native soldiers Rx. 82,972.

That it should have been possible to effect an average saving of Rs. 8 per head in the pay, &c., of the Native Army, in spite of the fact that the cost of provisions had increased during the decade (as shown by a large increase of compensation to Natives under this head), while Rs. 47 was being added to the average cost per head of the European soldier seems to require explanation.

22. It may be mentioned that in the discussion on the Financial Statement, which took place in the Viceroy's Council on the 27th of March 1894, Mr. Westland, referring to some recent criticisms on the Budget, made the following remarks:—"As regards "military expenditure I think there is some misappre- "hension of the argument I used on 1st March. The "increase of military expenditure I admitted, but I "pointed out that it had its origin before 1888. My "argument was that that increase had been met by the "fiscal steps we had recourse to in 1888, and that the "new necessities that arose since 1888 were due to "exchange, and to exchange alone." It is only necessary to point out that, taking the accounts for 1887–88, and comparing net military expenditure there shown with the average in the Budget for 1894–95, in both cases eliminating the cost of exchange, there was an addition of Rx. 1,626,761 to the military charges, as the following figures show :—

——	Accounts, 1887–88.	Average in Financial Statement, 1894–95.	Increase.
Net military expenditure, less exchange.	Rx. 19,404,907	Rx. 21,031,668	Rx. 1,626,761

Civil Services.

23. The table at page 3 shows the following increases (exclusive of exchange) :—

	Rx.
Salaries, &c. - -	2,736,931
Miscellaneous - -	158,873
	2,895,804

This increase is made up as follows :—

TABLE V.—SHOWING TEN YEARS' INCREASE in the CIVIL SERVICE EXPENDITURE under Principal Heads (exclusive of Exchange).

——	Average of Three Years, 1882-83 to 1884-85.	Average shown in Financial Statement for 1894-95.	Increase.
General administration - -	1,590,700	1,768,061	177,361
Law and justice - -	2,674,248	3,208,687	534,439
Police - - -	2,459,252	3,529,959	1,070,707
Marine - - - -	330,965	471,832	140,867
Education - - -	987,536	1,268,930	281,394
Political - - - -	612,570	905,595	293,025
Ecclesiastical, &c., and miscellaneous.	1,157,479	1,188,416	30,937
Stationery - - -	450,222	557,275	107,053
Territorial, &c. pensions - -	700,115	499,971	−200,144
Civil furlough - - -	215,127	206,454	— 8,673
Superannuation, &c. - -	1,861,872	2,330,710	468,838
Total - - -	13,040,086	15,935,890	2,895,804

The chief points to be noticed are the large increases under the three heads of Law and Justice, Police, and Superannuation, &c., which alone account for over Rx. 2,000,000 of the aggregate increase. Of the increase of Rx. 1,070,707 for Police, Upper Burma alone accounts for about Rx. 650,000 (*vide* Financial Statement, 1893–94, p. 44).

Upper Burma.

24. The following figures, taken from tables at page 44 of the Financial Statement for 1893–94, show the cost of Upper Burma to the Indian taxpayer. More particularly it may be noted that Upper Burma seems to have become a permanent charge upon the Indian revenues of about a crore-and-a-quarter of rupees. This compares curiously with the Government of India's anticipation of financial profit at the time of annexation :—

TABLE VI.—SHOWING the COST of UPPER BURMA since its annexation.

UPPER BURMA.

Year.	Revenue.	Expenditure.	Net Cost.
	Rx.	Rx.	Rx.
1886–87 - -	222,500	2,291,200	2,068,700
1887–88 - -	502,300	3,120,600	2,618,300
1888–89 - -	752,500	2,448,100	1,695,600
1889–90 - -	1,034,500	2,368,400	1,333,900
1890–91 - -	1,128,700	2,211,600	1,082,900
1891–92 -	1,115,300	2,507,200	1,391,900
1892–93, revised estimate.	1,142,600	2,317,500	1,174,900
1893–94, Budget estimate.	1,120,100	2,362,500	1,242,400
Total for eight years - -			Rx. 12,608,600

	Rx.
Average cost of Upper Burma during eight years - - - -	1,576,075
Average cost for the last five years -	1,245,200

Home Charges.

25. The following table shows the distribution of the home charges, and the increase during the 10 years, shown by a comparison between the accounts for 1882–83 and 1892–93 :—

TABLE VII.—SHOWING the INCREASE in the HOME CHARGES under the Principal Heads.

——	1882-83.	1892-93.	Increase.
	£	£	£
General administration - - -	249,836	255,545	5,709
Interest on debt - -	2,481,147	2,433,496	— 47,651
Railway revenue interest - -	4,888,332	5,723,491	835,159
Superannuation, &c. - -	1,390,146	1,810,546	420,400
Army (effective) - - -	1,668,474	2,500,499	832,025
Army (non-effective) - -	2,230,734	2,388,297	157,563
Other charges - - -	1,192,593	1,222,667	30,074
Totals - - -	14,101,262	16,334,541	2,233,279

There are two points worth noting :—

(1.) Military and civil charges account for no less than 1,409,988*l.* of the increase.

(2.) The cost of exchange on the increase of 2,233,279*l.* shown above was at the average rate for 1892–93 about Rx. 1,339.967, which means that the increase in the sterling charges during the decade was accountable for an addition of Rx. 3,573,246 to the expenditure of the Government of India.

Debt.

26. Finally an examination of the position of Indian indebtedness during the last 20 years for which the accounts are available, namely, 1873 to 1893, serves but to emphasize the fact that exchange, though a disturbing factor, cannot be charged with the present financial difficulties.

TABLE VIII.—DEBT and INTEREST in Rx. and £ (000's omitted).

	1873.	1883.	1893.	Increase or Decrease. 1873–83.	1883–93.	1873–93.
A. Debt.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1. General:						
(i.) Permanent	97,047	94,863	70,089	− 2,184	−24,774	− 26,958
(ii.) Floating, &c.	9,554	10,258	13,287	+ 704	+ 3,029	+ 3,733
2. Productive Works:						
(i.) Railways	3,255	43,111	110,609	+39,856	+67,498	+107,354
(ii.) Irrigation, &c.	5,169	21,300	28,923	+16,131	+ 7,623	+ 23,754
Total	**115,025**	**169,532**	**222.908**	**+54.507**	**+53,376**	**+107,883**
3. Guaranteed Companies	94,736	69,645	45,613	−25,091	−24,032	− 49,123
Grand Total Debt	**209 761**	**239,177**	**268,521**	**+29.416**	**+29.344**	**+58,760**
B. Interest.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1. Interest, Annuities, &c.	10,515	11,545	12,955	+ 1,030	+ 1,410	+ 2,440
2. Cost of Exchange	440	1,500	4,907	+ 1,060	+ 3,407	+ 4,467
Total	**10,955**	**13,045**	**17,862**	**+ 2,090**	**+ 4,817**	**+ 6,907**
3. Receipts from Interest	507	694	870	+ 187	+ 176	+ 363
Net Charge for Interest	**10,448**	**12,351**	**16,792**	**+ 1,903**	**+ 4,641**	**+ 6.544**

TABLE IX.—GOLD DEBT and INTEREST in £ and Rx. (000's omitted).

	1873.	1883.	1893.	Increase or Decrease. 1873–83.	1883–93.	1873–93.
A. Debt.	£	£	£	£	£	£
1. General (including that for Productive Public Works).	39,013	68,586	106,684	+29,573	+38,098	+67,671
2. Guaranteed Debt	93,449	68,519	45,020	−24,930	−23,499	−48,429
Grand Total	**132.462**	**137,105**	**151,704**	**+4,643**	**+14,599**	**+19,242**
B. Interest.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1. General (including that on account of Productive Public Works).	2,467	4,047	6,012	+ 1,580	+ 1,965	+ 3,545
2. Guaranteed Interest	4,619	3,335	2,145	− 1,284	− 1,190	− 2,474
Total	**7,086**	**7,382**	**8,157**	**+ 296**	**+ 775**	**+ 1,071**
3. Exchange	440	1,500	4,907	+ 1,060	+ 3,407	+ 4,467
Grand Total	**7,526**	**8,882**	**13,064**	**+ 1,356**	**+ 4,182**	**+ 5,538**

27. The figures in the above two tables show (leaving out the question of exchange):

(1.) That the debt of India has grown from Rx. 115,000,000 to Rx. 223,000,000, nearly doubling itself in 20 years; and that even if the diminution (by transference) of the railway guaranteed debt be taken into account nearly Rx. 59,000,000 have been added to India's load of debt, or an average annual increment of nearly Rx. 3,000,000.

(2.) That the net charge for interest, &c. (apart from exchange) has increased by over Rx. 2,000,000.

(3.) That the gold debt has increased by nearly 68,000,000*l.*, or, taking into account the diminution (by transference) of the railway guaranteed debt, by 19,000,000*l.*, with increases for interest, &c. (exclusive of exchange) of 3,500,000*l.* and 1,000,000*l.* respectively.

(4.) That during the decade from 1883 to 1893, when the downward tendency of the rupee was no longer in doubt, the Government of India added to their sterling liabilities more than 38,000,000*l.*, with an additional charge for interest of 2,000,000*l.*; or, again, taking into account the guaranteed railway debt, 14,500,000*l.* of debt and 750,000*l.* a year for interest.

28. A large portion of this increase has been incurred on account of what are called productive public works. It is impossible, however, without a parliamentary return, to ascertain from the published accounts how much of this increase is productive owing to the numerous transfer transactions of the Government of India. Thus loans, originally classed under General Debt, are transferred from time to time, as the undertakings for which they were raised become more or less remunerative, to the heading of Debt incurred on account of productive public works. It is at least possible that these transferences have exceeded the apparent reduction in the ordinary debt, which would mean that the amount of debt incurred for the ordinary purposes of government has been actually increasing.

W. WEDDERBURN,
Chairman, British Committee,
Indian National Congress.

H. MORGAN-BROWNE,
Secretary, British Committee,
Indian National Congress.

Offices of the British Committee
of the Indian National Congress,
84 and 85, Palace Chambers,
Westminster, S.W.
6th July 1894.

SUB-APPENDIX.

TABLE A.—SHOWING for each of the years 1883-84 to 1892-93 the INCREASE in GROSS REVENUE and TOTAL COST of EXCHANGE over the average amounts of these items for the three years 1882-83 to 1884-85.

	Gross Revenue.	Increase over Standard.	Exchange.	Increase over Standard.	Excess Increase of Revenue over Increase of Cost of Exchange.
Standard, *i.e.*, Average of 3 years, 1882-83 to 1884-85	Rx. 51,357,687	Rx. —	Rx. 3,365,238	Rx. —	Rx. —
1883-84	52,038,401	680,714	3,434,557	69,319	611,395
1884-85	51,080,422	−277,265	3,426,424	61,186	−338,451
1885-86	52,442,325	1,084,638	4,411,437	1,046,199	38,439
1886-87	54,482,131	3,124,444	5,419,086	2,053,848	1,070,596
1887-88	54,781,006	3,423,319	6,466,633	3,101,395	321,924
1888-89	56,220,761	4,863,074	6,971,436	3,606,198	1,256,876
1889-90	58,861,813	7,504,126	6,663,442	3,298,204	4,205,922
1890-91	58,890,234	7,532,547	5,087,144	1,721,906	5,810,641
1891-92	59,517,049	8,159,362	6,937,213	3,571,975	4,587,387
1892-93	61,067,375	9,709,688	9,827,274	6,462,036	3,247,652
Aggregate	—	45,804,647	—	24,992,266	20,812,381

TABLE B.—SHOWING for each of the 10 years, 1883-84 to 1892-93, the INCREASE in NET REVENUE and COST of EXCHANGE, calculated on the average amount of the HOME CHARGES for the three years, 1882-83 to 1884-85, over the average amounts of these items for the three years, 1882-83 to 1884-85.

	Net Revenue.	Increase over Standard.	Average Rate of Exchange on Secretary of State Bills, &c.	Exchange on 14,100,000*l.*	Increase over Standard.	Excess Increase of Revenue over Increase of Cost of Exchange.
Standard, *i.e.*, Average of 3 years, 1882-83 to 1884-85	Rx. 42,511,152	Rx —	*s.* *d.* —	Rx. 3,287,405	Rx. —	Rx. —
1883-84	43,546,807	1,035,655	1 7·536	3,221,850	−65,555	1,101,210
1884-85	41,521,367	−989,785	1 7·308	3,426,300	138,895	−1,128,680
1885-86	42,637,047	125,895	1 6·254	4,437,270	1,149,865	−1,023,970
1886-87	44,735,940	2,224,788	1 5·441	5,301,600	2,014,195	210,593
1887-88	45,342,843	2,831,691	1 4·899	5,924,820	2,637,415	194,276
1888-89	46,482,865	3,971,713	1 4·379	6,559,320	3,271,915	699,798
1889-90	49,952,162	7,441,010	1 4·566	6,326,670	3,039,265	4,401,745
1890-91	49,354,219	6,843,067	1 6·089	4,606,470	1,319,065	5,524,002
1891-92	49,969,887	7,458,735	1 4·733	6,122,220	2,834,815	4,623,920
1892-93	51,605,681	9,094,529	1 2·985	8,482,560	5,195,155	3,899,374
Aggregate	—	40,037,298	—	—	21,535,030	18,502,268

TABLE C.—SHOWING for each of the 10 years 1883–84 to 1892–93, the INCREASE in NET MILITARY EXPENDITURE (distinguishing the Cost of Exchange) over the average amount for the three years, 1882–83 and 1884–85.

———	Net Military Expenditure.	Exchange.	Total.	Increase of Net Expenditure.	Increase of Exchange.	Total Increase.
Standard, *i.e.*, Average of 3 years, 1882–83 to 1884–85	Rx. 16,351,960	Rx. 1,003,235	Rx. 17,355,195	Rx. —	Rx. —	Rx. —
1883–84	16,931,269	1,147,865	18,079,134	579,309	144,630	723,939
1884–85	16,090,841	966,984	17,057,825	−261,119	−36,251	−297,370
1885–86	18,898,322	1,165,347	20,061,669	2,546,362	160,112	2,706,474
1886–87	18,342,496	1,396,423	19,738,919	1,990,536	393,188	2,383,724
1887–88	19,404,907	1,599,876	21,004,783	3,052,947	596,641	3,649,588
1888–89	19,238,329	1,856,406	21,094,735	2,886,369	853,171	3,739,540
1889–90	19,645,880	1,871,652	21,517,532	3,293,920	868,417	4,162,337
1890–91	20,055,591	1,517,310	21,572,901	3,703,631	514,075	4,217,706
1891–92	21,194,359	2,075,410	23,269,769	4,842,399	1,072,175	5,914,574
1892–93	21,122,704	3,041,672	24,164,376	4,770,744	2,038,437	6,809,181
Aggregate	—	—	—	27,405,098	6,604,595	34,009,693

TABLE D.—SHOWING for each of the 10 years, 1883–84 to 1892–93 the INCREASE in net CIVIL SERVICE EXPENDITURE (distinguishing the Cost of Exchange) over the average amount for the three years, 1882–83 and 1884–85.

———	Net Civil Service Expenditure.	Exchange.	Total.	Increase of Net Expenditure.	Increase of Exchange.	Total Increase.
Standard, *i.e.*, Average of 3 years, 1882–83 and 1884–85	Rx. 25,732,638	Rx. 562,974	Rx. 26,295,612	Rx. —	Rx. —	Rx. —
1883–84	25,701,938	562,938	26,264,876	−30,700	−36	−30,736
1884–85	26,429,183	576,887	27,006,070	696,545	13,913	710,458
1885–86	26,356,293	763,990	27,120,283	623,655	201,016	824,671
1886–87	27,467,206	969,565	28,436,771	1,734,568	406,591	2,141,159
1887–88	26,591,135	1,079,736	27,670,871	858,497	516,762	1,375,259
1888–89	26,817,978	1,157,415	27,975,393	1,085,340	594,441	1,679,781
1889–90	26,693,857	1,111,549	27,805,406	961,219	548,575	1,509,794
1890–91	28,151,455	815,128	28,966,583	2,418,817	252,154	2,670,971
1891–92	29,166,634	1,144,455	30,311,089	3,433,996	581,481	4,015,477
1892–93	29,090,129	1,726,214	30,816,343	3,357,491	1,163,240	4,520,731
Aggregate	—	—	—	15,139,428	4,278,137	19,417,565

APPENDIX No. 13.

REDUCTION OF EXPENDITURE.

Handed in by the Financial Secretary, India Office.

CORRESPONDENCE in continuation of that laid before Parliament, in Paper 352 of 1885.

Serial No.	From.	To.	Date.	No. of Despatch.	Whole or Extract.	Subject.
1	Secretary of State -	Government of India	7 Aug. 1884	237 F.	Extract -	Military Charges. Exchange. Provincial Balances.
2	„ „ -	„ „ -	27 Nov. 1884	148 Ry.	Whole -	Railways for Frontier Defence and Famine Insurance.
3	Government of India	Secretary of State -	3 March 1885	35 Ry.	„ -	Railway Forecast, 1884–90.
4	Secretary of State -	Government of India	30 April 1885	112 F.	„ -	Railway Policy; limit of annual borrowing.
5	Government of India	Secretary of State -	20 June 1885	174 „	Extract -	Military Expenditure; and consequent reductions.
6	„ „	„ „ -	22 Aug. 1885	234 „	„ -	Reductions
7	Secretary of State -	Government of India	27 „ 1885	239 „	„ -	Public Works. Provincial Balances. Famine Insurance.
8	Government of India	Secretary of State -	22 Sept. 1885	264 „	Whole -	Railways and Defensive Works.
9	„ „ -	Secretary of State -	29 Sept. 1885	271 „	„ -	Public Works.
10	„ „ -	„ „ -	6 Oct. 1885	275 „	„ -	Provincial Agreements. Famine Insurance. Financial position.
11	Secretary of State -	Government of India	10 Dec. 1885	367 „	„ -	Provincial Contributions. Famine Insurance. Railways and Defensive Works.
12	Government of India	Secretary of State -	22 „ 1885	347 „	Extract -	Railways; capital outlay.
13	Secretary of State -	Government of India	11 Feb. 1886	43 „	„ -	Railways; capital outlay.
14	„ „ -	„ „ -	29 July 1886	216 „	„ -	Public Works. Army. Provincial Agreements. Capital outlay.
15	„ „ -	„ „ -	10 Feb. 1887	58 „	„ -	Outlay on Public Works.
16	Government of India	Secretary of State -	15 March 1887	65 „	„ -	Public Works. Provincial Contributions. Capital Outlay.
17	Secretary of State -	Government of India	18 Aug. 1887	215 „	„ -	Financial Position. Provincial Agreements. Upper Burma.
18	„ „ -	„ „ -	„ „ 1887	216 „	Whole -	Railways; capital outlay.
19	Government of India	Secretary of State -	18 June 1887	153 „	„ -	Reports of the Finance Committee in India.
20	Secretary of State -	Government of India	8 Sept. 1887	234 „	„ -	
21	„ „ -	„ „ -	„ „ 1887	235 „	„ -	Provincial Governments. Capital Outlay.
22	„ „ -	„ „ -	12 April 1888	98 „	Extract -	Financial position. Railways. Home Charges. Exchange. Famine Insurance. Provincial agreements.
23	Government of India	Secretary of State -	21 July 1888	193 „	Whole -	Alleged increase of Expenditure.
24	Secretary of State -	Government of India	31 Oct. 1888	273 „	„ -	Alleged increase of Expenditure.
25	„ „ -	„ „ -	30 May 1889	121 „	„ -	Reports of the Finance Committee in India.
26	„ „ -	„ „ -	25 July 1889	159 „	Extract -	Provincial agreements.
27	Government of India	Secretary of State -	15 Oct. 1889	328 „	Whole -	Reports of the Finance Committee in India.
28	Secretary of State -	Government of India	9 July 1891	129 „	Extract -	Famine Insurance. Military Expenditure. Civil Departments. Provincial agreements.
29	Government of India	Secretary of State -	23 Sept. 1891	262 „	„ -	Famine Insurance.
30	Secretary of State -	Government of India	5 Nov. 1891	213 „	Whole -	
31	„ „ -	„ „ -	16 June 1892	103 „	„ -	Railway Expenditure.
32	„ „ -	„ „ -	7 July 1892	119 „	Extract -	Provincial agreements. Exchange. Military Expenditure.
33	„ „ -	„ „ -	3 Nov. 1892	143 M.	„ -	Increase of Military Expenditure.
34	Government of India	Secretary of State -	8 March 1893	39 „	Whole -	Increase of Military Expenditure.
					Enclosure	Minute by Lieutenant-General Brackenbury.
35	„ „ -	„ „ -	5 April 1893	63 „	Whole -	Military Expenditure, 1984–5 to 1892–3.
					Enclosure	Analysis by the Military Accountant-General.
36	Secretary of State -	Government of India	10 Aug. 1893	158 F.	Extract -	Exchange. Compensation allowance. Military Expenditure. Civil Charges. Provincial Expenditure.
37	„ „ -	„ „ -	8 Feb. 1894	24 „	Whole -	Railway Forecast.
38	Government of India	Secretary of State -	28 March 1894	81 „	Extract -	Reductions.
					Enclosures	Resolution of March 1st, 1894. Provincial Contributions.
						Minute by Lieutenant-General Brackenbury, March 28. Military Works.
39	Secretary of State -	Government of India	21 June 1894	116 „	Extract -	Famine Insurance. Financial position.
40	„ „ -	„ „ -	26 July 1894	144 „	Whole -	Increase of Establishments.
41	„ „ -	„ „ -	3 Jan. 1895	4 „	„ -	Railway Forecast.
42	Government of India	Secretary of State -	20 Feb. 1895	46 M.	Extract -	Military Expenditure.
43	Secretary of State -	Government of India	23 May 1895	57 „	Whole -	Military Expenditure.
44	„ „ -	„ „ -	18 July 1895	113 F.	Extract -	Economy.

See also Sir James Westland's Financial Statement in 1894 (House of Lords' Paper 143), pages 4 to 11 and 22 to 25.

No. 1.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, dated August 7th, 1884, No. 237 (Financial), paragraphs 31 to 36, and 39.

The reduction in the army expenditure is due to the fact that in 1883–84 special payments were included of 1,000,000*l.* for arrears of non-effective charges, and 50,462*l.* in connection with the military operations in Egypt. The cost of the recent increase of the pay of the British soldier, by converting it at the rate of exchange fixed by the Treasury for the payment of soldiers in the Colonies, is estimated at 184,300*l.*

Under exchange there is a reduction of 321,900*l.*, the drawings being estimated at only 16,500,000*l.*, as compared with 17,800,000*l.* in 1883–84. I observe that in the 113th paragraph of your financial statement it is said that an increase of expenditure under this head is absolutely beyond the control of Government. I may, however, remind you that, although it is not in the power of the Government of India to control the price of silver, there can be no doubt that measures which increase the payments in this country must tend to increase the charge under the head of exchange.

Under provincial adjustments the credit in the Budget is less than in the revised estimate by 591,700*l.* Except in Bombay, where the amount is expected to be very slightly altered during the year, and in Bengal, where it will be considerably increased, there is a reduction to be anticipated during the year in all the provincial and local balances. Taken on the whole, the closing balances of the provincial governments (apart from the purely local balances) are estimated on the 31st of March, 1885, to amount to 1,227,300*l.*, which exceeds by 137,300*l.* the minimum recently prescribed; but this is due to the comparatively large amount held in Bombay and the Central Provinces. In Madras and the Punjab the balance will approximate to the specified sum; and in Bengal, where the balance had been nearly exhausted in 1883–84, there is likely to be a very considerabte improvement in 1884–85. In British Burma and Assam, however, the provincial expenditure is still in excess of the revenue, and the closing balance is estimated at only 3,200*l.* in the one case, and at 22,300*l.* in the other; while in the North-West Provinces the large balance of 555,000*l.* on the 1st of April 1884 is estimated to be reduced to 159,600*l.* on the 31st of March 1885, or less by 40,400*l.* than the prescribed minimum amount.

* * * *

I have further to direct your Excellency's special attention to the case of the North-West Provinces. That Government began the year with the large balance of 555,000*l.*, and was justified in spending a large portion of it, particularly on the public works which it was desirous to promote. Hence, there would have been no objection to the special grants of 132,300*l.* for productive works, and of 250,000*l.* which, under the head of productive works, has been allotted to the Jhansi-Manickpur Railway, in addition to the provision of 7 lacs from the ordinary famine insurance grant. The fact, however, that the closing balance of the year was estimated to be less by 40,400*l.* than the prescribed minimum should, I think, have led to a reconsideration of this offer, and not more than 20 lacs at the outside ought to have been accepted for the latter railway. I must observe also that the Local Government could not have fulfilled its promise to contribute 50 lacs for that line, which was put forward* as a reason for my sanction being given to the construction of the work on the broad guage, without reducing its balances much below the prescribed amount.

There is no objection to the expenditure on public works of the surplus balances which have actually accrued, nor of the savings of previous years, and, subject always to the general exigencies of the Government, I should prefer seeing the money so laid out; but with reference to your Excellency's telegram of the 8th of March, I deem it necessary to state explicitly that the provision of funds for public works must be subject, as in the case of any other branch of the administration, to financial considerations, and that the fact that certain funds may, under the regulations, be supplied for productive public works, gives no claim to the Public Works Department to have that sum allotted to it within the year, if, in the opinion of your Government in the Financial Department, the state of the finances will not permit of the expenditure.

* *See* Government of India's Letters, 29th January 1884, No. 16, Railway, and 14th April 1884, No. 46, Railway.

No. 2.

DESPATCH to the GOVERNMENT OF INDIA, November 27, 1884, No. 148 (Railway).

Para. 1. I have considered in Council your Excellency's letter, dated the 22nd of September, No. 25 (Secret), with a minute by Sir Auckland Colvin, concurred in by Mr. Ilbert and Sir Stewart Bayley, and the first two paragraphs of your Excellency's minute of the 22nd of September, dealing with a proposal to construct certain railways and military roads for the purpose of placing the north-west frontier of India in a satisfactory condition of defence. I have at the same time taken into consideration your letter of the 29th of September, No. 150 (Railway), giving the views of your Government on the general question of railway communication in India, after receiving the report of the Select Committee of the House of Commons which examined the subject during the last session of Parliament.

2. In the latter letter your Excellency makes no allusion to the frontier communications; and in the earlier letter you state that your decision on the general question is in no way affected by the admitted necessity for such works, and that, having to provide against the two evils of famine and complications on the north-west frontier, you are of opinion that "the "protection from both should certainly be provided "concurrently, and to the full extent necessary in the "case of each."

3. I regret that I am unable to concur with your Government as to the manner of effecting these objects. I am of opinion that it is a prudent and a really economical measure, to plan and to carry into execution, with as little delay as possible, a system of railways and roads designed to strengthen our military position on the north-west frontier; and also that it is desirable to complete a well-devised scheme for preserving the country from the effects of famine, and for increasing the facilities for commerce. But the rapidity with which the works necessary for these purposes shall be constructed must manifestly depend on financial considerations. Whatever be the object with which a great system of railroads is undertaken, whether for the protection of the country from famine or from war, the effect must be the same as regards the money market, the strength of the Public Works Establishment, the demand for labour, and the increase of prices; and hence I have thought it right to treat your Excellency's two letters as forming one comprehensive scheme for the extension of railways in India.

4. Your consideration of the report of the Select Committee has not led you materially to modify the views that you had previously expressed. You have now removed from the category of railways that you deem indispensable the one from Vizagapatam to Raipur, and you have substituted for it one from Kontera through Cuttack to Puri. With this exception, however, you adhere to Schedule A, which accompanied your letter of the 29th of January 1884, No. 27, as representing the lines that you desire to see constructed by the Government during the next six years, which are thus divided in the forecast accompanying your letter of the 29th of September:—

	Estimated Cost.	Outlay to End of 1883–84.	Amount needed to complete on 1st April 1884.
	Rs.	Rs.	Rs.
Works in progress -	10,88,02,991	about 3,67,60,991	7,20,42,000
Not commenced -	7,81,01,000	- - -	7,81,01,000
Extra capital for open lines - - -	1,80,00,000	- - -	2,73,00,000
	20,49,03,991	- - -	17,74,43,000
[*To which must be now added the frontier communications*] -	5,05,00,000	- - -	5,05,00,000
	25,54,03,991	- - -	22,79,43,000

These projects do not include the undertakings that it is intended to entrust to private companies working with Government assistance, the cost of which, in your letter of the 28th January 1883, No. 29, was estimated at about Rs. 12,23,00,000.

5. The scheme of frontier communications, described in your letter of the 22nd of September, appears to me to be well adapted to the purpose that you have in

view; and I desire to express, not merely my general concurrence in its adoption, but my hope that it will be completed within the four years over which your Excellency proposes to spread the expenditure. The line to which your efforts are naturally being first directed is the Sind-Pishin Railway.

6. Accepting the estimates for these works, I find that, in the two forecasts which accompany your letters, it is proposed to incur the following expenditure by Government on railways, and on other public works constructed from borrowed money:—

Works.	1884–85.	1885–86.	1886–87.	1887–88.	1888–89.	1889–90.	Total of 6 years.
	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.
General Railways	381	296	265	265	265	287	1,759
Frontier Railways	113	225	80	25	—	—	443
Total Railway Expenditure after 31st March 1884	494	521	345	290	265	287	2,202
Of which, to be provided from Famine Insurance Grants	111	50	50	50	50	50	361
Ditto from Provincial Contributions and Lapses	17	—	—	—	—	—	17
Ditto, recovery from Nagpur-Chhattisgarh Line	—	—	—	—	—	63	63
	128	50	50	50	50	113	441
Leaving the amount to be borrowed for Railways	366	471	295	240	215	174	1,761
To which add the amount to be borrowed for Irrigation	70	70	70	70	70	70	420
And for Military Roads, and past expenditure on the Sind-Pishin Line	12	18	23	9	—	—	62
Making the total to be borrowed for Public Works	448	559	388	319	285	244	2,243

7. From the total of 2,243 lakhs, which in the six years it is proposed to charge against borrowed money, I find it necessary at the outset to make certain deductions. I cannot admit the propriety of so treating the past expenditure on the Sind-Pishin Railway in 1883–84 - - - - - 12¼ lakhs
the special grant made in the Budget of 1884–85 for the Harnai Road (included in the 113 lakhs for this year on frontier railroads) - - - - 7¼ „
or the outlay on the military roads - - 50 „
69½ „

The whole of these 69½ lakhs must be treated as charges on revenue, thus reducing the aggregate that may possibly have to be obtained by borrowing, to 2,174 lakhs.

8. In the 11th paragraph of your letter of the 22nd of September, you say that "funds must obviously be "supplied according to the nature of the works, and "not in equal annual instalments." Although this remark is sound when applied to a particular work, it does not apply to a scheme comprising a number of projects, some of which can without difficulty be delayed if the expenditure on others is unusually heavy.

9. The amount which, in recent years, it has been considered right to borrow, when necessary, for productive public works, has been 250 lakhs a year, supplemented occasionally by the sums needed for the completion of the East Indian Railway. Your Excellency proposes to add to this amount 35 lakhs a year for railways, as well as to borrow in the present year about 69 lakhs on account of arrears of productive works; and you also desire to construct the whole of the frontier communications by means of loans. On this subject I concur in the opinion of Sir Auckland Colvin, rather than that which has been adopted by the majority of your Council, and I think it most undesirable to show a surplus of revenue over expenditure, by failing to charge each year with whatever portion of the necessary expenditure it can bear, and which is properly chargeable thereto, while I hold that it would be unsound and dangerous to remit taxation on the strength of a nominal surplus so obtained. At the same time, really urgent works should not be delayed, by refraining from raising reasonable amounts by loans when requisite for their completion within a specific time. The course that I am of opinion should be pursued is, that the frontier communications should be completed with the utmost speed, consistent with economy of construction; that, as far as possible, their cost should be provided from revenue; but that, when the revenue available after meeting other essential charges of administration is exhausted, your Government should not allow the proposed works to be retarded, but should prosecute them with borrowed money.

10. In my Despatch of the 14th of August, No. 89 (Railway), I referred to the Select Committee's recommendation that the technical distinction between productive and protective lines should not be maintained, but that the bulk of the lines undertaken should be self supporting; and I stated my willingness to authorise an addition to the amount of the annual loan of about 400,000*l.* or 500,000*l.*, especially for famine lines. In view of the urgency of the requirements that you have now brought to notice, I sanction, for the present, the extension of the maximum limit of borrowing to 350 lakhs in any one year, which seems to me the extreme limit to which it is prudent to pledge our resources for such purposes; and accordingly this amount must be held to cover all the expenditure of the Public Works Department from borrowed money, whether for ordinary railways and irrigation, open lines, arrears of previous grants, protective works, frontier communications, or any other purpose, while lapses in previous years should only be subsequently made good from the balances if that is practicable without unduly reducing them; and no resort must be had to borrowing unless the amount cannot be provided from revenue.

11. I would further remark that there is an important difference between the works now specially referred to and those for which it has heretofore been held to be legitimate to provide funds by borrowing, viz., that the outlay on the latter class may be properly regarded as an investment on which there is reason to anticipate a return which eventually will meet the interest on the borrowed money required for them. This character, as you recognise, will not necessarily apply to the railways and other public works designed for the military protection of the frontier, and the necessity for limiting, as far as possible, the permanent charge they will bring on the revenues in future years is obvious.

12. I find that in the five years from 1879–80 to 1883–84 (excluding, on the one hand, the increase of debt caused by the purchase of the East Indian Railway, and, on the other hand, the decrease arising from the operations of the Commission for the Reduction of Debt), the Rupee Debt was increased by 1,526 lakhs,

while the Sterling Debt has been reduced by 2,018,000*l.*, equal, at 1*s.* 8*d.* the rupee, to 242 lakhs; the amount of borrowed money, therefore, which has been at the disposal of your Government during the last five years, has been 1,284 lakhs, or an average of 257 lakhs annually. The sanction now conveyed to you will enable you, if you find it really necessary, to add to your funds for public works from borrowed money very nearly a crore of rupees in each year; and the total amount of 2,100 lakhs in the six years is very nearly equal to the aggregate of 2,174 lakhs, which I have above shown to be the extreme sum admissible as a charge upon the Debt.

13. If, however, as is probable, your Government may not have at your command in the earlier years the amounts that you desire, some reduction must be made, and I am of opinion that it should not fall upon the frontier lines, although I doubt if the whole expenditure contemplated in 1884–85 and 1885–86 will be incurred during those years. Until the funds can be provided, the expenditure on works in Schedule A. must be restricted accordingly; and I leave it to your Excellency to decide the best manner of re-arranging the expenditure on the lines already sanctioned.

14. In so doing, it will be necessary for you to bear in mind the recommendation of the Select Committee, already cited, that the bulk of the lines undertaken should be self-supporting. According to paragraphs 6 and 9 of your Excellency's letter of the 29th of September, your general scheme includes 2,800 lakhs of outlay, of which about 725 are for unproductive lines; with the addition of the frontier railroads, the amounts become 3,250 and 1,175 lakhs respectively.

15. While thus enlarging your powers of borrowing for the works the urgency of which is recognised, I must also impress upon you the necessity for regarding any available surplus of revenue over the ordinary expenditure as being primarily applicable to meeting the exceptional charges which your Government is now called upon to bear, and the consequent importance of using every effort to avoid all expenditure usually classed as ordinary which is not strictly necessary. In ordinary public works, and in all branches of administration, the utmost economy should be practised; and the Provincial Governments, as well as the Departments more directly under your own orders, should be enjoined to co-operate in the endeavour to keep their expenditure within the limits of strict economy, so that the unavoidable demands upon your Government for services which cannot be postponed may, when they arise, be met as far as possible from the revenues of the year, and the necessity for adding to the debt may be to the same extent avoided.

16. The question whether the money shall be borrowed in India or in England is one that can only be decided from time to time according to the circumstances. In my Despatch of the 15th of May, No. 131 (Financial), I communicated my decision to relieve you of the necessity of borrowing in India this year, by reducing the drawings to the extent of 250 lakhs; and my telegram of the 3rd of September accepted your proposal for a further temporary reduction of 65 lakhs. If your Excellency should be of opinion that you can economically spend the full 350 lakhs from borrowed money this year, I shall be prepared to make a further reduction of 35 lakhs; but, as that will involve a total addition to the sterling debt of nearly 3,000,000*l.* in this year, I refrain from any alteration of the amount to be drawn until I learn your opinion on the point.

17. Your Excellency proposes, as a ground for providing the whole outlay on frontier communications from borrowed money, to place the loan on a distinct basis, which may provide for the discharge of the capital obligation within a term of years. The objection to the institution of an ordinary sinking fund for the extinction of a particular loan, at the same time that other loans are continually being raised, is manifest; the payment in reduction of the earlier debt can only be provided by adding to the new debt, and it is much less wasteful to lessen the amount of fresh borrowing. Moreover, the sinking fund in such a case would be sure to be suspended, on the first pressure arising from famine or war. Your Excellency, however, would prefer to raise the money by terminable annuities, on which I need only observe that such a scheme appears to me impracticable on any reasonable terms, considering the total absence of demand for such securities in India, the relatively low price which the Annuities of the East Indian Railway and Eastern Bengal Railway actually command in the London market, and the extent to which that market has been, and may hereafter be, called upon to accept them from time to time as the Guaranteed Railways are purchased by the Government.

18. The charge for interest on the debt to be incurred must, therefore, I fear, be treated as permanent; and, in so far as the amount is borrowed in this country, there will be the great disadvantage that the interest will have to be added to the large sum at present needed for the home disbursements. This is an additional reason why the increase of the debt, and especially the sterling debt, should be kept within the strictest limits. To the interest payable on the sums directly borrowed, moreover, may have to be added a considerable charge for interest as a consequence of the arrangements now under discussion with the promoters of private companies for the construction of railways; and, as the returns from the various lines as they come into operation will be necessarily received in India, the burden created by the increased charge for interest in this country will not be diminished.

No. 3.

LETTER from the GOVERNMENT OF INDIA, March 3rd 1885, No. 35 (Railway).

We have had the honour to receive your Lordship's Despatch, No. 148 (Railway), dated 27th November 1884, together with telegrams of that date and 2nd December 1884, which deals with our two despatches* on internal and frontier communications as "one comprehensive scheme." Your Lordship in Council approves of the three objects, namely, "strengthening our military "position on the north-west frontier," "preserving "the country from the effects of famine," and "increasing the facilities of commerce," which the Government of India have set themselves to promote, and accepts the individual projects proposed.

2. Proceeding to details, the despatch does not dwell on the railways which it is proposed to entrust to private companies. We have reason to believe that arrangements have been practically concluded with one company for the "Bhopal System," in which the Jhansi Manikpore Railway and the Kutni Etawah section of the Bilaspur-Etawah project are comprised, and with another for the Nagpore-Bengal line. Negotiations we understand to be pending regarding the remainder. We have, therefore, merely provided in the new forecast appended, for the completion of the Kutni Umaria section of the Bilaspur Etawah Railway, which has been commenced provisionally by the State pending arrangements with a company for the Umaria Colliery, and for advances to the works on the Bhopal and Nagpore lines up to the close of the current financial year.

3. Your Lordship in Council rules, in the first place, that the proposed outlay on the two military roads (50 lakhs) and the past expenditure on the Harnai Road or Sind Pishin Railway (19½ lakhs) shall be debited to revenue. The letter has already been carried out, and the Finance Department have arranged to treat the former charge as independent of their revenue grants for railways, and to provide 10 lakhs for it in the coming Budget. The remainder of this despatch will therefore relate to railways alone.

4. With respect to the remaining railways to be made by State agency, the conclusions in the despatch may be very briefly summarised as under:—

1st. The frontier communications should be completed "with the utmost speed consistent with economy of construction" (para. 9), and, if possible, "within the four years" (para. 5), and any reduction of expenditure arising from want of funds in earlier years should not fall upon them, but upon the general railways in Schedule A. (para. 13).

2nd. The proposal to borrow for frontier communications upon a distinct basis, such as to discharge the capital obligations within a term of years, is disapproved (paras. 17 and 18).

3rd. The maximum limit of borrowing for public works capital outlay, "whether for ordinary

* No. 159 Railway, dated 29th September 1884. No. 25, Secret, dated 22nd September 1884.

" railways and irrigation, open lines, arrears " of previous grants, protective works, frontier " communications, or any other purpose," is to be "350 lakhs in any one year absolutely."

4th. In addition to the 350 lakhs which may thus be borrowed for public works, your Lordship impresses on us "the necessity for regarding " any available surplus of revenue over the " ordinary expenditure," or "revenue avail- " able after meeting other essential charges " of administration," as being "primarily ap- " plicable to meeting the exceptional charges " which your Government is now called upon " to bear."

The first and second of these conclusions, in one aspect or another, go somewhat beyond the views of various members of Lord Ripon's Government; the third is opposed in respect of open line capital, to the recommendation to which we invited the special attention of your Lordship and the Select Committee of the House of Commons in paragraph 18 of our Despatch, No. 27, Finance and Commerce, dated 29th January 1884. We have determined, however, to accept your Lordship's decisions upon these points without demur.

5. Before submitting the forecast which we have drawn up in compliance with your Lordship's desire, it is necessary to examine what funds will be available under the recent orders for our disposal. We observe that your Lordship, in the 12th paragraph of your letter, assumes that we shall be able to add to our funds for public works from borrowed money very nearly a crore of rupees in each year, and that this sum will be sufficient to enable us to carry out the complete scheme of railways within the term recommended by the Parliamentary Committee, and, so far as frontier railways are concerned, in four years. This calculation, however, is inaccurate, inasmuch as the sums required for open lines on the East Indian and Eastern Bengal Railways were outside the 250 lakhs hitherto annually borrowed, and if these sums are to be provided in future from the 350 lakhs which it is now proposed to borrow, the net sum available for construction will be very much diminished. In the estimate which we are now submitting, the expenditure on the open lines of these railways is as follows:—

1884–85	51¼ lakhs.
1885–86	58 „
1886–87	55 „
1887–88	30 „

and not less than 30 lakhs annually till the close of the five years.

The net sum, therefore, by which our resources will be increased is not a crore of rupees, but in the first year 48¾ lakhs, in the second 42, and in the third 45, and in the remaining years 70 lakhs at the most.

6. On the other hand, the concession of the Bhopal system and the Nagpore-Bengal Railway to companies which, we understand, is imminent, will entitle the Government of India to a refund of about 39 lakhs advanced from the productive grant for works commenced. We conclude that your Lordship will have no objection to the re-grant of this and the other similar advances on the receipt of the amounts respectively; 2nd. the Jhansi-Manikpur Railway, which was provided for in the forecast of September last as a State work, will be included in the Bhopal system conceded to a company. As your Lordship was aware of this fact when the despatch now under consideration was written, we assume that the grant of 350 lakhs is irrespective of it. A refund of 31¼ lakhs similarly advanced, together with the non-prosecution of the line by the State, will thus set free 170 lakhs for other lines in the schedule.

7. Finally, we may assume for the purpose of the revised forecast, which we have now to make, that there will be an annual grant of 50 lakhs from revenue; but it is important to remember that this annual grant must be contingent on the financial circumstances of successive years. Grants made from revenue to the Public Works Department will be liable, should circumstances compel us, to be resumed in the course of a year like other grants. In the event, however, of economies being rendered imperative by unforeseen circumstances, they should be considered of the nature of a preference charge in their relation to other reductions.

8. With these remarks we present the following forecast:—

Works.	1884–5.	1885–6.	1886–7.	1887–8.	1888–9.	1889–90.	Total of Six Years.
GENERAL RAILWAYS.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.
In progress	253½	93	102¾	76	41¾	—	567
Not commenced; stores and working capital	3¼	18½	29	162½	278¼	264½	749½
Total of above	250¼	111½	131¾	238½	320	264½	1,316½
Open line capital	138¼	119	85	60	60	60	522¼
Total, general railways	388½	230½	216¾	298½	380	324½	1,838¾
Frontier railways	79	184	163¼	81½	—	—	507¾
Grand total	467½	414½	380	380	380	324½	2,346½

9. This forecast must, however, be considered subject to important reservations:—

(1.) Some lines are as yet only roughly estimated for, and there may eventually be excesses; the Sind-Pishin Railway, in particular, is a very uncertain item. We hope, however, that such excesses, if they arise, may not have a greater effect than that of deferring the depletion of the schedule till the end of the last year of the series, for which the forecast provides, it will be observed, 55½ lakhs less than the normal 380 lakhs.

(2.) The apportionments of annual outlay are made to suit the financial demand for equal annual allotments, not the constructive requirements of the several works, whence much inconvenience and some delay and waste may ensue.

(3.) Lapses are inevitable, especially on English indents, and if they are in any instance not re-granted, the forecast will be deranged, and it may even be impossible to curtail Indian outlay to meet an unexpected home liability.

In the framing of this forecast, the new Madras famine lines are unavoidably put back, for two years in most cases. This is a grave evil, which we emphatically deprecated in paragraph 11 of our Despatch, No. 150 of 29th September last, and which is freshly illustrated by the present scarcity in Bellary and Anantapur. It might, however, be considerably mitigated if the recovery of 70 lakhs on account of the Nagpore-Chhattisgurh Railway, for which credit has been taken in the forecast as an extraordinary asset, were allowed to be spent on these lines in 1885–86 and 1886–87, if then received from the new company. We request your Lordship's approval of this course.

10. The perusal of the above statements and figures will show your Lordship that, although should none of the anticipated sources of income fail us, we shall be able to work out our forecast within the period contemplated, any such accident, as the failure of the Financial Department to grant in any year 50 lakhs from revenue, or the failure of either of the companies we have referred to take up the lines indicated, will prevent the forecast being carried out for a period in excess of the six years indicated therein, and we consider this risk too serious to be passed over without being brought to your notice. On the one hand, are to be considered the exigencies of our present financial and political position and the state of exchange, on the other hand, are the uncertainty above explained and the grave importance which we attach to taking early steps to guard against famine. We would ask your

Lordship to consider, in these circumstances, whether it is more expedient to maintain the absolute limit of 350 lakhs, or so to modify it as that in any year in which, owing to the grant from revenue being deficient, it may seem necessary we may be permitted, with your Lordship's special sanction, to add to our registered debt such a sum as will suffice to complete the annual amount necessary for the execution of the forecast within the time contemplated.

11. We beg specially to invite your Lordship's attention to the extreme importance, in order to the realisation of this forecast, of an early settlement with both the Bhopal and Nagpore-Bengal Companies. We have already reported, in our telegram of the 16th, and Despatch No. 27 R? of the 17th instant, that we possess no funds available, compatibly with this forecast for further advances to these lines, and rely for the execution of the forecast now submitted on the recovery of advances made already. The effect of delay in a settlement will, in the first instance, be to deprive us of at least 70¼ lakhs of rupees for the prosecution of work according to the forecast in the coming year, and in the second place (unless your Lordship should be able to arrange independently of us for temporary advances) be to necessitate the stoppage of the works, involving considerable pecuniary loss, besides the postponement of railways, which are the centre of our famine relief system. We trust that, in view of these considerations, your Lordship will not hesitate to come to an understanding with the companies, adopting, if need be, the terms recommended in our Despatch, No. 191 R., of 9th December last.

12. Two subsidiary points remain for notice.

In paragraph 4 of your Lordship's Despatch, No. 1 (Financial) of 6th January 1881, there was a three-fold option as to the employment of the surplus revenue of previous years. It might be devoted (*a*) to public works "productive" or "unproductive," (*b*) to the remission or re-adjustment of taxation, or (*c*) to the reduction of sterling debt, or to the diminution of the amount borrowed in India for productive public works. The effect of the present orders will apparently be a limitation to the first of these three methods of disposal. What was ordered in that case in respect of such surplus was that the amount "realised in any one year" might be "added in the following year to the amount borrowed." As a matter of fact, the Financial Department, so far as they have availed themselves of the discretion indicated, have hitherto resorted to the second and third option in preference to the first, and they see practical difficulties in the way of carrying out the first. On the other hand, it may be urged that there is no objection to the prompt grant of a round sum in any year as soon as the fact of a surplus in the preceding year has been definitely ascertained, provided the financial outlook for the year then current be not gravely unpromising. We shall be obliged for explanation as to the course to be adopted.

We would here observe, however, that in the event of your Lordship thinking that the latter of the alternatives indicated in our 10th paragraph is the most to be guarded against, the question of what revenue should be considered as surplus will be of less importance to the actual progress of the works.

13. In connection with surplus revenue, we must also point out that we anticipate that it will in practice prove somewhat difficult to decide what expenditure is to be deemed "ordinary" or the "essential charges of administration," and what surplus is "available." Increases of current annual expenditure for civil and military establishments would evidently be comprised in the terms, but if special grants of any considerable amount far abnormal capital outlay are also included, such as for harbour defences, for instance, the latter would very seriously reduce the surplus revenue.

14. We have finally to bring another point to your Lordship's notice. The inclusion of "arrears of previous grants" in the absolute annual limit, and the dependence of re-grant of lapses on balances, now enjoined, apparently cancel the pre-existing orders on this subject.* We understand your Lordship clearly to direct that the full 350 lakhs are to be actually put on the market, if necessary, in order to make up the grant of that amount, or the re-grant of lapses to the Public Works Department. We are also aware that hitherto lapses have usually been re-granted. But this may not cover the whole case. It is easy to suppose occasions when the balances might be strong enough in one year to render the full loan unnecessary, and so weak in the next year as to be unable to bear the re-grant of a lapse which had occurred in the former.

We need not enlarge upon the evils attendant upon uncertainty as to regrant of lapses, and the absolute diminution of the amount available for railway construction in the event of the withdrawal of the option, which has hitherto existed, of borrowing above the fixed limit (when otherwise unobjectionable) in order to compensate for times of borrowing below it. We see room for reasonable doubt whether your Lordship, in directing this limit of borrowing to be absolute, contemplated the reversal of the previous orders in this respect, and we think it our duty to point out what may be the effect of the present restriction, so as to clear up the point and make sure that the effect was fully foreseen.

* Secretary of State's, No. 485, December 11th, 1879. Secretary of State's, No. 1, January 6th, 1881. Secretary of State's, No. 365, December 8th, 1881.

No. 4.

DESPATCH to the GOVERNMENT OF INDIA, April 30th, 1885, No. 112 (Financial).

Para. 1. I have considered in Council your Excellency's Letter, dated the 3rd of March, No. 35 (Railway), in reply to the Despatch of the 27th of November 1884, No. 148 (Railway), conveying to you my decision in Council that, for the extension of railways in India, whether designed to strengthen your military position, to protect the country from the effects of famine, or to increase the facilities of commerce, the amount to be borrowed annually for public works might be enlarged from 250 to 350 lacs; and that this was the extreme limit to which I considered it prudent to pledge the revenues of India for such purposes in any one year.

2. There has, I think, been some misapprehension on the part of your Government as to the main considerations that influenced me in adopting this decision. I did not fail to appreciate the importance of authorising as large an expenditure on the construction of railways as the financial position would justify; but I had to weigh seriously the question to what extent it was prudent to continue to incur debt year after year for this object; and, on a very careful review of the whole matter, I came to the conclusion that the limit which I have prescribed could not be safely exceeded.

3. In reply to my remark that, as the amount actually borrowed in the last five years had averaged 257 lacs a year, the power of borrowing 350 lacs would enable you, if you found it really necessary, to add to your funds for public works, from borrowed money, very nearly a crore of rupees in each year, you state that this calculation is inaccurate; and that, as the sums required for the East Indian and Eastern Bengal Railways were outside the 250 lacs hitherto annually borrowed, if these sums are to be provided in future from the 350 lacs which you are now authorised to borrow, the net sum available for construction will be very much diminished.

4. But, as my statement had in view a comparison of the actual sum borrowed in the past with that authorised for the future, it was not inaccurate. The amount borrowed during the last five years for all purposes has, on the average, been less than the amount which you are now authorised to borrow, by 93 lacs a year; and the total amount of 2,174 lacs, which included the extra outlay needed on the open lines, and which in that Despatch I showed to be the extreme sum admissible as a charge upon borrowed funds, is very nearly met by the permission to borrow 2,100 lacs in six years.

5. In summarising, in the 4th paragraph of your Letter, the conclusions of my Despatch, your Excellency seems to have fallen into an error of some importance. The 4th clause of that summary says that, "In addition to the 350 lacs which may thus be "borrowed for Public Works," I impressed on you "the necessity for regarding any available surplus of "revenue over the ordinary expenditure," or "revenue "available after meeting other essential charges of "administration," as being "primarily applicable to "meeting the exceptional charges which your Govern-"ment is now called upon to bear." The reference is to the 9th and 15th paragraphs of my Despatch; and your Excellency will observe that there are no words there implying that the outlay from revenue which I was impressing on your Government was to be *in addition to* the 350 lacs that might be borrowed. In

the 9th paragraph I stated "that the frontier communications should be completed with the utmost "speed, consistent with economy of construction; "that, as far as possible, their cost should be provided "from revenue; but that, when the revenue available "after meeting other essential charges of administration is exhausted, your Government should not "allow the proposed works to be retarded, but should "prosecute them with borrowed money." In the 15th paragraph I impressed "upon you the necessity "for regarding any available surplus of revenue over "the ordinary expenditure as being primarily applicable to meeting the exceptional charges" arising from the frontier railways and roads, or, in other words, for the purpose of avoiding the incurring of debt for them; and I therefore enjoined "the utmost "economy" in all branches of expenditure, in order "that the unavoidable demands upon your Government for services which cannot be postponed may, "when they arise, be met as far as possible from the "revenues of the year, and the necessity for adding "to the debt may be to the same extent avoided." The outlay from Revenue here mentioned was to be in place of, and not in addition to, any outlay that might otherwise have been provided from borrowed money. In no other sense did I suggest any interference with the discretion which the Government of India has always been at liberty to exercise, as to the amount of ordinary revenue which, on a due consideration of the various requirements of the year, it can allot for the construction of railways, in addition to the sums appropriated from borrowed money; and I do not understand how my words can have been regarded, as they seem to have been, as an instruction that any surplus revenue was to be primarily applicable for the prosecution of public works, *in addition* to the full amount that might be borrowed.

6. For the purpose of the forecast, you have assumed that there will be an annual grant of 50 lacs from revenue, an arrangement to which I make no objection, provided that the revenues will admit of it; but you state that, in the event of economies being rendered imperative by unforeseen circumstances, these annual grants should, in your opinion, be considered of the nature of a preference charge in relation to other reductions. In this suggestion, which is directly opposed to the instruction contained in the 39th paragraph of my despatch of the 7th of August last, No. 237, I am quite unable to acquiesce. It can scarcely be necessary for me to remind your Excellency that it is the duty of the Government of India to judge each year what are the branches of administration most needing attention, and in what manner the revenues can be disposed of to the best advantage; and it would be contrary, in my opinion, to sound principle, and indeed impracticable, to resolve beforehand that, when a restriction of expenditure became necessary, the operations of any particular department should be entitled to special exemption from curtailment.

7. In paragraph 13 it is remarked that difficulty may be anticipated, in practice, in deciding what (to use the expressions adopted in paragraphs 15 and 9 of my despatch) should be considered "ordinary expenditure" or "essential charges of administration," and "what surplus is available"; and that you fear that the latter may be seriously reduced, both by current annual expenditure for civil and military establishments, and by abnormal capital outlay on such works as harbour defences. This opinion appears to have its origin in erroneous views, such as those to which I have already adverted in this despatch, and of which I had occasion to speak in the paragraph above-mentioned of my despatch of the 7th of August, 1884, advocating the specific allocation of portions of the general fund available for the service of the Government to the use and control of the Public Works Department. I need only say further on this point that the Government of India, as a whole, must be the judge, from time to time, how the available funds at its disposal shall be applied, subject to the control of the Secretary of State, and with careful regard for the general stability of your finances, the demands of no one department being allowed to have undue weight.

8. Of a similar character must be my reply to the question raised in your 12th paragraph, whether the surplus revenue actually realised in a past year is only available for the prosecution of public works, or whether it may be used for the remission or readjustment of taxation, the reduction of debt, or the diminution of the amount to be borrowed in the coming year. The question is put with special reference to the 4th paragraph of the Marquis of Hartington's despatch of the 6th of January, 1881, No. 1, in which, subject to the condition that the surplus was actually realised, and was not merely estimated, the Government of India were then authorised to dispose of it in the manner that they might deem best. I see no reason to modify the instructions then given. A realised surplus represents actual cash in the balances, and your Government must determine the best method of using it in the event of the amount being in excess of current or anticipated requirements. It may be of importance to reduce the amount of the annual loan, in which case the money can be allotted to the Public Works Department as a portion of the 350 lacs, which otherwise might be supplied by loan in any year; or it may be practicable with the money in your balances to reduce sterling debt, as was done in 1883 out of funds provided by the Protective Grant, while raising the full loan in India. Again, it may be needed for some financial reform, and not be available for public works; or, on the other hand, it may be practicable to make a special grant for railways, in addition to the amount otherwise provided. Of its proper disposal the Government of India must judge, on a careful consideration of all the circumstances of the time.

9. In the 8th paragraph of your letter you give a forecast, showing the division between general and frontier railways of the amount that will be at your disposal, which, as a rule, will be 380 lacs, that is, I presume, 280 lacs from borrowed money, 50 from the Protective Grant, and 50 which it is assumed that it will be practicable to allot from ordinary revenue. In this manner you consider that it will be possible to complete within six years the operations that you have in view, although any accidental failure in the arrangements may prevent this expectation from being fulfilled, a risk which you consider too serious to be passed over without notice. On this point I must observe that I am aware of no absolute necessity for executing the whole scheme within six years, if financial or other difficulties should arise. It is true that the Select Committee of the House of Commons expressed an opinion that your proposals for outlay during the next six years were moderate, and that the annual limit of borrowing previously in force might safely be enlarged. But they held that the full responsibility of deciding on the amount to be borrowed must rest with the Secretary of State in Council; and I must remind your Excellency that the position is materially affected by the decision to construct forthwith, at a cost of some five millions, the works for improving the frontier communications, the scheme for which had not been submitted by the Government of India at the time that the Committee made its report.

10. In order to enable you to adhere as closely as possible to the forecast, you ask that lapses in one year may be again granted in the next, and that you may be permitted, in any year when the anticipated grant from revenue cannot be sanctioned, to make up the deficiency by loan. I am unable, for the reason already stated, to depart from the decision which was carefully expressed in the 10th paragraph of my despatch of the 27th of November, 1884, that no larger amount than 350 lacs must be borrowed in any one year, and that lapses can only be made good if the state of the balances admits of it.

11. You further observe, in the 6th paragraph of your letter, that you conclude that there will be no objection to the re-grant of the sums laid out on the Nagpore-Bengal Railway and the Bhopal system, whenever they shall be received from the Companies which it is hoped may undertake those works. If the money be subscribed in England on the terms offered it will involve for several years the payment of 4 per cent. interest in this country, and will therefore be an expensive method of borrowing; it is therefore essential that, if in any year the Companies shall be permitted to raise more than they require to spend in that year, the normal loan shall be reduced by a sum equivalent to the excess so raised. The expenditure, indeed, which will have to be incurred by the Companies within the year (which will include in the first year of their formation the repayment of the amount already spent by you), is distinct from that for which you are authorised to borrow 350 lacs. So far as it takes place in England, it will be met from the funds received from the Companies; and, so far as it takes place in India, the money will have to be advanced by your

Government, the drawings on India being reduced to a corresponding extent.

12. Such an arrangement is, I admit, contrary to that proposed by the Government of India, in regard to the Southern Mahratta Railway, in their letter of the 24th of June, 1882, No. 186, and assented to in Lord Hartington's despatch of the 7th of September, 1882, No. 279, under which it was intended that the sterling debt should be reduced, and the rupee debt increased, by the amount of the capital subscribed by the Company. So long, however, as your Government is unable to raise in India the usual loan for public works, there is no hope of carrying this intention into effect.

13. To the extent, then, of the sums required for disbursement by the Companies, in excess of receipts from them in the same year, it may become necessary to borrow beyond the limit which I have laid down; and this contingency makes it of the more importance to act on my injunctions that general economy may be practised, and that, as stated at the close of the 10th paragraph of my former despatch, "no resort "must be had to borrowing unless the amount cannot "be provided from revenue."

14. I notice that, in your 2nd paragraph, your Excellency speaks of the arrangements with the two Companies as being "practically concluded," and that, in the 6th paragraph, you refer to the concession to them as "imminent." I informed you, in my despatch of the 12th of March, No. 27 (Railway), of the progress of the negotiations with the promoters of those two undertakings; and I have at present nothing to add on the subject, beyond saying, as you were informed in my telegram of the 13th of March, that, in the present aspect of affairs, there is no hope of either Company being able to issue their shares.

No. 5.

EXTRACT from LETTER from the GOVERNMENT OF INDIA, 20th June 1885, No. 174 (Financial).

Immediately after the publication of the Financial Statement for 1885–86, forwarded to your Lordship with our Financial Despatch No. 106, dated 21st April 1885, it became necessary to undertake military preparations involving heavy expenditure, which have seriously affected the financial position of the year. The chief measures involving additional expenditure, as well as the question of reductions under civil heads, have since been considered in telegraphic communication with your Lordship; but it will be convenient that we should recapitulate in a despatch the measures which have either been taken by us or recommended for the sanction of your Lordship, and that we should state more fully than was possible in a telegram the considerations by which we have been guided.

It was impossible for us, in the first instance, to determine to what extent preparations might ultimately be found necessary, and consequently we were unable to make a precise estimate of the total expenditure to be incurred, but as the orders already given involved the expenditure of 200 lakhs of rupees, we addressed your Lordship on the 3rd April in the telegram noted below,* requesting that your Lordship's drawings should be so regulated that we would not have more than 400 lakhs of rupees to pay between 1st April and 31st August 1885.

Our financial arrangements for 1885–86 had been framed on the basis of our having to pay in the period above stated the sum of 600 lakhs; and a reduction to 400 lakhs would just suffice to meet the additional expenditure due to the military preparations which we had ordered.

We could not have borrowed the necessary funds at that time except at an excessive cost, and any large and sudden reduction of civil expenditure must necessarily have involved great waste. Practically, therefore, there was no course open to us but to request your Lordship to reduce drawings.

* Our financial arrangements for 1885–86 contemplated payment bills and transfers 600 lakhs of rupees April to August, 300 lakhs of rupees September to November, 800 lakhs of rupees December to March. Orders since given in view of war involve estimated expenditure of 200 lakhs of rupees. Please, therefore, arrange your drawings so that we shall not have more than 400 lakhs of rupees to pay from April to August, both inclusive.

On 15th April, we received in reply your Lordship's telegram quoted below,* and as the estimate of excess military expenditure had risen to 306 lakhs, while the opium crop then being gathered was turning out unusually heavy, we proceeded to take into consideration the question of reduction of civil expenditure.

The orders which we issued on the subject are contained in our Resolution in the Finance Department, No. 552, dated the 29th April, 1885, of which a copy is forwarded with this despatch. At the same time we called on the different departments of the Government of India to consider what measures of immediate retrenchment were feasible.

In the Public Works Department of the Government of India the following reductions were ordered at once:—

	£
16—Telegraph	30,000
44—Irrigation and navigation	20,000
46—Civil buildings, roads, and services	80,000
50—Railways	265,000
51—Irrigation and navigation	115,000
Total	510,000

A further reduction of 320,000*l.* in expenditure sanctioned for railways in Madras was also considered possible; but as doubts were entertained by some of us, regarding the expediency of checking the progress of works specially required as a protection against famine, we addressed your Lordship on the 11th May, in the telegram quoted below.† Subsequently this reduction of 320,000*l.* was also ordered to be made. To effect this reduction, a sum of 50,000*l.*, which it was found could be without much inconvenience temporarily transferred from the Irrigation Protective Grant to railways was so transferred, so that only 270,000*l.* was actually withdrawn from the sum allotted for expenditure on the Madras railways. The total reductions in the Public Works Department of the Government of India will, therefore, amount in round numbers to 830,000*l.*

The reductions by other departments of the Government of India amount in the aggregate to 122,500*l.*, of which the details are here given:—

	£
Survey and revenue and agricultural department	17,500
Military works	100,000
Home department, archæological grant	5,000

Local governments have arranged for reductions amounting in the aggregate to about 845,000*l.*

The total reduction in all classes of expenditure amounts, therefore, to 1,797,500*l.*, of which 453,600*l.* is Imperial expenditure, 610,400*l.* is provincial expenditure, 33,500*l.* is local expenditure, and 700,000*l.* is capital expenditure, charged outside the ordinary account.

* * * * *

The items making up the estimate of total excess military expenditure, amounting to 3,060,000*l.*, were subsequently communicated to your Lordship in our telegram of the 3rd May, quoted below.‡

* * * * *

Subsequent to the date on which we had taken preliminary steps to reduce civil expenditure, the prospects of peace so far improved that we were able to modify in some degree the orders we had given for military preparations, and the estimate of total excess

* Your telegram, 3rd April—Drawings. Your proposal leaves only 10 lakhs a week through summer, which might seriously interfere with trade remittances. Moreover, it would compel borrowing here, including requirements of guaranteed companies, of seven millions before October. You will have to reconsider general financial position, and whether in present circumstances it may not be desirable to borrow in India some portion of the money you require, and see what reduction can be effected of ordinary expenditure and of capital outlay on railways other than frontier lines. Early reply requested.

† We can make reduction of 58¼ lakhs under railways and 13¾ lakhs under irrigation (capital expenditure); but of this probably 50 lakhs will be needed for increased grant during the year to frontier railways, and, therefore, cannot be made available for your Lordship's drawings. We wish to point out that this involves the withdrawal of 32 lakhs from famine railways in Madras; but under your Lordship's instructions we presume that this is incumbent on us. We will telegraph again when we receive information as to amount of provincial economies. Government of India reductions (Revenue) will not probably exceed in all 170,000*l.*

‡ See our telegram of the 29th ultimo. Extra military expenditure during next three or four months from April to July estimated approximately at 306 lakhs under following heads:—Pay 22 lakhs, purchase transport 76, rations and forage 75, railway 49, Bolan Pass Railway 20, sea transport 13, ordnance 12, medical 10, clothing 19, miscellaneous 5, remounts 5. Some part of clothing and commissariat charges included in above will be incurred at home, but ordnance demands on England are additional to above. Subsequent estimates will be based on excess of civil issues over normal figures.

military expenditure may now be taken approximately at 2,400,000*l.*

Notwithstanding the reduction in military charges we have decided to maintain the orders already given for the reduction of Imperial expenditure, and to abstain, for the present at any rate, from withdrawing the restrictions on provincial expenditure. We have been influenced in coming to this decision partly by the continued uncertainty in regard to the prospects of peace, but mainly by consideration of the heavy expenditure not classed as military, which must be incurred this year in excess of the provision in the estimates.

The principal items of expenditure of the nature referred to in the preceding paragraph, not provided for in the estimates of the year, are the following:—

In your Lordship's telegram* of 19th May the laying of a telegraphic cable between Jask and Bushire was sanctioned at a cost of 88,000*l.*

We have sanctioned an extra subsidy of 250,000*l.* to the Ameer of Kabul, and may find it necessary to grant him further assistance.

It has been decided to push on the Sind-Pishin Railway, independently of the limit to expenditure imposed by the provision in the estimates of the year; and it is probable that this decision may lead to the expenditure of 500,000*l.* on this line in excess of the amount provided for it in the estimates.

In your Lordship's telegram of the 5th May, quoted below†, sanction was given to the extension of the Sind-Pishin Railway, and to the provision of reserve railway material to be stored at Quetta. The cost of the provision of railway material sanctioned by your Lordship, including cost of carriage, will probably amount to 500,000*l.*, and there will doubtless be further expenditure of about 180,000*l.*, incurred in laying rails and forming the permanent line of railway from Quetta back to the head of the Bolan Pass.

The opium crop has again proved to be one of exceptional magnitude, and the additional expenditure on this account will probably amount to 600,000*l.*

Your Lordship will, therefore, observe that the total additional expenditure of the year, not provided for in the estimates, and not chargeable under Army, will not be less than 2,000,000*l.*, and in view of this fact, we see no prospect, at present, of foregoing any of the reductions which were ordered when the prospects of peace were less assured than they are at the present time.

No. 6.

EXTRACT from LETTER from the GOVERNMENT of INDIA, dated August 22nd, 1885, No. 234 (Financial).

It was explained in the budget statement of the present year that the revenue and expenditure, as they then stood, broadly speaking balanced one another. It is true that we were enabled this year to devote a sum of rather more than half-a-million from revenue for the prosecution of railways and other works. On the other hand, owing to a diminution in your Lordship's drawings, we were in a position to take credit in the estimates for an equivalent amount, due to nominal saving under exchange, a credit which cannot be taken into account in determining our true financial position. It is certain that in their present state our resources will not without assistance suffice to meet the increased expenditure; and it will be necessary to strengthen them considerably.

In the first place, we propose in 1886–87 to withdraw the grant to railways from revenue, which, as we have above mentioned, was provided in this year's estimates. This grant, with the further special grant of 70,000*l.* given under military works for harbour fortification, amount in 1885-86 to 570,000*l.* We require, to cover the estimated increased expenditure, at least 430,000*l.* more, and it will be incumbent upon us to resort to taxation in order to provide this amount.

* * * *

We are aware that before resorting to taxation, it is necessary to exhaust every reasonable means of economy. We shall not fail to do so. It may be urged that, when the Imperial Government is in difficulties, the provincial governments should not be left in the unqualified enjoyment of revenues granted to them in a time of greater abundance. In other words, it may be contended that the provincial contracts should be at once revised with a view to securing for the Government of India a larger share than it at present enjoys of the general revenues. We cannot, however, recommend this course. Were we to interfere with the contracts during the term of their currency, otherwise than in the event of war, famine, or other such calamity, it is impossible to doubt that local administration and local arrangements would be disorganised. Your Lordship will remember that in our resolution, dated 30th September, 1881, we undertook to maintain the contracts, except in the event of great abnormal disaster. The confidence of the local governments in the good faith of the Government of India would very reasonably be shaken, and their interest in the economical carrying on of their administration would be proportionately decreased, so that any immediate increase of revenue which we should obtain would be purchased at too great a sacrifice. When the provincial contracts are renewed, on their expiry in 1887, the necessities of imperial revenues will be carefully considered; meanwhile, we think it desirable to make the best arrangements possible for the ensuing year, irrespective of this source of revenue.

* * * *

It is estimated that a tax of the nature we have described will add to the revenue about 670,000*l.*, or in round numbers, 700,000*l.* By devoting to current expenditure the special grants given in 1885–86 to frontier railways and harbour fortifications, we expect to obtain, as has been above explained, a sum in the ensuing year amounting to about 570,000*l.*, so that, apart from other sources of improvement, we may reasonably hope to improve our position by a figure which may be put approximately at 1,250,000*l.* The estimated increase of expenditure for 1887–88 has been taken in paragraph 5 at 1,200,000*l.*, or a figure equivalent to that by which we expect to increase our available resources. The normal surplus on the estimates must, as usual, be provided, and we expect primarily to obtain it by such economies as we shall have effected in civil expenditure; to this must be added the normal growth of our railway and other revenues; while in 1887–88, and in the ensuing year, the provision for non-effective army charges will be considerably less than in the estimates for the current year. We look to these resources, and to such assistance as the revision in 1887 of the provincial contracts may yield, to provide us with any increase which may prove necessary to the normal provision for interest on our loan, and with the difference between the provision we are at present making and the maximum amount of 1,500,000*l.* which may possibly be required in 1888–89. We expect to obtain with the less difficulty the necessary resources for that expenditure, inasmuch as the estimate of military expenditure has been framed with especial care to err on the side of excess of what our requirements are likely to be

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No. 7.

EXTRACT from DESPATCH to the GOVERNMENT of INDIA, dated August 27th, 1885, No. 239 (Financial).

In the 139th paragraph of the Financial Statement some doubt was expressed whether additional expenditure might not have to be incurred, exceeding the limits of the revenue even if strengthened by additional railway receipts or diminished charge for exchange. Almost immediately after the Statement was published, it became necessary to make special preparations in connexion with events on the North-west frontier of Afghanistan; and, from your Excellency's letter of the 20th of June, No. 174, and telegram of the 14th of July, I gather that the following corrections should now be made in the estimate for 1885–86:—

The expenditure must be increased by—

	£
(1) Special military preparations in India	2,600,000
and in England	450,000
(2) Telegraph cable between Jask and Bushire (*see* my despatch of 30th June, No. 12, telegraph)	75,000
(3) Extra subsidy to Amir of Kabul	250,000
(4) Further expenditure on Sind-Pishin Railway	500,000
Carried forward	3,875,000

* Your telegram of 8th May, 1885, Jask-Bushire cable. I have taken steps to pay new cable in autumn. Estimate of the cost of 88,000*l.* Particulars by post.

† Yours 1st. Bolan Railway works and Sind-Pishin extension approved. Material for these will be supplied as soon as possible.

	£
Brought forward - -	3,875,000
(5) Provision of railway material at Quetta - - -	500,000
(6) Railway from Quetta to Bolan Pass - - - -	180,000
(7) Additional opium charges -	600,000
(8) Discount on loan in England -	508,000
	£5,663,000

To meet these additional charges, the reduction from the budget estimate of expenditure which you have been able to effect amounts altogether to 1,797,500*l.*; of which 700,000*l.* occurs in capital outlay, 453,600*l.* in Imperial expenditure chargeable to revenue, 610,400*l.* in provincial, and 33,500*l.* in local expenditure. If these latter sums were to remain at the credit of the Provincial Governments, under the head of provincial surpluses, they could not be taken in reduction of the foregoing increase, and the set off would be only - - - - - £ 1,153,600

	£
To which must be added a saving in exchange owing to reduced drawings - - -	400,000
And additional receipts from railways - - -	500,000
Making a total of - -	£2,053,600

which, with the budget surplus of 508,100*l.*, might be deducted from the above-mentioned extra charge of 5,663,000*l.*, the result being an expected deficit of 3,101,300*l.* I agree in the conclusion of your Excellency that, under the circumstances, it is better to accept the deficit than to attempt to reduce it by the imposition of additional taxation in the middle of the year. I will refer, in a later paragraph, to the question of the adjustments with the Provincial Governments.

* * * *

From this review of the present financial position, it is apparent that the estimates for the current year showed a bare equilibrium, and that this has already been converted into a serious deficit, while it will certainly be necessary in the ensuing year to provide for a material increase in the regular expenditure on the army, as well as further outlay on frontier defences, and probably a larger charge under exchange. I trust, therefore, that your Excellency will forthwith take into your serious consideration the measures which you may deem most suitable for adoption, with a view to meeting the present and prospective state of the finances. Some improvement may perhaps be anticipated in the revenue by larger sales of opium, as the reserve will have been greatly strengthened in consequence of the abundance of the last two crops. But, unless you are prepared to take other measures to enlarge the revenue, it will, in my opinion, be essential to consider whether, apart from other possible economies, the outlay on public works, other than those required for the defence of the frontier, is not greater than your financial condition will permit. The following amounts are given in the estimates as intended to be spent on the construction of State railways (including the East Indian and Eastern Bengal lines) and irrigation works, during the last and current years, irrespective of the sums that are being expended by the various railway companies, and in addition to the outlay on civil buildings and roads, to which I shall refer hereafter :—

	1884–85.	1885–86.
	£	£
From borrowed money :—		
Railways - - -	3,681,990	3,382,700
Irrigation works - -	760,356	819,700
	4,442,346	4,202,400
From Revenue :—		
Railways : Protective - -	898,100	500,000
Frontier - -	140,015	500,000
Other lines -	191,100	398,000
Irrigation : Protective - -	270,600	287,300
Other works : say	200,000	200,000
	1,699,815	1,885,300
Total - -	6,142,161	6,087,700

The memorandum inclosed in your Excellency's letter of the 21st of April, No. 106, explains the manner in which you have arrived at the amount entered in the budget estimate for 1885–86 as available for the expenditure not chargeable against revenue. But, as you proposed to charge to borrowed funds 4,442,000*l.* and 4,202,000*l.*, in the two years, making together 8,644,000*l.*, and are only authorised to borrow for such a purpose to the extent of 350 lacs annually, it is evident that you contemplated the outlay of 1,644,000*l.* from the balances (of which 216,000*l.* will be provided by the Government of the North-West Provinces), in addition to 3,585,000*l.* from revenue. I do not overlook the urgency of the demand for the frontier railways, on which the estimates showed an expenditure of 771,000*l.* in 1884–85, and 1,717,000*l.* in 1885–86. Deducting these sums, the expenditure proposed is about 5,371,000*l.* in the former, and 4,371,000*l.* in the current year, sums which exceed by 1,121,000*l.* and 121,000*l.* respectively the total amount available from borrowed money and from the ordinary protective grant.

Further, to admit of this expenditure, the balances in India were estimated to be reduced during the two years by very nearly 3,000,000*l.*, and have been left at so low an amount as to be unable to bear any strain without immediate relief from this country. I cannot think, therefore, that the estimates were framed with a due regard to the instruction contained in the 10th paragraph of Lord Kimberley's despatch of the 27th of November, 1884, No. 148 (Railway), in which it was stated that the sum of 350 lacs was to be held to include all expenditure from borrowed money, including the frontier lines, and that lapses in previous years were only to be made good from the balances subsequently, when it could be done without unduly reducing them.

It is not, however, merely in the railways and irrigation works that the expenditure seems to have been allowed to expand too largely. In a despatch of the 28th of June, 1883, No. 183, Lord Kimberley called the attention of the Government of India to the continued increase of the expenditure; and the result of the correspondence which ensued was to show that one of main causes was the outlay by the Provincial Governments of their accumulated balances on public works of various kinds. At the close of his despatch of the 22nd of November, 1883, No. 348, Lord Kimberley expressed the pleasure with which he learnt that a reduction was anticipated, not merely in the Provincial, but also in the Imperial expenditure on public works of an unremunerative character, particularly on civil buildings. Some little reduction has, no doubt, been made, but the following figures will show that the net charge is still much greater than it used to be.

Net Expenditure on Civil Buildings and Roads.

	£
Average, 1871–72 to 1873–74 -	3,059,000
,, 1874–75 to 1876–77 -	3,468,000
,, 1877–78 to 1879–80 -	2,474,000
,, 1880–81 to 1882–83 -	3,394,000
1883–84 (deducting 533,070*l.* for Madras Harbour) - -	3,740,111
1884–85. Revised Estimate -	3,503,682
1885–86. Budget Estimate - -	3,620,700

The amount entered in the Budget for this year, apart from the special increase of 100,000*l.* for frontier roads, is about the same as the charge in 1881–82, and is very considerably in excess of that in earlier years. Moreover, it appears to me that, in dealing with such a subject as the expenditure on buildings and roads, the receipts, which are derived from rents or sale of stores, do not, in truth, diminish the outlay, and that, therefore, a more accurate view is obtained by observing the gross expenditure. In this light, I find that the charge has arisen in the following manner :—

	£
Average, 1871–72 to 1873–74 -	3,539,968
,, 1874–75 to 1876–77 -	3,397,017
,, 1877–78 to 1879–80 -	3,047,763
,, 1880–81 to 1882–83 -	3,914,013
1883–84 (deducting 533,070*l.* for Madras Harbour) - -	4,244,374
1884–85. Revised Estimate -	4,069,000
1885–86. Budget Estimate -	4,116,500

Apart, therefore, from the extra grant for frontier roads, the expenditure of the last three years exceeds by more than a million the average outlay six years previously.

The table of Provincial and Local Balances in Abstract D of the Financial Statement does not enable me to judge, in the case of all the provinces, whether the minimum balance is being maintained which is prescribed for provincial apart from local purposes. It is, however, evident that in some instances the Budget has been so framed as to permit of an unduly large sum being withdrawn; and, in particular, I request an explanation of the proposal to permit the Government of the North-West Provinces to expend so large a sum as 501,800*l.*, thereby reducing its total balance to 111,414*l.*, seeing that it is required to maintain 200,000*l.* independently of the purely local balance.

It is, in my opinion, most important that the Provincial Governments should not be allowed to overdraw their balances. The arrangements made in 1882 required that they should not look to the Imperial Government for assistance until the whole of their resources are exhausted; and, if they are permitted to draw their balances below the required minimum, it is evident that they will not be in a condition to meet a sudden demand, as was intended. The actual circumstances of the present time indicate that those arrangements were more liberal than a prudent policy should have contemplated as likely to be maintained without interruption; and I am of opinion that your Government should consult with the Provincial Governments as to whether the financial pressure which has arisen ought not to be borne in part by the Provincial resources, and whether the reduction of the outlay of 610,400*l.* which you have been able to ensure ought not to be regarded as a contribution towards the present extraordinary demands, which cannot be added to Provincial balances available for expenditure in future years, and which will consequently go towards the reduction of the year's deficit.

I desire to express my hearty approval of the measures taken by you, and by the Local Governments acting in accordance with your Resolution of the 29th of April, to effect without loss of time all possible economy in the ordinary expenditure which had been contemplated and sanctioned. Greatly as I regret the necessity which has arisen for enforcing a reduction of a rate of outlay which under more favourable circumstances would have been unexceptionable, I feel convinced that the Local Governments will be the first to recognise the duty of co-operating in the retrenchment necessary for a re-establishment of the equilibrium of the general finances.

In another respect I think that some relief may be obtained, as a temporary measure. The main object of the scheme for Famine Insurance was to provide the means of reducing the Debt, in prosperous times, at the rate of 15,000,000*l.* in 10 years; so that, if that sum should have to be borrowed during the decade for the purpose of relieving distress, the aggregate amount of the Debt would at the end of the time have not been increased, in consequence of Famine Relief. I find that between the 1st of April 1875 and the 31st of March 1885 the ordinary Debt has been reduced, by discharge or by transfers to the productive works portion of the debt, by about 14,000,000*l.*

	£	£
Total Debt, 31st March 1875 -		118,446,991
Capital outlay at that date - -		16,223,058
Difference, being ordinary portion of Debt - - -		102,223,933
Total Debt, 31st March 1885 - -		162,454,748
Capital outlay to 31st March 1884 - -	68,505,623	
Add outlay in 1884–85 -	5,732,400	
		74,238,023
Difference, being ordinary portion of Debt - - -		88,216,725
Reduction in 10 years - - -		14,007,208

At the same time, the net charge for the railways and irrigation works, including the interest on the portion of the debt charged against those works, as well as the charge on account of exchange, has been reduced from 2,068,000*l.* in 1874–75 to 1,100,000*l.* in 1884–85. Therefore the object of the Famine Insurance arrangement has in fact been attained, though no doubt not wholly through the operation of the measures directly taken for that object. In this view of the matter, and in consideration of the urgent necessity that has arisen for incurring a large outlay for the protection of the frontier, which at present is more pressing than that for making further provision against famine, it appears to me that, subject to meeting the actual cost of famine relief, the arrangement for making a yearly grant of 1½ millions as Famine Insurance may for the present be suspended, and the money thereby set free be made available for meeting the additional charges that have now arisen. I am hardly able to see how, without some such temporary diversion of the grant, the imposition of considerable fresh taxation can be avoided.

Experience, in my opinion, fairly justifies the anticipation that, if a strict watch is maintained in preventing the growth of charges for administration and ordinary public works for a comparatively short term of years, the natural expansion of the revenues will supply the means of meeting all increases of expenditure properly chargeable on the annual income, that are likely to be required in the immediate future, of maintaining a sufficient surplus to restore the annual provision for insurance against famine, and to guarantee the general financial position. I greatly regret the necessity of interrupting for a time the operation of a system so essential to the security of the finances as that which has been successfully established for meeting the liabilities arising from drought and famine. I recognise the duty of the Government to provide for those liabilities among the ordinary charges of the year; but, under present circumstances, it is wiser to make some temporary, and I hope not serious, sacrifice of future advantage, than to resort to the extreme measure of replacing any of those burdens on the people which were so lately removed.

No. 8.

LETTER from the GOVERNMENT of INDIA, September 22nd, 1885, No. 264 (Financial).

In our Despatch, No. 234, of the 22nd August last to your Lordship we explained that we had limited ourselves to the consideration of the measures necessary to strengthen our revenues in view of the proposed increase to our military expenditure. We deferred to a later period the recommendations which we have to make in regard to the steps necessary to provide funds for defensive fortifications, whether frontier or harbour, concurrently with those which are requisite for the completion of our system of internal and of frontier railways. We have now the honour, in addressing your Lordship on this subject, to bring to a close the series of administrative and financial proposals regarding the measures required to strengthen our military position, which commenced with our despatch No. 112 of 10th July 1885.

2. The problem which we have had to consider in regard to the financial aspect of the matter has been to ascertain in what way we could most effectively and economically harmonise the conflicting claims of the several classes of works, of which the construction is urgently necessary. It is desirable to review more or less briefly the considerations which have led us at different times to recommend the several classes of works in question.

3. A scheme of internal railways was sanctioned no later than last year, of which the object is to mitigate the severity of famines. The importance of this scheme increases with the lapse of time, since with each successive year the day inevitably draws nearer when famine will recur. The project was prepared by us in pursuance of the policy recommended by the Famine Commission, and approved by this Government and by your Lordship's predecessor. It was in consequence of the measures recommended by this Commission that the scheme of insurance against the cost of famine which originated in 1877–78 was modified, and a sum of 500,000*l.* was from the year 1881 annually devoted from the insurance revenues to the construction of railways. It was found necessary, however, in order to give full effect to the recommendations of the Famine Commission, that we should supplement our means by borrowing on a scale more extensive than that which had hitherto been sanctioned. The works which were undertaken for the protection of the country and for the assistance of the Government in the event

of famine are still far from completion. Recognising as we do the vital importance of these works, we are of opinion that it is imperative upon us to find funds with which we may continue them in as short a time as may be to completion. In our despatches noted below* we have expressed our deep conviction of the necessity of these railways. We have never ceased to urge the responsibility which lies on us to complete these lines, both as the one sure means of saving life, and as greatly diminishing the cost of meeting famines. The Parliamentary Railway Commission of last year summed up the situation in paragraph 17 of their report, and the considerations to which we refer furnished evidently the main ground on which they based their decision recommending considerable railway extension. If, when famine comes, it is found that we have postponed these lines indefinitely, and are unprepared with that means of defence on which we and all parties have persistently relied as the one effectual way of meeting it, we shall have much difficulty in replying to those who will hold us responsible, not only for the preventible loss of life, but for the financial difficulties in which we shall be entangled. Yet we cannot but feel that there is great danger of the urgency of these works being lost sight of, in the presence of the other projects with which we have been recently occupied. Apart from the consideration that the more important of the famine lines are already considerably advanced, and that wholly to discontinue them now in their present unremunerative state would be a costly and indefensible policy, the necessity for their construction is obviously in no way lessened by the need which has arisen for other classes of works. We therefore consider it essential that we should endeavour to combine the execution of this class of railways with that of the military railways, and of our proposed defence works, and that notwithstanding the fresh obligations forced upon us, we should not allow ourselves to be deterred from the policy recommended by the Famine and the Parliamentary Commissions, and deliberately adopted by us and by your Lordship's predecessor. From the proposals contained in this despatch your Lordship will see that we believe we have the means of meeting within the next five years our various requirements at a total cost but little exceeding that which is at present sanctioned for our annual capital expenditure.

4. The next portion of our scheme consists of military railways. We have recently explained to your Lordship, in our Despatch No. 112 of 10th July, our views on the subject of these railways. Some of the works referred to in that despatch had been sanctioned when it was written. The remainder are as follows:—

(*a.*) The improvement of the gradients of the Punjab Northern Railway.

(*b.*) The construction of a line crossing the Amran range to the frontier, or of a tunnel through the range.

(*c.*) The permanent construction of a railway in the Bolan.

(*d.*) The construction of a line from Peshawar to the mouth of the Khyber.

(*e.*) The construction of the British section of the Patiala and Bahawalpur line.

The necessity of these works was fully explained in the despatch of July 10th, which is at present under your Lordship's consideration, and it seems unnecessary to repeat what was then put forward. The projected construction of the Ajmere-Bahawalpur line, or of some other line to connect the Rajputana with the Indus Valley system, and the possible extension at a future time of the Pishin Railway to Kandahar, were also mentioned in that despatch as works of which the construction may have to be eventually undertaken.

5. Finally, we have before us, as yet only partially sanctioned, a scheme of frontier and coast defences. This scheme also has been fully reported upon in our despatch of July 10th, and the urgency of the several works of which it is composed has been explained.

6. We will next gather up into a single statement the several groups composing the combined scheme of works to be executed by State agency, exhibiting in each group the projects of which it is composed, and the total cost remaining to be met from the commencement of 1886–7.

Designation of Railway.	Expenditure in Lakhs remaining after commencement of 1886–7.
Internal Railways.	
Group A.—Protective Lines in Progress.	
Katni-Umaria section of Bilaspur-Etawah	7
Katni-Umaria Colliery	3
Bellary-Kistna	* 120¾
Cuddapah-Nellore	28½
Assam-Behar:—	
1. Muzaffarpur-Hajipur	106
2. Sonepur-Hajipur	
3. Jhinjarpur-Dinajpur	
4. Munihari Branch	
Total of Group A.—Protective Lines in Progress	265¼
Group B.—Protective Lines not commenced.	
Hindupur Extension (Bellary-Kistna Railway)	70
Kadiri Extension (Cuddapah Nellore Railway)	85
Damalchera Villupuram	84
Minor Famine Lines	90
Kontera-Pooree	252
Kaunia-Dhubri (Assam-Behar Railway)	64
Total	645
Group C.—Lines under Agreement.	
Bezwara to Frontier	26
Warora-Chanda	35
Total of Group C.—Lines under Agreement	61
Military Railways.	
Group D.—Frontier Lines in Progress.	
Sind-Pishin	46¼
Sind-Sagar	172¼
Sutlej Bridge, Ferozepore	27
Bolan Railway, temporary	—
Darwaza, Quetta Extension	—
Khwaja, Amram Extension	20
Kandahar, reserve permanent way	10
Rukh-Rindi line, improvements	—
Reserve Locomotives	14
Total of Group D.—Frontier Lines in Progress	289½
Group E.—Frontier Lines proposed not yet sanctioned.	
Punjab, Northern, gradients improvements	10
Bolan Railway, making permanent	80
Crossing Amran to Frontier	50
Peshawar to mouth of Khyber	12
Patiala-Bhawalpur, British section	50
Total of Group E.—Frontier Lines proposed not yet sanctioned	202
Group F.—Frontier and Coast Defences.	
Frontier defences	155
Coast defences	42½
Total of Group F.—Frontier and Coast Defences	197½
Group G.	
Stores and working capital	75
Open line capital	410
Grand Total	2,145¼

7. Apart from the above works to be directly executed by the State, however, there remain the important projects of the Nagpur-Bengal Railway and Bilaspur-Etawah from Umaria to Bilaspur, both of which we have proposed to your Lordship's predecessor to make over to companies. Our liability during the next five years, in regard to these railways, is restricted to the

* No. 92, dated 22nd July 1881. No. 29, dated 23rd January 1883. No. 269, dated 24th September 1883. No. 27, dated 29th January 1884. No. 150 R, dated 29th September 1884. No. 35 R, dated 3rd March 1885.

finding of the net interest on the capital expended, a forecast of which was submitted by us in paragraph 35 of our Despatch No. 29, of 23rd January 1883, and again in the third enclosure of our Railway Despatch No. 150, dated 29th September 1884. The necessity of the construction of these railways, and especially of the former, has been insisted upon by us in successive despatches. The Nagpur-Bengal Railway is the backbone of our whole protective system, as it taps the country which produces the largest and most reliable surplus of grain in India, is centrally situated, and when the system is complete, will be connected by radiating lines with every province of India. The construction of this line is essential to the scheme of famine protection. Similarly, the completion of the Katni-Umaria-Bilaspur section of the Etawah-Bilaspur line and its connection with Raipur is necessary to the utilization of the Indian Midland as a famine railway. We trust, therefore, that your Lordship will facilitate as far as may be possible the early launching of these railways by companies. The important results, both commercially and in regard to protection against famine, which this would secure have already been explained. We may add that we shall thus also obtain a refund of 85 lakhs from the former, and 37½ lakhs from the latter of these lines.

8. Before we proceed to explain our recommendations in regard to the mode of meeting the expenditure on the State lines, we desire to urge upon your Lordship a reconsideration of the decision by which the capitalization of any part of the famine fund was negatived. We are aware that the Parliamentary Commission disapproved last year of the employment of any part of the famine fund for the purpose of providing interest on the capital expended by companies during construction; but since their report was presented circumstances have greatly changed. Much additional expenditure has been forced upon us, imposing a considerable burden on our revenues, in the form of interest on loans. We have further been obliged to recommend a very onerous increase to our normal military expenditure. It is necessary, if the equilibrium of our budget is to be maintained, that we should utilise all the resources at our command in the manner most suited to meet our increased requirements. It would, on the other hand, so far as we can at present see, be impossible that, with so many additional burdens thrown upon us, we should undertake to meet from our ordinary revenue the charge for interest on the lines to be made over to companies. But the necessity for those lines, in order to complete our famine system, remains, as we have shown, unchanged. We think that these considerations justify us in again soliciting your Lordship to sanction our capitalizing, during the next five years, so much of the railway share of the protective famine grant as is necessary to meet the interest on the lines conceded, or to be conceded to companies. As this, however, reduces the sum annually available for construction of railways, we propose temporarily to devote to railway construction from the capital grant for irrigation a sum equivalent to that which is required to meet the interest on lines conceded to companies, so that our annual resources available for the purpose will continue, as at present, to be 280 lakhs plus 50, or 330.

In the event, however, of your Lordship continuing unwilling to sanction the capitalization of the famine grant, even to the limited extent proposed, we beg to recommend, as an alternative, that the net interest charge on the lines conceded to companies be met out of the sum we at present propose, in accordance with paragraph 7 of Lord Kimberley's Railway Despatch, No. 148, dated 27th November, 1884, to devote out of revenue to the completion of the frontier military roads.* The roads might be, to that extent, provided for out of the normal annual grant of 350 lakhs, an equivalent amount out of the irrigation share of that grant being annually applied to railways, as in the capitalization proposal.

9. With these remarks we proceed to explain in what manner we propose to arrange for the funds necessary for the construction of the several works indicated in paragraph 5. The funds actually at our disposal for railway construction we take at 280 plus 50, or 330 lakhs. But in the communications noted below,† and elsewhere, we have pressed upon your Lordship the expediency of negotiating with companies for the transfer of the Assam-Behar, the Nagpur-Bengal, the Katni-Bilaspur, Sindia's and the Mysore Railways. Should these transfers be arranged, as we earnestly trust that at the earliest possible date they may be, the following refunds will approximately be available:—

	Lakhs.
Assam-Behar (including Tirhoot lines)	253
Nagpur-Bengal	85
Katni-Bilaspur	37½
Sindia's Railway	95
Mysore Railway	64
Or a total of	534½

To these may be added the 60 lakhs to be repaid us by the Indian Midland Railway Company, making a total contemplated refund of 594½ lakhs.

10. We shall thus have a total of 330 × 5 = 1,650 plus 594½, or 2,244½ lakhs, against a total estimated expenditure of 2,145¼ or 99¼ lakhs in excess of what is required to work the whole scheme. But we have entered 170 lakhs for the construction by the State, during the above term of the remainder of the Assam-Behar Railway. Should the line be conceded to a company, as we strongly recommend, we shall be relieved of this sum, and may look for a refund of the 253 lakhs already spent; so that the total surplus on the whole account would be not less than 269¼ lakhs.

11. We propose to give the prior claim on our funds to the lines in group A. C. and D., to so much of group E. as concerns the Punjab northern gradients and the Amran Range project, and to group F., with the exception of 17 lakhs on account of certain works at Sukkar, Bahawalpur, and Mooltan, which our military colleagues consider can be left over to later years. To the above works, as of course to group G. (the open line expenditure and to the expenditure on account of stores and working capital), we desire to assign priority in the distribution of the regular annual grant of 330. We propose also to allot to certain projects in groups A. and D., in addition to the existing grants, the refund of 60 lakhs from the Indian Midland Railway, which we hope to receive this year. We have calculated the grants in the first Appendix to our despatch on this basis.

12. It is desirable to add a few words to show why we have given priority to the railways comprised in the several groups indicated in the last paragraph. On the Bellary-Kistna line, some 70½ lakhs will have already been spent by the end of this year, and it will still require 120¾ lakhs more to be spent before it can either be utilised for famine protection or earn any interest on the outlay. We need not remind your Lordship of the excessive liability to famine of the tract which this line is designed to protect. Its annual rainfall is always small, and to a marked degree precarious. It suffered pre-eminently in 1877, and is from the latest accounts in imminent danger of a similar visitation this year. The Madras Government, telegraphing on the 10th instant, report the condition of the ryots in Bellary as very critical, and add that if early amendment is not reported it will be necessary to re-open work on the Hindupur Extension Railway to provide means of subsistence for them. For this line the grant in the present year was originally 50 lakhs, reduced afterwards to 40 and then to 22 lakhs. This reduction, however indispensable, has postponed the opening for a year of the first section of 90 miles, which was almost ready and would have been invaluable from a famine point of view, involving not only loss of revenue on that section, but further postponing for at least a similar period the completion of the entire line, and the through traffic that might be expected, and leaving all the money hitherto spent pro tanto unproductive.

Similar remarks apply, though in a lesser degree, to the Cuddapha-Nellore line, on which 28 lakhs will have been spent by the end of this year, requiring at least a similar amount to complete it.

On the Assam-Behar line 77 lakhs will have been spent by the end of this year, but it will remain to a great extent unproductive, and in case of famine useless, till funds can be supplied to fill in the broken

* Foreign Despatch, No. 25, Secret, dated 22nd September 1884, paragraphs 5 and 8 (*a*). Military Despatch, No. 112, dated 10th July 1885, paragraphs 9, 10, 13, and 14.

† Railway Despatch, No. 97, dated 17th July 1885 (Assam-Behar Railway). Railway Despatches, No. 132, dated 13th August, 1883, No 17 dated 29th January, 1884. No. 191, dated 9th December, 1884, No. 77, dated 12th June, 1885 (Nagpur-Bengal Railway). Railway Despatch, No. 83, dated 2nd June, 1883 (*et seq.*) (Katni-Bilaspur Railway). Telegram, dated 17th July, 1885 (*Sindia's Railway*). Foreign Despatch, No. 130, dated 24th July 1885 (Mysore Railway), Secret.

links. By completing the Gundak Bridge and extending from Jhinjarpur to the Kosi the western branch of this line might be made complete in itself, and would be both useful and remunerative. A separate eastern branch, not connected with the western, but still protective and remunerative, might be provided by completing the branch from the Ganges to Purneah, and thence to Dinajpur and the Northern Bengal system. The whole Assam-Behar project, however, cannot attain its proper measure of development until the link between Kaunia and Dhubri on the Brahmaputra has been completed also.

With regard to the lines entered in Group B. it is sufficient to refer your Lordship to paragraph 14 of our Despatch No. 27, of 29th January 1884, for those lines that belong to the Madras Presidency, and to paragraph 7 of our Despatch No. 150 R., of 29th September 1884, regarding the Koontera-Pooree line. The Madras Government began operations, as a relief work, on the Hindupur Extension in January last, and are now, as above explained, proposing to go on with it for the same purpose. All this group of famine lines are of immense importance for the protection of districts of the Madras Presidency which suffered so severely in 1877, and though we postpone them in favour of the lines which have been already begun, we think it of great importance that they should as soon as possible be completed.

The works in Groups D. and F. have formed so recently the subject of communication to your Lordship, that we think it unnecessary to do more at present than refer to our Despatch of July 10th, to which was appended the Report of the Commission appointed to examine into the matter, and in which our own conclusions were carefully summed up. The annual grants for the railways in Group D. and the defence works in Group F. have been entered in the first Appendix to this Despatch, in accordance with the recommendation of his Excellency the Commander-in-Chief and of our honourable military colleague, arrived at in view of their relative urgency. An extract from the papers, continuing their recommendations, will be found in the second Appendix to this Despatch.

13. Your Lordship will observe that, except in the year 1886–87, the total annual expenditure will in no case exceed the sanctioned limit of 330 lakhs. The gross amount shown against 1886–87 is 500¾ lakhs, or 170¾ lakhs in excess of the normal grant. But of this sum 61 lakhs is to be expended on replacing rails for the Kandahar lines already ordered, but which we desire to divert to the prosecution this year of the Sind-Sagar Railway and for the supply of further materials urgently needed for that line; and this expenditure we propose to make contingent on the refund next year of 61 lakhs, which we anticipate on account of the Mysore Railway, or on any other refund which may first accrue. The net excess is, therefore, an additional expenditure of 109¾ lakhs only, over the whole term of five years, and for the construction of the entire system of works. This excess, moreover, is attributable solely to the cost of frontier and coast defence works, amounting to 197½ lakhs, being debited to the normal grant of borrowed money, which has hitherto not been available for such objects but reserved for railways and irrigation alone.

14. Your Lordship will observe that certain lines in Group E., while entered in paragraph 6 of this Despatch, have no allotments assigned to them in the scheduled forecast of Appendix I. The reason is that these lines must await for the present the result of the inquiries and estimates in progress concerning them, as well as the completion of the transfers to companies which we contemplate. The lines are as follows:—

	Lakhs.
Bolan Railway, making permanent	80
Line from Peshawar to the mouth of the Khyber	12
Patiala Bahawalpur, British section	50
Total	142

Should the arrangements for the transfer of the lines indicated in paragraph 9 be carried out it will, in our opinion, be most desirable that the proceeds of all refunds accruing after the first (which will be allotted as proposed in paragraph 13) should be held primarily available for the completion of the lines in Group B., &c., are completed, the sooner will the objects of the Famine Fund have been fulfilled, and the sooner will the fund itself revert to our disposal, while the security given to the country will be an all-important insurance to us in respect of expenditure on the next occurrence of famine.

15. Our conclusions, finally, on the whole matter may be briefly stated as follows:—

(1.) It is essential that the important Famine Protective railways should be carried on at a fair speed, irrespective of the additional demands that have been thrown on our finances by the necessity of constructing additional frontier railways and frontier and coast defences. With a view of obtaining this end, we propose to utilise the present railway grant of 280 lakhs of borrowed money and 50 lakhs of the Famine Insurance Grant for the prosecution of Famine Protective railways, frontier railways, and frontier and coast defences, until these works are completed.

(2.) We propose to supplement the existing grants for outlay on the above objects this year by 60 lakhs from the refund anticipated from the Indian Midland Railway Company. This additional grant will be utilised somewhat as under:—

	Lakhs.
Sind-Sagar Railway	25
Bellary-Kistna Railway	15
Cuddapah-Nellore Railway	10
Assam-Behar Railway	10
Total	60

(3.) In the year 1886–87 we consider that the fixed grant of borrowed money of 350 lakhs should be increased for this year only by 109¾, and that a further sum of 61 lakhs from the refund anticipated on account of the Mysore Railway, or such other refund that may be first secured, should be added to the grant made to the Sind-Sagar Railway to allow of the purchase of materials urgently needed. On this being determined we intend to utilise a portion of the materials under supply for the Kandahar Reserve on the Sind-Sagar Railway, and to replace them next year out of the special grant of 61 lakhs above alluded to.

(4.) We propose that subsequent to 1886–87 the normal rate of borrowing should be reverted to, but that the balance of the refunds anticipated from companies alluded to in paragraph 9 should be made available for prosecuting the railways in Groups B. and E. as may be found most advantageous.

(5.) We desire that a portion of the Famine Insurance Grant should be temporarily diverted to the payment of the interest on the capital of the following railways:—

Indian Midland,
Bengal Nagpur,
Bilaspur Katni,

the funds needed for this purpose to be obtained by reducing the capital outlay on irrigation works; or, if this procedure should not be approved, that the cost of the frontier military roads should be made a charge against the fixed grant of 350 lakhs of borrowed money, the proportion of this grant now allotted for outlay on irrigation works being reduced pro tanto, and the net charge for interest on the capital of the companies met from reserve in ordinary course.

(6.) We are strongly of opinion that endeavours should be made to launch the Bengal-Nagpur Railway Company at the earliest possible date, and that the construction of the Bilaspur-Katni Railway be made over, as soon as this can be arranged on similar terms, to that company or to a new company with the option of taking over the Umaria-Katni Railway within a fixed period.

No. 9.

LETTER *from the* GOVERNMENT *of* INDIA, *September 29th, 1885, No. 271 (Financial).*

WE have the honour to inform your Lordship that since we reported in our Financial Despatch of the

20th June last, No. 174, the total reductions expected in all classes of expenditure this year, we have been compelled to sanction for certain public works additional grants aggregating Rs. 20,36,500, in consideration of absolute and unavoidable necessity connected with outstanding arrangements which it was found imperative to liquidate. The exact amount of net reduction in expenditure which may be expected in the Public Works Department during the current year is accordingly Rs. 62,63,500, and not Rs. 83,00,000 as stated in our Despatch of the 20th June last.

2. The works for which the additional grants have been sanctioned, and the amount of the grant sanctioned for each, are the following:—

	Rs.
Rangoon and Sittang Railway - -	1,65,000
Naraingunge-Dacca-Mymensing Railway - - - - -	1,50,000
Bellary-Kistna and Cuddapah-Nellore Railways - - - -	3,00,000
Compensation paid to Indian Portland Cement Company - - -	97,500
English expenditure on stores for State Railways - - - -	9,39,000
Carriage of stores for the Assam-Behar Railway from Howrah - -	50,000
Assam-Behar Railway, Tirhoot Section	2,00,000
Additional outlay on the Muzaffargarh and Shona Canal embankments, and for the protection of the Indus Canals - - - -	51,000
Grant for the construction of quarters for Mechanics in the Bombay Mint, regranted partly for that work and partly for other urgent works -	84,000
Total - - -	20,36,500

3. We take this opportunity to inform your Lordship that, owing to an oversight recently discovered, there will be a further diminution in the amount of savings reported in paragraph 4 of our Despatch of the 20th June last. It appears that the grant for military works for the Bombay Presidency has been twice reduced—once by the Government of India, the reduction being included in the total reduction of Rs. 10,00,000 under military works, and again by the Government of Bombay to the extent of Rs. 3,86,000. This was not known when we reported the reduction in June last, owing to the insufficient description then given by the Government of Bombay of its reductions. The effect of this error will be to reduce the amount of savings to be effected by local governments from Rs. 84,50,000 to Rs. 80,64,000.

No. 10.

LETTER from the GOVERNMENT of INDIA, October 6th, 1885, No. 275 (Financial).

We have had the honour to receive your Lordship's Financial Despatch, No. 239, dated the 27th August. We propose hereafter to reply to so much as may in ordinary course require explanation from us, but we observe that towards its close the despatch deals with important questions of finance, the decision in regard to which must determine the policy to be adopted in respect to the construction of the railway and other works which form the subject of our Despatch No. 264, of the 22nd September. We think it, therefore, desirable to dispose at once of this part of the subject, in order that, when taking into consideration our communication of the 22nd September, your Lordship may have before you our views upon the whole matter.

2. Your Lordship observes, in the 46th paragraph of the despatch, that, from a review of the present financial position, it is apparent that the estimates for the current year show a bare equilibrium; that this has already been converted into a serious deficit; and that it will certainly be necessary in the ensuing year to provide for a material increase in the regular expenditure on the army, as well as for further outlay on frontier defences, and probably for a larger charge under exchange. Your Lordship desires us to take forthwith into our serious consideration the measures which we may deem most suitable for adoption with a view to meeting the present and prospective state of the finances. It is pointed out that, after making allowance for larger sales of opium, it will be essential, unless we are prepared to take other measures to enlarge the revenue, to consider whether, apart from other possible economies, the outlay on public works, other than those required for the defence of the frontier, is not greater than our financial position will permit. Your Lordship further desires, in the 51st paragraph of your despatch, that we should consult with the Provincial Governments as to whether the financial pressure which has arisen ought not to be borne in part by them, and whether the reduction of the outlay of 610,400*l.*, which we have been able to insure, ought not to be regarded as a contribution towards the present extraordinary demands, which cannot be added to Provincial balances available for expenditure in future years, and which will consequently go towards the reduction of the year's deficit. "Greatly as I regret," your Lordship adds, "the necessity which has arisen "for enforcing a reduction of a rate of outlay, which "under more favourable circumstances would have "been unexceptionable, I feel convinced that the Local "Governments will be the first to recognise the duty "of co-operating in the retrenchment necessary for a "re-establishment of the equilibrium of the general "finances." Finally, in the 53rd and 54th paragraphs of the despatch, your Lordship observes that the main object of the scheme for famine insurance was to provide means for reducing the debt in prosperous times, at the rate of 15,000,000*l.* in 10 years, so that if that sum should have to be borrowed during the decade for the purpose of relieving distress, the aggregate amount of the debt would, at the end of the time, not have been increased in consequence of famine relief. Your Lordship quotes certain figures to show that the object of the famine insurance arrangement had in fact been attained, though not wholly through the operation of the measures directly taken for that object. In this view of the matter, and in consideration of the urgent necessity that has arisen for incurring a large outlay for the protection of the frontier, which at present is more pressing than that for making further provision against famine, it appears to your Lordship that, subject to meeting the annual cost of famine relief, the arrangement for making a yearly grant of 1,500,000*l.* as famine insurance may for the present be suspended, and the money thereby set free be made available for meeting the additional charges that have now arisen. "I greatly regret," your Lordship concludes, "the "necessity for interrupting for a time the operation of "a system so essential to the security of the finances "as that which has been successfully established for "meeting the liabilities arising from drought and "famine. I recognise the duty of the Government to "provide for these liabilities among the ordinary "charges of the year; but under present circum-"stances it is wiser to make some temporary, and I "hope not serious sacrifice of future advantage, than "to resort to the extreme measure of replacing any of "those burdens on the people which were so lately "removed."

3. The proposals contained in the above paragraphs, if we understand them rightly, are threefold. First, it is suggested that we should appropriate the 610,400*l.*, which the Provincial Governments, at our request, have placed this year at our disposal; secondly, that we should credit ourselves with an equal sum in the ensuing year; thirdly, that we should temporarily divert the Famine Insurance Grant from the purposes for which it has been hitherto assigned, and devote the money so acquired to outlay on frontier railways and defence works. Your Lordship bases the recommendations you make to us under these heads on the necessity of maintaining the equilibrium of our finances, without reimposing on the people any of the burdens which have been so lately removed from them.

4. We propose to examine, severally, your Lordship's recommendations, in their relation, primarily, to the engagements by which we are bound, whether to the Provincial Governments or to the public, and, in the next place, in connexion with our financial position. We shall then be in a position to ascertain how far the course which your Lordship has presented to our consideration is consistent with the conclusions to which such an examination may lead us.

5. First, with regard to Provincial contracts. When, in the course of the current year, we called upon the Local Governments to assist us by placing at our disposal what economies they could effect temporarily in their expenditure, they responded loyally to the invitation. We gave them at that time no reason to believe that, unless the probabilities of war increased, we should call upon them for further sacrifices; and we

cannot but feel that, in the turn affairs have taken, to exact from them as a retrenchment what was asked for as a temporary sacrifice, is a measure which requires the very strongest justification. Your Lordship is aware that the contracts expire in ordinary course at the close of the ensuing financial year, so that the question as regards the future narrows itself to the relief required by the Imperial revenues during the ensuing year only. These considerations carry greater weight when we find that the pledges given with regard to the Provincial contracts have been extremely explicit, and justly calculated to give to the Governments the utmost confidence that, except in the circumstances indicated in the assurances proffered at various times by this Government, no interference should take place with their engagements.

6. Apart, therefore, from these special circumstances, namely, the brief period during which the contracts have yet to run, and the conditions under which the Provincial Governments were invited to assist us this year, it is desirable to examine briefly what, at different times, has been by us declared to be the general nature of our engagements towards Provincial Governments. The words of Lord Mayo's resolution of 14th December, 1870, inaugurating the system of Provincial powers and responsibility, will be in your Lordship's recollection: "Unless some fiscal misfortune, such as a heavy loss in "the opium revenue, or national disaster, such as war "or severe famine occurs, the Governor-General in "Council will maintain, for the future, the assign- "ments for 'Provincial Services' at the amounts now "fixed. They will not, in any case, be reduced without "previous consultation with the Governments." The substance of this declaration has been repeated on the successive occasions on which fresh contracts have been entered into. In 1879, in its Resolution No. 410, dated the 1st May of that year, the Government of India spoke as follows:—

"The policy of maintaining Provincial responsibility for the management of Provincial finances, inaugurated by the Government of India in December 1870, has now been in course of development for nine years, with a success which has equalled the most sanguine expectations of its authors. It has led to greatly increased efficiency in many of the chief branches of the public service, to the development of the revenues without addition to the public burdens, and to economy in expenditure. It was one important object of that policy that the normal and obligatory administration of the country should be, as far as possible, shielded from the effects of ordinary vicissitudes affecting the Imperial finances; and during the last nine years, notwithstanding the serious financial pressure that has often been experienced, as, for example, that caused by the famine in Bengal in 1874, by the famine in the Madras and Bombay Presidencies in 1876 and 1877, and by the present war on the frontier, the Governor-General in Council has left at the disposal of the Provincial Governments, without diminution, the whole of the resources assigned to them."

When the contracts were about to be revised, the Government of India, in its Resolution No. 3,353, dated 30th September 1881, wrote:—

"Another important change which is contemplated requires somewhat fuller explanation. In the Resolution No. 3334, dated 14th December 1870, the Imperial Government, speaking broadly, announced a policy of divesting itself of both responsibility and control within certain limits; but a reservation was made (paragraph 17) of power to modify the resources granted in the event of 'some fiscal misfortune, such as a heavy loss in the opium revenue, or national disaster, such as war or severe famine.' On two occasions already within a decade this reservation has been acted on. On the occasion of the great famine of 1876–77 in Western and Southern India, the Supreme Government necessarily came to the rescue of the Local Governments in meeting the enormous outlay involved; but it directed that all Provincial and Local resources must be exhausted before Imperial aid could be supplied. This decision was unexceptionable in the sense in which it was meant; but it may have lead to developments which were not altogether intended. The second occasion on which the reservation has been acted on is that of the Afghan war. The Local Governments were called upon during the years 1879-80 and 1880-81 to contribute 670,000*l.* from the resources made their own by the decentralisation policy; and in the Financial Statement of 1880-81 (paragraph 170) the hope was expressed that they had been able 'to afford this timely help to the general finances with little apparent difficulty.' The circumstances of the time were, without doubt, peculiar, and the strain upon the finances was undoubtedly severe. But the sudden suspension of improvements in progress, the starvation of public works, and the discouragement of care and economy by requiring a surrender of their results, could not, in themselves, be otherwise than prejudicial."

"In modification, therefore, of the reservation hitherto in force, it is proposed to declare, on the one hand, that the Local Governments must look for no special aid from the Imperial Government except in the case of severe famine (and then only within limits to which allusion will presently be made); and, on the other, that the Imperial Government will make no demand on them except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources, and to necessitate a suspension of the entire machinery of public improvement throughout the Empire."

In the correspondence between the Government of India and the Secretary of State, which followed this Resolution, the latter observed that he thought it would be sufficient to state that the Local Governments would not be called upon to surrender any portion of their revenues, unless the Government of India saw no alternative between such a course and the imposition of taxation which it would not be deemed expedient to undertake. Eventually, however, in his Despatch No. 208, dated the 6th July 1882, the Secretary of State wrote as follows:—

"The first point to which your letter refers is the suggestion which I made regarding the assistance to be rendered by the local administrations to the Central Government in the case of an abnormal strain on its resources. Your proposal was to declare that such assistance would not be required, unless the Imperial reserves should be exhausted and a suspension of the entire machinery of public improvement throughout the Empire were rendered necessary. As I thought it not desirable that your Government should have to prove the existence of such a state of affairs before requiring the assistance of the local administrations, I suggested that it would be sufficient to undertake not to call on them to surrender a portion of their revenues, unless you saw no other alternative than the imposition of taxes, which were not considered expedient. To this your Excellency replies that my despatch reached you too late to admit of your proposing such a condition, pending the preliminary negotiations; and you enquire whether I still desire it to be promulgated, observing that you consider it highly inexpedient, somewhere absolutely unavoidable, to change any of the conditions on which the contracts with the Local Governments were concluded. You express an opinion that, though theoretically open to the objection taken to it, the original condition is not, in practice, likely to cause inconvenience; and I am willing accordingly to waive the question for the present, though I should desire to have it borne in mind when the time arrives for the next revision of the contracts, and that an explanation of this view should be given to the Provincial Governments."

7. It will be seen, on review of the above passages, that the reserves, which, from time to time, have been made by the Government of India, are based on a condition of affairs so serious as to leave to it no alternative but taxation of an inexpedient nature, deficit, or a recourse to Provincial resources. Your Lordship will learn from this despatch what we consider our financial position to be; but meanwhile we desire to express our entire concurrence in the principle upon which the policy is based, and on which successive Governments have acted, and to repeat that it is unquestionable that the success of the system of Provincial contracts depends mainly on the confidence felt by the Provincial Governments in the judicious and temperate exercise of the discretion reserved to the Government of India. Nothing can be more disheartening to the Local Governments, and nothing, therefore, can be so provocative of extravagance, as the feeling that the engagements entered into with them are liable to interruption on occasions other than those determined by the Government of India. On two occasions, as stated in the Resolution of 1881, the Government of India has unhappily been compelled to intervene; once in the great famine of 1876–77, and once in the Afghan war of 1879–80–81. Whatever anxieties we may feel with regard to the ultimate burden to be placed upon us by military expenditure, we are not at present likely, so far as we can foresee, to be called upon to undergo an

abnormal strain on our resources corresponding to those which we have cited. Circumstances, it is true, have lately compelled us to review our financial position, and to examine it thoroughly with the object of ascertaining how far our resources are capable of meeting the increased military expenditure which is likely to be placed upon them. With the design of strengthening our resources, in order to meet such addition to our estimates, we have further proposed to your Lordship an expansion of direct taxation. But our proposals on this head contemplate the carrying out of a measure which, as your Lordship is aware, has been constantly before our eyes of late years, on the ground of the more equitable distribution of taxation, irrespectively of financial necessities. In these circumstances, we feel no hesitation in deciding that extension of the present system of direct taxation is a lesser evil than interference with the Provincial contracts. Sir Evelyn Baring, in his Minute of the 11th August 1883, forwarded to your Lordship with our Despatch No. 234 of the 4th idem, speaking of the sum of 670,000*l.* which during the Afghan war was taken by the Imperial from the Provincial Governments in order to help towards paying the expenses of that war, wrote: "This money was given back to the Provincial "Governments in 1881; and I may say that there is "no act with which I have been connected since I "have been in India to which I look back with greater "pleasure than the repayment of this money. If it "had not been repaid, a fatal blow would have been "struck at the Provincial system of finance." The strong sense entertained by our late financial member, of the necessity of maintaining the credit of this Government, is shared by us all. As the contracts are now drawing to a close, we shall, however, instruct the Local Governments to enter, in the ensuing year, into no fresh arrangements having for their object the construction of works, or the carrying into effect of measures, which may engage their resources during the approaching quinquennial term. We shall also intimate to them the probability of our being compelled to reduce the revenues which during the last contract were assigned to them; for, although we are opposed to any present interference with those resources, we fully recognise that, when the Government of India is called upon permanently to meet a large increase of expenditure, the Local Governments, on the occasion of a revision of contract, must contribute towards Imperial necessities, and must so reduce their own scale of expenditure as to furnish their share to the common burden. We, therefore, think that both in the spirit and by the express terms of the contracts we are bound to restore to Provincial Governments, during the ensuing year, with the warning which we have above indicated, the sums which they placed at our disposal; but we shall be careful that the minimum balance of each Government is maintained, subject to the conditions prescribed in your Lordship's Despatch, No. 183, dated 28th June 1883, at the respective figures recorded in paragraph 109 of the financial statement for 1884–85. In no case does the balance now at the credit of any of the local governments or administrations, after taking into account the recent retrenchments and expenditure, fall short of the minimum prescribed; while in most cases it is considerably greater.

8. We proceed, now, to the question of the famine insurance scheme, which, we observe, has been declared, on the one hand, to have been to all intents and purposes swallowed up, and, on the other, to have so far attained its object as to admit of its being for the present suspended. The objects of that scheme were fully stated in Sir John Strachey's speech of the 9th February 1878, on the Northern India Licence Bill; and it will be convenient to repeat here so much of his remarks as is necessary for the purposes of this despatch, and to review as briefly as may be the subsequent changes introduced into the fund. Sir John Strachey, in the course of that speech, said:

"As I previously explained, we start with the hypothesis that in every 10 years the Government of India will have to spend 15,000,000*l.* on the relief of famine. The case will be put into its simplest form, if we assume that the whole of the 15,000,000*l.* will have to be spent at once at the end of this period, and the arguments I am about to use will not be in any way invalidated by this assumption, though it be not strictly true. Now, as the very foundation of our policy is the resolution not to permit this expenditure to create a constantly increasing charge for interest, the expedient of simply borrowing when the occasion occurs, and thus increasing the annual charges on account of debt, say, by 600,000*l.* in each period of 10 years, must, of course, be set aside; and it follows that we can only obtain the 15,000,000*l.* which we require by saving up an equivalent sum in years of prosperity. If we provide for this purpose a *bonâ fide* surplus of 1,500,000*l.* a year for 10 years, we shall have obtained our 15,000,000*l.*

"As we cannot keep our annual savings locked up in a separate box, it is inevitable that when the actual necessity for spending the 15,000,000*l.* arrives, we shall have to borrow the money, so that what we have practically to do is this—we must reduce our debt by 1,500,000*l.* year by year during the whole period, or by 15,000,000*l.* in the 10 years, thereby reducing the yearly charge for interest at the end of that time by 600,000*l.* Then, when the necessity for spending the 15,000,000*l.* arrives, we can borrow that amount and incur a fresh charge for interest of 600,000*l.* a year, and be no worse off than we were 10 years before. This process, by which in periods of prosperity the charge for interest on debt is gradually reduced, thus constantly restoring the exhausted power of borrowing without increased taxation, is what the Government virtually proposes to adopt.

"In India, however, the policy has been deliberately and wisely accepted, of borrowing every year large sums of money for the construction of the railways and canals which it is absolutely necessary that the country should possess, if its material advancement is not to be arrested. Even if the financial consequences of this policy had been less satisfactory than they have been, it might still have been our duty to persevere in it, though it should have called for increased sacrifices from the country in the forms of taxation. But experience has shown beyond the shadow of a doubt that, looking at the matter even from a purely financial point of view, we could have done nothing wiser and more profitable than go on investing capital in these undertakings; and that, so long as these investments are prudently limited, as they have been up to the present time, so that the growing income derived from the works keeps pace with the charge for interest on the borrowed funds, they may be continued with complete financial safety.

* * * * *

"We assume, therefore, that the Government will continue to borrow money on these principles for such productive works.

"Now, it would be obviously absurd to pay off every year debt to the amount of 1,500,000*l.* and simultaneously to incur fresh debt to the same extent. What, therefore, we have to do, in the actual circumstances of the case, is, by applying to the construction of these works the proceeds of the new taxes, to reduce by 1,500,000*l.* a year the sum which we might otherwise have borrowed. The ultimate financial result of this, as will readily be seen, will be practically the same as that which would have followed if we had devoted every year 1,500,000*l.* to the actual repayment of debt. For, returning to our former hypothesis, we shall, at the end of our 10 years, thus have prevented borrowing to the extent of 15,000,000*l.*, and our annual charge for interest will then be less by 600,000*l.* a year than it would otherwise have been. We could, therefore, if occasion required, borrow 15,000,000*l.* for the relief of famine, and be in no worse a financial position than we were at the beginning of the period of 10 years.

"The soundness of this argument depends, of course, on the assumption that the works which are constructed from our annual contribution of 1,500,000*l.* from the public revenues will be really reproductive; that is, that they will at the end of the 10 years produce an income at least equal to the interest which we should have to pay if we had then to replace by borrowing a sum equal to that furnished from the new taxes for their construction. This assumption, however, has no special or peculiar significance in connexion with these new arrangements; it is (as I have just explained) the justification of our whole policy of borrowing money for works of public improvement. Whether we construct our railways and canals with borrowed capital or pay for them out of this famine insurance fund, we equally assume that they will eventually give us a return of more than the ordinary charge for interest on the outlay; and, to repeat what I have said before, experience has now been sufficiently prolonged to show conclusively that, notwithstanding all the mistakes that have been made, the gradual growth of the income of the productive public works has been sufficient to protect the Imperial Treasury against any increase to the actual charge for interest on debt. This explanation will show the Council how, either by the direct charge of debt or by the investment of money in productive works, if the circumstances of the time should render that course more suitable, charges on the revenue may be extinguished, or new income created,

which shall enable the Government to borrow in the future to the full extent to which the proceeds of the new taxes are applied, and that a true famine insurance fund will thus have been created."

In our resolution of the Government of India, No. 1,911 of the 18th March 1878, the method in which the scheme of famine insurance was to be put into operation was thus defined:—

"It will manifestly be a necessary condition of success," it was observed,* "in carrying out such a "policy, that the works undertaken shall, in fact, produce the growing income from which to meet the "gradual increase of interest charge; and it, therefore, "becomes essential to examine very strictly the "character of all projects brought forward for execution, so that borrowed capital shall not, under any "circumstances, be supplied for any work of which it "cannot reasonably be anticipated that it will in a "definite period of time produce a net income at least "as great as the interest on the capital outlay upon it. "Further, the same limitation, that it is thus necessary to apply to the grant of borrowed money to "these works must also be applied to the grant of all "funds the expenditure of which does not appear as a "direct charge against the revenues of the year, under "which will be included the new resources lately "specially created to provide a surplus from which to "meet charges on account of the relief or prevention "of famine. . . . . The justification for granting, "for productive works, funds from the surplus "revenues which might otherwise be applied to the "extinction of debt is that, so far as it prevents an "increase of debt, it will virtually be equivalent to a "corresponding discharge of debt; a condition, however, that cannot be fulfilled unless the works are "properly remunerative."

In Despatch No. 62, of the 20th February 1879, from the Secretary of State, the arrangement indicated by Sir John Strachey, in the terms which we have above quoted, was so far modified that, while it was held that a first claim on the receipts from special taxation being that of the Home Government for the repayment of debt already incurred on account of famine, 750,000*l.* should be held available for remittance to England on that account, consent was given to the annual appropriation of the remainder of the fund at the discretion of the Government of India to the extinction of debt, to the relief of famine, or to the construction of protective works not necessarily directly remunerative, but obviously productive in the sense of guarding against a probable future outlay in the relief of the population. These arrangements, however, had scarcely been formulated when two important elements of disturbance entered into the general finances, namely, the fall of silver and the Afghan War. It was therefore argued in some quarters that whatever good had been done by the famine insurance taxation had been undone, and more than undone, by these new charges, and that the policy had to be begun again. Sir John Strachey, in his financial statement, made on the 24th February 1880, fully met such objections. The Government of India, in their Despatch No. 30 (Financial), of 2nd February 1881, stated that the general policy of the famine insurance scheme had "met with general "approval in 1877, and indeed, so far as we are aware, "has never been impugned"; and that "if the policy "is to be continued, as we think it should, it will be "advisable to give some additional security to the "taxpayers that 1,500,000*l.* a year will be applied either "to the direct relief of famine or to providing an "insurance against famine in future years."† The result of the discussion was a decision that no connexion should be recognised between the famine insurance outlay and the licence tax and cesses originally imposed to meet it, but that the former should be treated as a charge only, and invariably provided for in the Budget estimate, up to the full amount of 1,500,000*l.* In the financial statement of 1881–82, it was announced that the sum of 1,500,000*l.* to be provided annually as an assurance against famine, instead of being considered, as heretofore, to be a surplus receipt for subsequent appropriation, would be treated as a fixed portion of the normal expenditure of each year. At the same time, the Government of India reaffirmed its applicability to the extinction of debt, the relief of famine, or the construction of protective works, not necessarily remunerative, but obviously protective in the sense of guarding against a probable future outlay in the relief of the population. It was also pointed out that the amount to be provided as an insurance against famine was only so far dependent upon the receipts from the licence tax and the public works cesses that those receipts go to swell the general revenue, and by so much facilitate the execution of the policy under discussion; that the aim of the Government was to apply annually a specified sum from the general revenue in order to provide an insurance against famine; that there was no special connexion between the amount so provided and the amount received from the licence tax or the public works cesses; and that those taxes had never yielded so large a sum as 1,500,000*l.* in any one year. Subsequently, in Government of India Resolution, No. 683, dated the 3rd February 1882, it was laid down that the relief of actual famine would be a first charge upon the whole 1,500,000*l.* annually provided as expenditure; that protective works would be the next charge, but only to the extent of 750,000*l.*, or such portion of that sum, if any, as may remain after all necessary relief of actual famine has been afforded; and that the remaining 750,000*l.* should be assigned to reduction of debt, except so far as all or any portion of it may be needed for relief of actual famine. The arrangement then laid down has continued in force up to the present time; and of the sum of 750,000*l.* to be annually spent upon protective works, 500,000*l.* has been allotted to railways and 250,000*l.* to works of irrigation.

9. Having thus given the history of the design and application of the famine insurance scheme, we proceed to consider whether it can be said either to have fulfilled its object, or to have been defeated and rendered inoperative by subsequent financial exigencies.

10. Your Lordship states in the present despatch that the ordinary debt has been reduced by 14,000,000*l.* during the last ten years, and, therefore, that the object of the famine insurance arrangement has in fact been attained, though no doubt not wholly through the operation of the measures directly taken for that object. The operation of the famine insurance scheme, it must be observed, did not commence till 1878. We observe, also, that credit cannot be taken for so large a figure as 14,000,000*l.* The total debt of India on the 31st March, 1875, according to the finance and revenue accounts presented to Parliament, is shown to be 118,446,992*l.* The reduction of 14,000,000*l.* on this figure is subject, however, to the following deductions. In the first place, we must take out the outlay provided for from the ordinary revenues previous to 1875–76, but which was subsequently transferred to debt:—

	£	£
Irrigation - - -	5,308,367	
Railways - - -	256,499	
		5,564,866
This amount being deducted from the sum of 14,007,208*l.*, the reduction of debt becomes - - - -		8,442,342

Further, by the operation of the sinking fund, the debt incurred for the East Indian Railway has been reduced:—

	£	£
To end of 1883–84 -	100,305	
Estimate 1884–85 -	40,000	
	140,305	
		140,305
The actual reduction therefore is - -		8,302,037

If, on the other hand, we take as our starting point April 1st, 1878, from which date the operation of the famine insurance scheme may be said to have begun, the following are the results of the operation of the scheme up to the commencement of 1885–86:—

	£
Total debt on 1st April 1878 - -	134,631,553
Capital expenditure on productive public works to that date - - -	29,094,023
Difference - - - -	105,537,530
Ordinary debt on 31st March 1885 -	88,216,725
Net reduction of ordinary debt - -	17,320,805
Deduct on account of outlay provided for from ordinary revenue previous to 1878–79 (inclusive of East Indian Railway sinking fund) - -	5,971,025
Actual reduction in the 7 years -	11,349,780

* Paragraphs 76-7-8.
† Secretary of State, No. 135 (Financial) of 14th April 1881.

Had there been, however, the usual loan in 1884-85, the reduction of ordinary debt would have been less by 2,500,000*l.* The loans of the present and ensuing year, in consequence of there having been no loan in 1884-85, must be materially in excess of what would otherwise have been the case, thus considerably diminishing in the course of the current decade the probable reduction. The proportion, therefore, of the ordinary debt reduced in the first seven years of the current decade is not likely to be maintained during its remaining term.

11. Although further, as your Lordship states, the net charges for railways and irrigation works may have decreased from 2,068,000*l.* to 1,100,000*l.*, and our general position have been thereby improved to that extent, we cannot credit the famine insurance scheme with this result, as the works which have yielded it were only in part executed by the aid of that scheme.

12. If the actual reduction of debt under the operation of the famine insurance scheme has thus not been such as to warrant the conclusion that the object of the latter has been attained, still less can such a conclusion be admitted so long as a very large proportion of the railway and irrigation works which have been accepted as necessary for the reasonable security of the country against famine remain uncompleted. It was recognised, as we have seen, in 1879 that the fund might be appropriated to the construction of protective works not necessarily directly remunerative, but obviously protective in the sense of guarding against probable future outlay in the relief of the population. We cannot admit that we should abandon our efforts to carry out this portion of the scheme, which has for its object the carrying to completion of works which are productive in the sense that they lessen, on the recurrence of famine, the cost to which we must unavoidably be put. We stated in our despatch of the 22nd September the considerations which lead us to believe that this latter object is as yet far from being attained. We may point out here that the Famine Commission in their report, writing in 1880, contemplated an extension of the railway system then existing by a length of 10,000 miles in the course of the next 25 years; but they regarded the completion of one-half of this amount, or 5,000 miles, as more urgent in its nature; saying that this mileage, "in addition to the existing lines, would "go far to remove all future risk of serious difficulty "in supplying food to any part of any district in the "whole country." Up to the present time only 2,900 miles of railway, other than frontier railway, have been completed. Until, therefore, we have completed the works indispensible to the protection of the country om the effects of famine, we are unable, except under ressure of absolute necessity, to assent to the diversion the revenues raised under the scheme from the ects with which the scheme was started. Although may expose us to the criticism that by this use of famine insurance grant we run the risk of incurring cit, and thereby adding to in lieu of reducing our we believe that our justification will be found in eply that the abandonment of the protective scheme before your Lordship will expose us eventually to ater financial loss than any deficit likely to be urred (abnormal disaster apart) during the period construction. We are aware that there is no special nnexion between the amount annually provided from he general revenues in order to provide an insurance against famine and the amount annually received from the licence tax or the public works cesses. But in strengthening our revenue the Government of India, beyond all doubt, has deliberately affirmed the policy of utilising the increased resources placed at its disposal for the purposes to which we have referred; and unless it can be shown that financial pressure compels us to alter our policy, we consider that those purposes should be maintained, and that it would at present be wholly premature to affirm that the object of the famine insurance arrangement has been attained. We may again quote Sir John Strachey's words in the course of the speech we have already referred to, as completely expressing our own views: "So far, however, as we "can now speak for the future, the Government of "India intends to keep this 1,500,000*l.* as an "insurance against famine alone. . . . . We consider "that the estimates of every year ought to make "provision for religiously applying the sum I have "mentioned to this sole purpose; and I hope that no "desire to carry out any administrative improvement, "however urgent, or any fiscal reform, however wise, "will tempt the Government to neglect this sacred "trust. In the debate which followed Sir John Strachey's speech, Lord Lytton emphatically pledged the Government to the execution of the necessary works from the increased revenues raised under the name of the famine scheme. His Excellency anticipated the objection that "the current claims upon the activities "and resources of the Government of India are so "numerous, so pressing, so important, official forces "and imperial funds so necessarily limited, that when-"ever the daily, hourly strain of a great famine has "been removed from a wearied administration and "impoverished treasury, its fearful warnings are soon "forgotten; its disquieting ghosts are quickly exor-"cised by the conventional declaration of some unex-"ceptionable principle; its bitter memories decently "interred beneath the dull *hic jacet* of a blue book; "and there, for all practical purposes, is an end to the "matter." Lord Lytton declared that the Government was not open to this customary criticism; that it promised nothing which it had not provided itself with the means of performing; that it spoke of what it could and would do; and that it was "a policy on which all "our plans, and all our hopes for steady improvement "in the financial, social, and administrative condition "of this Empire, are necessarily dependent." The proposals which we have submitted to your Lordship in regard to the partial capitalisation of the resources raised under the famine scheme have, in effect, for their object the strengthening of our revenues; we believe this proposal to be consistent with the objects for which the scheme was created; but beyond this, we feel that we are not justified in proposing any application of those resources differing from that to what they are at present devoted.

13. We may now sum up our remarks on the famine insurance scheme. We have seen that its object was to insure such a surplus of ordinary revenue over ordinary expenditure as would suffice to cover, within each decade, the outlay on relief of actual famine which might be expected to occur during that period. The method of carrying out the scheme was varied in view of experience and criticism, that finally adopted and now in force being, that a certain portion of the surplus should be devoted annually to the direct reduction of debt, or to the avoidance of debt, which must otherwise be incurred, and that the remainder should be spent on railways and irrigational works likely either to avert or mitigate famine. The result of the former allotment is to save interest, simple and compound, and thus to place the Government, when the necessity of a loan for famine relief arises, in a better position for borrowing, both as to terms and amount, than it would otherwise have been. The result of the latter is twofold; whatever return the works may produce is, on the one hand, a set off against the interest of such a loan; while, on the other, the actual amount needed for famine relief, and therefore of the loan, is lessened by the existence and operation of the works. The effect of the scheme, from a purely financial point of view, has so far been that but for its application, our position would have been worse than it now is by any interest yielded by the works carried out through the agency of that fund, by the amount of debt redeemed, and by the sums which we have annually devoted to lessen our borrowings.

14. If the returns from the works or the saving of interest by the discharge of debt should happen to be appropriated to new expenditure, ordinary or extraordinary, the operation of the scheme remains unaffected, because, but for its existence, new taxation would have been unavoidable to meet the new expenditure. Such taxation the scheme defers until the day when a famine loan is indispensable, or, if there should then be a surplus independently of it, it furnishes the means of avoiding taxation altogether. Thus, in view both of the works which have been and are being executed through their agency, and of the actual reductions of debt, or avoidance of fresh debt, and the saving of interest on the same, which have been and are being secured, it does not appear to be to be precisely accurate to describe the funds provided under the famine scheme as having been swallowed up. Nor can the object of the scheme be described as having been attained, as long as either the admittedly most important protective works are incomplete, or famine necessity for outlay on actual relief in time of famine remains.

15. It is, at the same time, obvious that the effect of outlay on the protective works must be to diminish the outlay on actual relief, and we therefore consider that the capital sum which the scheme is calculated to create, should be subject to periodical revision.

revision might well take place in the year 1890-91, by which date we have estimated, in our Financial Despatch, No. 264 of the 22nd ultimo, that all the protective works of major importance will be finished, or in the event of our obtaining the refunds for which we hope as a part of the arrangement therein proposed, it might be effected a year or two earlier. On the occasion of such a revision, we should be enabled, if necessary, to assign to ordinary purposes so much of the present famine insurance grant as is not required to countervail whatever may be the new amount then fixed as the probable average outlay on actual relief in the new decade.

16. We have thus concluded our examination of the circumstances in which we stand with regard to the provincial contracts and the famine insurance scheme. We have shown that the former has been repeatedly declared to be only liable to appropriation as a source of Imperial revenue in the event of extreme calamity. We have sought to prove, under the same reserve, the necessity for the continued application of so much of the Famine Insurance grant as remains to us after devotion of 750,000*l.* to diminish borrowing. We now proceed to examine our financial situation with a view of ascertaining whether our circumstances are, indeed, such as to compel us to have recourse, either to interfering with the provincial contracts, or to a temporary diversion of the famine insurance grant, or to both of these measures.

17. In our Despatch, No. 234, dated 22nd August 1885, we indicated the sources from which we propose to meet the additional military expenditure which is about to be imposed upon us. We confined ourselves, as will have been apparent to your Lordship, in that despatch to a consideration of the annual sum by which our revenue was to be increased, in order to meet a specific charge about to be imposed upon it; but we refrained from any such general review of our position as lay outside the question immediately before us. It is necessary now, however, to enter more fully into our general situation, and to show why, in our opinion, there is no necessity at present for interfering either with the provincial contracts or with the Famine Insurance Fund. We may take, as our point of departure, the Budget of the current year, which, as we are aware, and, as your Lordship states, exhibited a bare equilibrium. The Budget of 1885-86, however, must, in certain important respects, be regarded as abnormal. The railway receipts were taken at an exceptionally low figure, owing to the depression existing at that time in the export trade. The estimate of opium receipts was also reduced, owing to the necessity which at that time existed for increasing our reserve. As we stated in our despatch of the 22nd August, we devoted in that Budget from revenue, with your predecessor's approval, the sum of 585,000*l.* for railways and defence works. But the export trade is reviving. The comparative exports of wheat for the first seven months of 1883, 1884, and 1885 are given below. The export of oilseeds is assuming increasing

	Cwt.
1883	14,343,243
1884	7,931,659
1885	11,501,512.

and very considerable dimensions, and in our half-yearly estimates we expect to be able to take credit for a sum of 500,000*l.* on account of net railway receipts in excess of the sum which, at the time of the Budget, we thought it prudent to accept. Should exchange remain at about its present rate, we consider that it will be safe to maintain that figure in 1886-87. We shall be enabled next season to put upon the market a larger amount of opium than has been possible during the last two years, and we may take the increase to our revenue thereby obtainable at a figure not less than 300,000*l.* The figures noted below give the net revenue,

	Chests sold.	Net Revenue.	On 31st December.	Reserve (Chests).
		Rs.		
1882-83	56,466	72,168,000	1882	12,743
1883-84	54,406	77,018,000	1883	11,632
1884-85	46,698	58,902,000	1884	2,296
1885-86	50,994	65,473,000	1885	18,290
1886-87 (estimated)	54,000	68,473,000	1886	29,220

the number of chests sold, and the amount of opium in reserve during the last four years, together with the reserve for 1886-87, and they will enable your Lordship to judge of the moderateness of the sum of 300,000*l.* which we assume as an addition to next year's estimates. The 585,000*l.* assigned in this year's Budget to railway and defence works are in future, in view of the urgency of our situation, to be devoted to ordinary expenditure, and the charge for which this sum was to serve is to be debited to loan. We further expect that the extension of direct taxation will yield us 700,000*l.* additional. The decrease in the non-effective charges during the ensuing year may be set down at 150,000*l.*; and, apart from railway receipts, the annual increment of our revenue may also be taken at 150,000*l.* The minimum increase, therefore, to our revenue over the Budget of the present year will be, so far as on what appear to us cautious and reasonable calculations, we can estimate 2,385,000*l.* We arrive at this estimate without taking into calculation any reductions that we may effect; and on the assumption that our railway receipts in 1886-87 will be no greater than in the year 1883-84, although in 1886-87 we shall have more than 1,000 miles of railway open in excess of 1883-84. The rice trade shows every symptom of revival. The customs have yielded this year, to the end of August, Rs. 46,92,000, against a total estimate of 53 lakhs, being for the five months Rs. 7,37,000 in excess of the corresponding period of last year. The rains, on the whole, have been sufficient, and the prospect before us for the ensuing year may be regarded with satisfaction. On the other hand, we must prepare for an addition next year of 1,000,000*l.* to our military estimates, and of 880,000*l.* on account of exchange, on the assumption that in the Budget of the ensuing year the rupee will taken at 1*s.* 6*d.* To this we may add 100,000*l.* on account of increased charge for interest, making a total of 1,980,000*l.*, and leaving a surplus of 405,000*l.*, which appears to us a reasonable expectation. Should exchange prove even somewhat more adverse than we anticipate, it may be expected, on the other hand, that our railway receipts will be increased by the stimulus given to exports, and that the figure of 500,000*l.*, based on the estimates of 1883-84, which we have taken as our estimate for the receipts of the next year, will be considerably exceeded. At the close of the ensuing year the provincial contracts expire, and we shall be enabled to strengthen our revenue by whatever sum is obtainable on a revision of those contracts. Viewing, meanwhile, the general situation of our revenues, we see at present no reason to doubt that they will prove equal next year to the expenditure to be placed upon them.

18. It will be apparent to your Lordship from the above remarks that we are not prepared to recommend at present the measures indicated to us in your Lordship's despatch. The choice before us, in truth, lies between strengthening our budgetary surplus by 750,000*l.*, acquired at the cost of putting a complete stop for the next four or five years to works designed to protect us and the people from the effects of famine, or pushing the works to completion as rapidly as may be with the aid of the Famine Insurance surplus, exposing ourselves to the risk during that term of years at the worst, unless circumstances very greatly change, will be but an inconsiderable deficit. We cannot think that the employment of the Famine Insurance surplus for the completion of the scheme of works in which we are engaged is a more economical and a more suitable use of it than its temporary utilisation as an addition to the surplus revenues exhibited in our accounts. We believe that during the comparatively short term required to carry out the great projects on which we are engaged, we should be prepared to accept a risk of temporary difficulties in respect of the absolute equilibrium of our finances greater than any we can at present foresee, in the assurance that when the projects now in hand are completed, a stability will have been given to our finances which they could not otherwise have attained. The proposal which we have made to your Lordship in respect of a partial capitalisation of the Famine Insurance Grant is in effect an alternative to that which has been placed before us. It amounts to a proposal to strengthen our revenues by the amount so capitalised; the difference between our proposal and that submitted to us being, that instead of devoting that sum to an unappropriated surplus, we desire to assign it to the payment of interest on projects which are a part of the scheme itself, since they are essential to the protection of the country from famine, while they will assist the development of the export trade, on which our railway receipts so largely depend. We may add that in our despatch of September 22nd we have estimated the total charges for the purposes there described at 21,500,000*l.* in the next

five years, of which we have advised recovery, by arrangements with companies on account of lines now conceded or to be conceded of 7,640,000*l.*, leaving 11,500,000*l.* to be raised in the market by loan for the purpose in the next five years, after deducting 2,500,000*l.* employed during those five years from the Famine Grant. Inclusive of irrigation capital, the total loan to be raised in the market in the five years will be 15,000,000*l.* if our proposals as to capitalising the Famine Fund are accepted.

19. Apart, finally, from the considerations which, in the course of this despatch, we have urged upon your Lordship's attention, we cannot but feel that it would add greatly to our difficulties at the precise moment when we were about to impose a more extended scheme of direct taxation, if we laid ourselves open to attack in connexion with the provincial contracts or the Famine Insurance scheme. The latter subject especially is one on which in former times there have been much misapprehension and considerable expression of public dissatisfaction, which have recently reappeared, and have been strenuously renewed on the occasion of the recent retrenchments. If our circumstances were such as to enable us to plead the justification of necessity, we should have no hesitation in adopting the policy suggested by your Lordship; but it is impossible not to apprehend that the plea of necessity would prove of questionable validity. Although we have no desire to speak with confidence of the future, we cannot but feel that our financial position is not at present such as to oblige us to resort to extreme measures, the result of which must be to put a summary stop to many works of great importance now in hand; to cause thereby considerable ultimate loss to our revenues; to expose us to greater risks in the event of famine; and to disturb the confidence which at present exists between the Imperial and the Local Governments. We judge it more prudent to confine ourselves at present to the circumstances with which we have immediately to deal, leaving to a later period the consideration of the steps to be taken, should unforeseen difficulties increase upon us. We propose, however, as we have stated, not only to take the measures necessary to prevent any increase to our own present expenditure, but to restrain the Local Governments from entering during the ensuing year upon fresh projects or engagements of a nature to tie up their revenues during the next term of the Provincial contract.

20. It appears to us, to sum up, that our aim should be to carry out, with the utmost possible promptitude, and in the most economical manner, the series of works embodied in our despatch of the 22nd September, so that on their completion we may be in a position to consider the average annual sum to be set aside in order to countervail borrowing on the occurrence of actual famine, and thus to regain possession for ordinary purposes of so much of the present grant as may then be found to be no longer required. On the other hand, in the absence of any unforeseen calamity or disaster, we think that there is reasonable ground for feeling confidence in our ability to maintain, during the interval necessary for the construction of these works, the equilibrium of our finances, and that the time has not yet come when we should suspend, even partially, a portion of the Famine Insurance scheme, and fall back upon the provincial contracts, immediate recourse to which will, in our judgment, lead to difficulties greater than any which we are at present likely to encounter. Until the year draws nearer to a close, and the position of the silver market becomes more certain, we shall not be in a position to pronounce finally on our actual position. Whatever steps may be dictated to us by necessity in regard to the provincial contracts, we trust that we shall be enabled to meet our difficulties without being called upon to divert or suspend the present operation of the Famine Insurance scheme.

No. 11.

DESPATCH to the GOVERNMENT OF INDIA, December 10th, 1885, No. 367 (Financial).

1. I have considered in Council your Excellency's letters, dated the 22nd of August, No. 234, the 22nd of September, No. 264, the 29th of September, No. 271, and the 6th of October, No. 275.

2. In the first of these letters your Excellency proposes that, in view of the increase of your permanent military charges, estimated at 1,000,000*l.* in 1886–87, rising ultimately to 1,500,000*l.*, you should make no grant from revenue next year towards the cost of frontier railways and defences, the provision of the necessary funds being obtained by loan; and that the licence tax should be modified in such a manner as to embrace the professional and official classes, and to assume the form of an income tax on all incomes of Rs. 2,000 a year and upwards, those derived from land being, however, exempted.

3. Your letter No. 264 deals with the subject of capital outlay on railways and defensive works, regarding which it is sufficient for the present to say that you propose to devote no revenue in 1886–87 towards this expenditure, except such as may be available from the Famine Insurance Grant, the remainder being supplied by loan.

4. The letter of the 29th of September, No. 271, reports that, owing to the necessity of making further grants during the present year, and to a miscalculation as to the amount of savings, the reduction of expenditure in the present year on the public works contemplated in the budget is less by about 24 lacs than had been previously anticipated.

5. The letter No. 275, written on the receipt of my despatch of the 27th of August, No. 239, deprecates any interference during the coming year with the Provincial Allotments or the Famine Insurance scheme, expresses your intention of restoring to the Local Governments in 1886–87 the sums temporarily withheld, and intimates a confident expectation that, with no further taxation than has been already recommended, you will be able to realise a surplus of 405,000*l.*, provided that the rate of exchange does not fall below 1*s.* 6*d.* the rupee.

6. In regard to the question of taxation, I concur with your Excellency in thinking that the alteration of the existing licence tax, so as to assess the official and professional classes, and to levy a rate of the nature of an income tax on incomes of and above Rs. 2,000 a year, is desirable; and I observe with much pleasure your opinion that no further imposition of taxation will be necessary. I shall be glad to learn the details of the proposed measure, when your Government have more fully considered them.

7. In reference to the suggestions made by me regarding the provincial contributions, I need not say that it is only in the last resort, as an alternative to an increase of the taxes of the people, that I should wish in any manner to interfere with the working of the quinquennial arrangement made in 1882. The point which I desired to impress upon your Excellency is one by no means inconsistent with the spirit of that arrangement, namely, that, on the occurrence of such an emergency as arose this year, it is the duty of all parts of the Indian Administration to unite in measures necessary for the common welfare, and that the Provincial Governments should be prepared to take their share of the burden. In the 52nd paragraph of my despatch of the 27th of August, I cordially recognised that the Provincial Governments had shown a readiness to effect the necessary measures of economy. It is for you to consider whether it is proper that such measures should give merely temporary relief to the balances, and whether, by promptly refunding the sums withheld from the Provincial Administrations, the whole burden of the additional charges should be thrown on the limited portion of the revenues which is more immediately controlled by your Government, the result of which must be to compel you to meet the charge by loan; and, if your Excellency should eventually find that the state of your resources admits of the replacement of this money at the disposal of the local governments, I will not withhold my assent from such a course, it being understood that, in the revision of the Provincial Agreements in 1887, care will be taken to provide for such a contingency as has now arisen.

8. I propose in another despatch to address your Excellency in regard to the very urgent need which has, in my opinion, arisen for exercising the greatest economy in all branches of the administration, and especially in the expenditure on ordinary public works.

9. My observations respecting the disposal of the grant for famine insurance were actuated by motives somewhat similar to those which dictated my remarks on the provincial contributions. It was to meet the emergency which has arisen, that I intimated my view that, rather than resort to the imposition of consider-

able fresh taxation, I should be prepared to sanction the diversion, for the time, of the grant for famine insurance, to works needed for the protection of the country against the more pressing danger of war.

10. On both these questions I am content to leave the decision in the hands of your Excellency when the time comes for a final determination as to the financial measures of the ensuing year.

11. I now come to the manner in which you propose to meet the outlay on the railways and defensive works. In the tables appended to your letter, No. 264, the total cost is given as follows, in lacs of rupees :—

Works.	Spent to End of 1884–85.	1885–86.	1886–87.	1887–88.	1888–89.	1889–90.	1890–91, or subsequently.	Total Estimated Cost.
Frontier Lines in progress	84½	326½	216¼	48¼	—	—	—	675½
Ditto, proposed	—	—	25	35		142		202
					(say 47)	(say 47)	(say 48)	
Protective Lines in progress	129	115	85½	60¼	94	40⅓	14	538¼
Ditto, not commenced	—	—	—	—	76	178⅓	193	447½
Lines under agreement	—	—	10	16	19	16	—	61
Open Line Capital	114½	119½	100	100	70	70	70	644
Stores and Working Capital	—	—	10	10	15	20	20	75
Total Railways	328	561	446¾	269½	321	372	345	2,643¼
Frontier Defences	—	4	39	45	44	27		159
						(say 13½)	(say 13½)	
Coast Defences	—	7½	15	15½	12	—	—	50
Grand Total	328	572½	500¾	330	377	385½	358½	2,852¼

12. After the year 1886–87 it is your intention to spend 330 lacs a year, namely, 280 lacs of borrowed money and 50 lacs of revenue from the Famine Insurance Grant, together with such sums as may be at your disposal through the refunds anticipated from private companies. In 1886–87, however, you propose, including the irrigation works, to expend 596 lacs,* although you are unable to make any grant from revenue, except that which is provided under the head of Famine Insurance; and, therefore, if some 10 lacs are reserved for famine relief, and the remaining 140 lacs taken for outlay on protective works and in reduction of borrowing, there will remain 456 lacs for railways, irrigation, and defensive works, to be provided next year from loan.

13. Large as is the amount of the expenditure thus contemplated in 1886–87, I will not withhold my sanction from your Excellency's proposal to obtain the funds from borrowed money, such a course being, in my opinion, rendered necessary by the importance of rapidly completing the works already begun, especially those for the protection of the country against the risks of war or famine. At the same time I rely on your Excellency to take all possible care that the outlay shall not be allowed to exceed what is absolutely requisite for these important purposes.

14. I do not deem it necessary at present to pronounce an opinion on the programme which you have laid before me, for years subsequent to 1886–87, as the rate at which progress can be made must be contingent on many circumstances on which no confident opinion can at present be formed. The disposal of sums obtained from private companies, in repayment of money previously laid out, will be considered from time to time as occasion arises.

15. Great objection has been taken, both by former Secretaries of State and by the Select Committee of the House of Commons last year, to the proposal to appropriate as interest any portion of the Famine Insurance Grant, the declared object of which was to keep down debt. I recognise, however, that the circumstances of the present time are of a special character, and could not have been contemplated either by my predecessors or by the Parliamentary Committee; and I do not interpret your Excellency's proposals as desiring to obtain a pledge as to the future sanction of outlay through the agency of Guaranteed Companies, which would naturally have to be obtained in each case in the usual manner, after careful consideration of the existing financial exigencies.

16. Assuming that at any time it is determined to incur the liabilities involved in the grant of a guarantee to a railway company, it becomes little more than a question of account whether the interest payable in consequence is charged under the head of Famine Insurance or under that of Railways. I, therefore, authorise you to charge against the Famine Insurance Grant the amount payable during the next five years as interest on capital raised by companies for the purpose of constructing any of the lines which are mentioned by your Government as being, in your opinion, needed for the protection of the country against famine, but which you are not at present able to construct through State agency.

17. In doing so, however, I am anxious that I may not be considered as in any way authorising, encouraging, or even suggesting, the policy of regarding the Famine Insurance Grant as a fund which may be legitimately resorted to for the payment of interest on any large or novel public works expenditure.

18. With reference to your Excellency's final suggestion regarding the Bengal-Nagpore Railway, I request to be informed what terms you would think it desirable to offer to a company, if one should be formed for its construction, bearing in mind that considerable difficulty has been this year experienced in launching a company for the construction of the Indian Midland Railway, although a permanent guarantee of 4 per cent. in sterling, and a fourth share in surplus profits, were the not unattractive features of the scheme.

No. 12.

EXTRACT from LETTER from the GOVERNMENT OF INDIA, December 22nd, 1885, No. 347 (Financial).

. Your Lordship will observe that capital expenditure on railways and irrigation works not charged against revenue shows a net increase of 839,400*l.*

This increase is due to our having decided to charge under this head the total additional capital expenditure on railways sanctioned since the commencement of the current year. If your Lordship should be of opinion that the total expenditure on railways and irrigation works to be charged outside the ordinary account must be limited to that provided in the original estimates, the sum of 839,400*l.* must be added to the figures shown under 43—frontier railways, the deficit of the year being increased by an equivalent amount.

No. 13.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA. February 11th, 1886, No. 43 (Financial).

In the last paragraph of your letter your Excellency refers to the question whether the additional capital

*

	Lacs.
Railway	447
Defences	54
Irrigation:—	
Loan	70
Famine Insurance	25
	596

expenditure on railways, sanctioned since the commencement of the year, may be excluded from the expenditure chargeable against revenue, and added to the amount debitable to borrowed money. According to the rule, the amount to be provided from borrowed funds for the construction of railways and irrigation works is a limited sum, only to be exceeded if there have been lapses in past years by reason of the grants not having been fully spent, and if the balances admit of the requisite provision without further borrowing than is permissible under the regulations; and any amount that may be spent in excess must be provided from revenue. In the circumstances of the present year, however, it is evident that, whether the sum be debited against loan funds, or whether by charging it against revenue the deficit is enhanced, the amount must equally be provided from borrowing. Considering, also, the urgent character of the demand for the frontier railways, and the sanction already given to their prosecution in 1886-87 by means of borrowed money, I authorise your Excellency to treat the additional expenditure in 1885-86 on these railways in the same manner.

No. 14.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, July 29, 1886, No. 216 (Financial).

In the group of buildings and roads, the expenditure shows an increase of 745,191*l.*, of which 158,547*l.* under military works arises chiefly from a provision of 150,000*l.* being made for additional accommodation in consequence of the larger European force; while 586,644*l.* is for civil works, and is due to special grants of 200,000*l.* for frontier roads, and 100,000*l.* for Upper Burma, the remainder being for increased outlay by the Provincial Governments, particularly in Bombay and Bengal. In the 8th paragraph of the despatch sent to your Excellency on the 10th of December, 1885, No. 367, Lord Randolph Churchill expressed his intention of addressing you regarding the very urgent need of a reduction of expenditure, especially on the ordinary public works. While such a despatch was being prepared, information was received of your intention to appoint a Committee in India to examine the subject: and I, therefore, refrained from taking it up in the meantime. I desire, however, to draw your Excellency's attention to the table below, taken from the

Expenditure on Buildings and Roads.

Year.	Amount.	Average of Five Years.
	£	£
76 - - -	4,683,930	
7 - -	4,561,185	
8 - - -	4,251,110	
9 - -	4,341,659	
80 - - -	3,925,425	4,379,552
81 - -	4,331,685	
-82 - - -	5,047,873	
2-83 - -	5,331,281	
3-84 - - -	5,810,767	
84-85 - -	5,009,277	5,260,705
85-86, revenue estimated	4,702,900	
886-87, budget - -	5,449,300	

Appendix to your Financial Statement, from which it will be seen how very largely the expenditure in this branch has increased during the currency of the existing Provincial agreements, and that, even if allowance be made for the special grants above mentioned, the outlay proposed in the Budget is nearly 800,000*l.* greater than the average of the five years ending in 1881-82. This class of expenditure takes place almost entirely in India, and is therefore not exposed, as are so many of the other heads, to great increase, owing to the fall in exchange. It is, indeed, peculiarly within the control of the various administrations; and I trust that stringent orders will be issued to carry yet further the reduction which I am glad to perceive has already been made, when compared with the charge of three or four years ago.

Under the head of army services there is a net reduction of 1,462,547*l.*, the effective charges being diminished by 1,597,505*l.*, and the non-effective charges enhanced by 134,958*l.* As regards the former, a reduction of 30,239*l.* in England was almost balanced by the increased charge for exchange, so that nearly the whole decrease took place in India. Of the excess of 1,101,600*l.* in the Budget of expenditure in 1886-87 over the Budget of 1885-86, 300,000*l.* is stated to arise from the extra military charges in Burma, and 38,800*l.* in connexion with the Bolan railway; and it may perhaps be taken roughly that the remainder, or 762,800*l.* represents a permanent increase of the effective army charges in India (about 500,000*l.* being for the addition to the British forces, 225,000*l.* for the augmentation of the native cavalry, and 40,000*l.* for the new Goorkha battalions), and that the further excess of 1,594,300*l.* in the revised estimate of 1885-86 as compared with the Budget of 1886-87 denotes the cost of the special preparations made last year. The expenditure in 1886-87 is affected by the revision of the artillery establishments, 13 batteries being placed on a war footing; the reconstruction of the artillery divisions and districts; the addition of 20 supernumerary sepoys to each native corps; the formation of three more regiments of native cavalry, and the increase of the strength of the existing cavalry regiments; the gradual rising of five Goorkha battalions; and the reorganisation or revision of the commissariat, veterinary, clothing, subordinate medical, and pay departments, and of the corps of sappers and miners. Among the other additions to the permanent portion of the expenditure in India, I notice a charge of 51,500*l.* caused by the pay of the British soldiers being calculated at 1*s.* 7*d.* instead of 1*s.* 7½*d.* the rupee; more officers will be unemployed in India, owing to the rules regarding the tenure of appointments taking greater effect; a larger number of troops will have to be fed, and also more horses, about 2,500 having been purchased owing to the additions to the mounted branches of the army; the allowance to the band funds of British regiments has been increased; the current year is one in which compensation for clothing is payable to the British troops, this charge also being increased by the fall in exchange; free conveyance by railway has been granted to native officers and men proceeding on furlough; and the development of the volunteer movement has rendered necessary additional appointments and allowances.

The explanation given in the 473rd paragraph of Part II. regarding the increase of the army effective charges in England does not agree with the figures adopted in the Budget. The actual increase over the budget in 1885-86 is 587,000*l.*, of which 120,000*l.* occurs in the home charges of the British forces, and is due to larger provision for deferred pay; 65,800*l.* arises under the Indian troop service, mainly owing to new machinery being required for the "Malabar"; and 401,400*l.* is for stores. There is also an addition of 255,400*l.* to the charge for exchange.

Of the increase in the non-effective charges, the annual addition to the payments to the War Office under the new arrangement mentioned in the despatch of the 17th of September, 1885, No. 262, accounts for 50,000*l.*, and the revised scale of Indian military pensions for the remaining increase in the sterling expenditure, while 54,988*l.* is due to exchange.

The total expenditure, Imperial and Provincial, estimated for 1886-87, exceeds that of the revised estimate of 1885-86 by 252,770*l.* Last year, however, it is expected that the allotments to the Provincial Governments will have exceeded their expenditure by 113,900*l.*, while in 1886-87 they are to defray from their balances 575,400*l.* of the total outlay. Thus, the portion of the expenditure chargeable on the revenues of the year would be reduced by 689,300*l.*, and, consequently, when the excess of 252,770*l.* above mentioned is deducted, it would be less than in 1885-86 by 436,530*l.* As, however, it became apparent that this was insufficient to give the requisite equilibrium, the Local Governments were called upon to contribute to the Imperial Government a sum of 400,000*l.* from their share of land revenue during the year, a measure by which the charge falling on them was raised to 975,400*l.*, and the relief to your Government, as compared with the revised estimate of 1885-86, was increased to 836,530*l.*, the total expenditure chargeable on the revenue becoming 75,615,500*l.*, and a surplus of 182,200*l.* being shown.

I approve of the action of your Government, so far as it went, especially since you state that it leaves at the disposal of the Local Governments in the aggregate the minimum balance which they are required to maintain. I must, however, express a hope that, in the new arrangements which will be made next year with

the Local Governments, some means will be devised by which, in the case of emergency, they may be called upon to contribute a proportionate share towards meeting the necessities of the Empire, according to some established principle.

I must also point out that it has repeatedly been desired that a surplus of about 500,000*l.* may be provided in the Budget, and that one of 182,200*l.* is much smaller than is prudent. It was especially necessary this year to allow a larger margin of revenue over expenditure, inasmuch as your Government were engaged in hostile operations, the cost of which it was very difficult to estimate, and a further fall in exchange was only too probable.

The capital outlay not charged to revenue shows an increase of 352,804*l.*, the provision for railways being less by 169,526*l.*, and that for irrigation works greater by 80,630*l.*, while a charge of 441,700*l.* for special defence works at Bombay and Aden is included in the Budget for 1886-87. In the Despatch of the 10th of December 1885, No. 367, it was agreed that, owing to the importance of rapidly completing the works already begun, especially those for the protection of the country against the risks of war or famine, the limit of 350 lacs, which had been laid down as the maximum sum to be borrowed in any one year for the construction of public works, should be removed in the present year; and you were authorised to provide from loan as much as 456 lacs, for railways, irrigation, and defensive works, on the understanding that all possible care would be taken that the outlay should not be allowed to exceed what might be absolutely requisite for these important purposes. The amount now shown in the Budget as expenditure not chargeable to revenue is 5,868,800*l.*, which includes 651,700*l.* for exchange, and an outlay of 749,000*l.* provided from the grant for the reduction of debt. Omitting these two sums, the amount to be obtained by borrowing is shown to be 4,468,100*l.*, that is, about 448 lacs, or rather less than the sum sanctioned.

Of the total of 587 lacs, no less a sum than 406 lacs, as shown below,* is for works in connection with the scheme of frontier and coast defences. The allotments to railway construction, from all sources, amount to 547½ lacs, as shown in the following table:—

	£	£
Capital outlay on State railways:		
Charged to revenue:		
Protective: construction	500,000	
Protective: interest on Indian Midland Railway capital	138,700	
Provincial	109,200	
Grant for reduction of Debt	749,000	
		1,496,900
Not charged to revenue:		
Ordinary loan	2,800,000	
Special addition	1,327,100	
Exchange	600,000	
	4,727,100	
Less, provision from grant for reduction of Debt	749,000	
		3,978,100
Total		5,475,000

On other railways than those for the defence of the frontier, the principal outlay is expected to take place on the Punjab Northern system, the East Indian, Eastern Bengal, Cuddapah-Nellore, and Bellary-Kistna railways, and on the Lucknow-Sitapur-Kheri line which is being constructed from provincial revenues.

The total expenditure on the construction of irrigation and navigation works, from revenue and loan, is estimated at 811,300*l.*, the chief outlay being on the Lower Ganges, Sirhind, Chenab, and Orissa canals.

* * * * *

It thus appears that it is contemplated to spend in the current year 5,868,800*l.* on public works constructed by the State, 3,162,000*l.* on railways undertaken by companies under a guarantee of interest, and 897,600*l.* on advances to municipalities, &c., or altogether 9,928,400*l.* To meet this expenditure 748,500*l.* has been provided from the Famine Insurance Grant, and 182,200*l.* by surplus of revenue. Assuming, then, that the expectations of the Budget were to be fulfilled, it would follow that 8,997,700*l.* is being spent during the year from money obtained by borrowing in some form or other.

However important it is to develop the resources of the country, I cannot think it desirable, in present circumstances, that the credit of the State should be so largely used for promoting objects not of absolute or urgent necessity; and it is especially necessary to be cautious in incurring permanent liabilities, when borrowing in rupee securities is so difficult, and the continued fall in exchange has so greatly enhanced the burden of sterling obligations. In the tables which accompanied your letter of the 22nd of September 1885, No. 264, it was shown that after the year 1886-87 you proposed to limit the direct outlay by the State on the construction of railways and defensive works to 280 lacs of borrowed money in each year (which with the addition of exchange may be taken as involving an actual outlay of about 340 lacs), besides the amount that might be at your disposal from revenue or through refunds by private companies. I observe also that, so far as estimates have yet been sanctioned, it is anticipated that only 275 lacs will remain unspent after the 31st of March 1887. Doubtless this sum may be somewhat increased, as in one or two cases the sanctioned outlay has already been exceeded; but, speaking generally, it appears that there ought to be no difficulty in keeping the estimate for next year within the authorised limit, and I request that the budget may be prepared accordingly. I also desire to point out that to expend on fresh undertakings refunds by companies of the cost of works constructed by the State from borrowed money is virtually to borrow and spend the amount over again; and that sums thus obtained must in future be applied in reduction of the authorised annuel loan, and not as an addition to it.

As regards the current year, I have, in my telegram of the 19th of June, impressed on your Excellency the urgent necessity for taking prompt steps to adjust the finances in such a manner as to secure an equilibrium of revenue and expenditure; and I have stated my inability to sanction further borrowing this year for public works. In your reply of the 30th of June, you referred to a partial suspension of the famine insurance as a possible mode of procuring the surplus which you admit to be essential, and you added that you did not propose any reduction of the expenditure on railways chargeable to loan funds. You have, however, mentioned in a telegram of the 29th of May, that an extension of the Burma State Railway to Mandalay was in contemplation; and I must repeat the remark made in my telegram of the 19th of June, that, if such a work be inevitable, on which point I give no opinion at present, it is most important that the funds for it should, if, possible, be found by the postponement of operations on other lines of railway, or of some other expenditure not equally urgent.

From this review of the financial position, I much regret to be forced to the conclusion that it is far from satisfactory, and that the prospective liabilities of various descriptions that must be contemplated give cause for anxiety as to the means of securing a proper balance of income and expenditure in the immediate future. The uncertainties of the exchange are such that it is impossible to frame any really trustworthy forecast of the burdens it may throw upon us; and, although the subject will continue to receive the serious consideration of the Secretary of State in Council, I am unable to see any present means of removing this difficulty, or of mitigating it. The obligation on your Excellency's Government to enforce every practicable economy, and to avoid every fresh cause of expenditure that is not inevitable, is in these circumstances most pressing. I confidently trust, therefore, that your Government will be able, before the commencement of the next financial year, in reviewing your position, to find the means of preparing the estimates for that year on a basis that shall bring the expenditure satisfactorily within the available income, and leave a substantial

* [In these figures exchange is included.]

	£
Sutlej Bridge	239,550
Sind-Sagar Railway	1,127,578
Sind-Pishin Railway	1,081,816
Bolan Railway	4,600
Kandahar reserve material	188,800
„ „ rolling stock	486,400
Reserves:—	
Kwaja-Amran Extension	200,000
Punjab Northern gradient improvements	40,000
Sind-Pishin, Northern section	100,000
Crossing Amran to Frontier	150,000
Bombay and Aden Defences	441,700
	4,060,444

surplus, while the outlay of borrowed money is strictly limited to the amount which has been recognised as that beyond which this class of expenditure cannot be safely carried.

No. 15.

EXTRACT from DESPATCH to the GOVERNMENT of INDIA, February 10th, 1887, No. 58 (Financial).

It is only necessary for me to observe generally that the responsibility rests with your Government, as a whole, for seeing that suitable arrangements are made for carrying on, in the most economical manner possible, the public works sanctioned for the development of the country, both as regards the extent to which new projects should be entered upon and the appropriation of available funds to works in progress, subject to the limits prescribed and the rules laid down regarding expenditure on such objects, and especially to those general financial considerations which must always be paramount, and in reference to which the matured views of the Financial Member of your Council should obviously on all occasions carry special weight. I trust that the spirit of the instructions which have been from time to time given relative to the expenditure on public works, particularly in the despatches noted below,* will be cordially accepted by your Excellency's Government, and enforced in all departments of the Service.

No. 16.

EXTRACT from LETTER from the GOVERNMENT OF INDIA, dated March 15th, 1887, No. 65 (Financial).

We have the honour to acknowledge the receipt of Lord Kimberley's Financial Despatch, No. 216, dated the 29th July 1886, reviewing the Revised Estimates for 1885-6 and the Budget Estimates for 1886-7.

* * * * *

With regard to the increase in the ordinary public works expenditure in the group of buildings and roads referred to in paragraph 35, it will be observed that such expenditure occurs partly under military and partly under civil works. The increase under military works in the present instance is due to special causes, viz., the occupation of Upper Burma, the rendition of Morar to Scindia, and the need for providing accommodation for the troops added to the strength of the army in India. It is covered by the payment of 150,000*l.* by Scindia on account of the Morar Cantonment, and this amount should be deducted in comparing the estimate of expenditure with the actual expenditure of previous years.

We would invite special attention, however, to Statement A., which is appended. From this it will appear that the item is lower than it was 10 years ago, and shows no greater fluctuations from year to year than might reasonably be expected in the varying circumstances and emergencies which from time to time arise.

As regards the expenditure on civil works, we solicit a re-perusal of the remarks in paragraph 21 of the Secretary of State's Despatch, No. 183 (Financial), of 28th June 1883, and of the reply made to them by the Honourable Sir Evelyn Baring and Mr. Barbour, in the documents referred to below,† which were concurred in by the Government of India. The misapprehensions likely to arise from arguments based wholly on increase of expenditure and on comparisons between groups of recent and anterior years were demonstrated in a special note by Mr. Barbour, which formed Appendix I. to the Despatch No. 234.

Your Lordship will probably, however, desire from us a more specific explanation in reply to paragraph 35. The purport of this paragraph we understand to be, that after deducting 300,000*l.* of special grants for frontier roads and Upper Burma, the outlay on ordinary public works is nearly 800,000*l.* larger than the average of the five years ending in 1881-2; that this outlay is not swollen by exchange; that it is peculiarly under the control of the Local Administrations; that it has been reduced compared with three or four years ago; and that stringent orders should issue to carry the reductions further. We will examine these points in succession, with the aid of the analytical Statement A. already referred to.

The first point we would explain is that the outlay is not, as it is supposed to be, peculiarly under the control of the Local Administrations. They have no concern in about three-fifths of it, which will be seen from the following abstract of the aggregate figures given in the paragraph to be partly under the Imperial Military and Civil, and partly under the Local Boards' control. What the Provincial Governments do control is the sum allotted to them for expenditure under the terms of their contracts, which cannot be curtailed (except under abnormal exigency) without a breach of faith. The portion appertaining to Local Boards is mostly placed by law under the control of those bodies. No reduction in it would have any appreciable effect on our finances.

	Total of Twelve Years.	Percentage.
	£	
Military Works - -	12,976,508	22·60
Civil Works, Imperial -	5,309,218	9·24
„ Provincial -	21,278,657	37·04
„ Local - -	16,564,324	28·83
„ England and Exchange.	1,317,734	2·29
Totals - -	57,446,446	100·00

The next point to which attention may be called is that a comparison with the five years selected can give no useful result, since they were co-incident with the Bombay-Madras famine and the Afghan war, during which outlay under this head was much reduced by both the accumulation of balances and the debit to "Famine Relief" of charges which would otherwise have appeared under it. The return to normal outlay and the expenditure of accumulations necessarily caused an increase which from this cause was apparent, and not real. The depletion of those accumulations again produced a reduction to the eye which was not really economy.

A further consideration which cannot be ignored is, that the India of to-day is not the average India of a period terminating five years ago. Not merely do our greater population and increased commerce, means of locomotion, &c., require enlarged accommodation in the way of post offices, telegraphs, court-houses, jails, schools, dispensaries, feeder roads, &c., but every permanent addition to these facilities involves a new permanent current charge for its maintenance.

Heads and Sub-heads.	Average 1875-76 and 1876-77.	Budget 1886-87.	Budget 1886-87 Normalised.
	£	£	£
Military Works -	1,270,030	1,255,367	1,005,367
Civil Works, Imperial.	301,007	621,000	321,000
Civil Works, Provincial.	1,511,382	1,952,800	1,770,000
Civil Works, Local	1,434,535	1,617,100	1,617,100
„ England.	92,677	77,300	77,300
Civil Works, Exchange.	12,925	25,767	25,767
Total -	3,352,527	4,293,967	3,811,167
Grand Total -	4,622,557	5,449,334	4,816,534

* Despatches to India:—7th August, 1884, No. 237 (Financial); 27th November 1884, No. 148 (Railway); 30th April, 1885, No. 112 (Financial); 27th August 1885, No. 239 (Financial).

† 1. Despatch No. 233 (Financial), dated 24th August 1883, paragraphs 26 to 29. Sir Evelyn Baring's minute appended to above, paragraphs 58 to 92.

2. Despatch No. 234 (Financial), dated 24th August 1883, forwarding Sir Evelyn Baring's minute. *See* paragraph 33.

Despatch No. 234 (Financial), dated 24th August 1883, forwarding Sir Evelyn Baring's minute. Appendix II., paragraphs 314 to 323.

That the Budget of this year for ordinary public works should show a larger total than an average struck between five and ten years ago need not, therefore, cause surprise. Although much reliance should not, in our opinion, be placed on contrasts with periods differently circumstanced from our own, we may invite a study of the above table, deduced from Statement A., in which the Budget figures of this year, normalised by the exclusion of the three special items named in paragraph 35, viz., barracks for extra European troops, frontier roads and Upper Burma civil works, and also of estimated outlay from Provincial balances, are contrasted with the average of 1875–76 and 1876–77. Although those two years are low, owing to the complicated effect of the famines in Bengal, Madras, and Bombay, the aggregate of 1886–87 touches them within 133,157*l.*, while the excesses of provincial and local outlay are only 197,918*l.* and 182,565*l.* respectively. Regarding these last, it is noticeable that the provincial outlay which is under our control has increased in no greater ratio than the local, which is not, and in so far as this test may be adopted, it would serve to show that the provinces, in devoting their available revenues to this amount of expenditure, have not exceeded what the needs of the country justified, in view of the resources at their command.

Again, if the special grants of 200,000*l.* for frontier roads, and 100,000*l.* for Upper Burma, be deducted, the present expenditure on Imperial civil works in India is reduced to 321,000*l.*, a figure which is almost the same as the average expenditure of the years 1877–78 to 1879–80, when this item of expenditure was kept as low as possible in view of the financial difficulties of that time.

Local expenditure being thus met from local resources, there is, in our opinion, no special reason why we should attempt to impose restrictions on it so long as local bodies have sufficient resources at their command to meet the expenditure which they propose to incur. Similar remarks, subject of course to the amount of revenue left at the disposition of Provincial Governments, apply to provincial expenditure on civil works. One of the chief inducements that Provincial Goverments have towards good administration of their finances is that by this means they can obtain funds for useful expenditure on public works and otherwise. From Statement A. it will be seen that since 1877–78 the increase of provincial and local expenditure accounts for 904,930*l.* of the total increase. It cannot be expected, nor is it desirable, that there should be any large reduction in purely local expenditure, but the contribution of 400,000*l.* obtained this year from Provincial Governments, and the probable reduction in their resources of about 500,000*l.* yearly, which will result from the investigations of the Finance Committee, will necessarily lead to a material reduction of provincial public works expenditure in future years.

The inconclusive nature of comparisons between groups of recent and anterior years has been alluded to in paragraph 7 of this despatch. This is further illustrated by that of the two groups 1877–78 to 1881–82 and 1882–83 to 1885–86, which are presented in paragraph 35—one group being distinguished by famine, war, and accumulation of revenue deposits, and the other by the opposite characteristics. How very materially the provincial and local balances influence and vitiate such comparisons may be gathered from a study of Statement B. appended. It will show, for instance, that the supposition already mentioned in paragraph 10 that there have been reductions compared with three or four years ago is mistaken. A contrast less open to objection, though still unsatisfactory, may be obtained by taking (from Statement A.), as above, an average of the whole 12 years cited in paragraph 35, so that ephemeral peculiarities may neutralise each other as far as possible. This does not indicate, we venture to submit, any undue growth of controllable outlay or any extravagance at the present time. If, moreover, we were to consider, per contra, the revenue arising from some of the works undertaken and of the Departments served, such as the Post Office and Telegraph, the percentage of outlay would be an annually diminishing one.

	Average 1875–76 to 1886–87.	Budget 1886–87 Normalised.
	£	£
Military Works - -	1,081,376	1,005,367
Civil Works, Imperial -	442,435	321,000
„ Provincial -	1,773,222	1,709,200
„ Local -	1,380,360	1,617,100
„ England -	90,608	77,300
„ Exchange -	19,203	25,767
Total Civil Works -	3,705,828	3,750,367
Grand Total - -	4,787,204	4,755,734

Passing from all such broad contrasts, we desire to remark that a careful scrutiny of the details of expenditure can alone convey a just appreciation of the course of administration in the matter of ordinary public works. We may point out, as an illustration of the value of averages, that the Civil Imperial item for 1883-84 was more than doubled by the transfer to this head, from that of "Productive Public Works," of a book item of 533,070*l.*, capital outlay on the Madras harbour. We believe that the result of such a scrutiny would be to justify the administration during the period under review, and to show that it might be charged as much with undue parsimony, in the face of the growing material needs of the Empire, as with extravagance.

Referring to the discrepancy in the figures of the military estimates pointed out in paragraph 37, we beg to explain that the figures in paragraph 473 of Part II. of the Financial Statement are those finally adopted on receipt of the telegraphic corrections in the Home Treasury estimates, while those quoted in the despatch under reply are the figures of the original Home Treasury estimates.

Your Lordship's 39th and 40th paragraphs deal with the subject of contributions from the Provincial Governments in case of emergency. The withdrawal of 400,000*l.* from Provincial balances last year is approved, and a hope is expressed that some means may be devised by which those Governments may be called upon, in such case, "to contribute a proportionate "share towards meeting the necessities of the Empire "according to some established principle." Remarks of somewhat similar tenor are to be found in your Lordship's Despatch, No. 367 (Financial), dated 10th December 1885.

With regard to this point we beg to refer to our resolution, No. 458 (Finance and Commerce) dated the 28th ultimo, which explains the principles on which we have regulated the relations of the Imperial and Provincial Governments in respect of the Provincial contracts.

In revising the contracts we considered whether it would be possible to devise some such form of words as would not interfere with the satisfactory working of the provincial arrangements. But the terms of the new contracts are such that, in all probability, a smaller margin than that accruing under previous arrangements will be left to the Local Governments. The matter referred to us by your Lordship is not likely to lead to practical difficulties in the case of contracts based upon such detailed inquiries and estimates as have this year been made.

With reference to paragraph 41 of the despatch, we beg to state that we would have provided for a surplus of 500,000*l.* if it had been possible to do so without imposing further taxation; but that it was considered inexpedient to have recourse to taxation for this purpose, and that in the uncertainty of our position caused by exchange (alluded to in paragraph 52 of the despatch), the provision of such a surplus in the Budget, however useful as a precautionary measure, presents no longer any guarantee as to securing a surplus on the year's accounts.

The 42nd paragraph of the despatch under reply contains a description of the capital outlay arrangements of the current year, which would seem to indicate an impression that the Public Works Department has received more than has actually been the case. It may be mentioned that the remarks which we have to make in respect of capital outlay referring as

they do to 1886-87 and the immediate preceding years, are put forward with entire reserve as to the question submitted to your Lordship in our Despatch, No. 47, dated 22nd February 1887. It is necessary to point out that the loan limit of 350 lakhs fixed for "the construction of public works" was originally assigned with reference to the needs of railways and irrigation only. The amount by which this limit is said to have been exceeded is swelled by 39 lakhs for frontier and coast defences, an item which has never been charged to it until the current year. We append an account (Statement C.) from 1882-3 showing that on 31st March 1886 there was a balance of loan funds in favour of railways and irrigation amounting to Rs. 55,23,835, and that in the current year the extra grant (irrespective of the temporary special provision for the Mandalay Railway) is only 131 lakhs, of which Rs. 68,68,245 will be provided without borrowing, by the Mysore refund, as contemplated in our Despatch, No. 264 (Financial), of 22nd September 1885. If the unexpended balance of Rs. 40,23,835 be set off against this grant, as it reasonably may be, the net extra amount for the year is reduced to Rs. 90,76,165.

Taking the current year alone, it is possible that this outlay on railways may appear to some to be excessive. It is, therefore, important to mark the fact that in the whole five years up to the end of the present year the excess of grant over the normal amount sanctioned by the Secretary of State after reference to two Parliamentary Committees has been only 155½ lakhs. The

	Rs.
Extra grant - - -	64,71,966
,, - - -	48,06,755
Mysore refund - -	68,68,245
Extra grant - - -	14,25,000
	1,95,71,966
Deduct balance on account -	40,23,835
Net extra grant -	Rs. 1,55,48,131

whole of this excess is due to increased activity in prosecuting the frontier railways, caused by the war anticipations of 1885, and nearly half of it has been provided by the Mysore Railway refund which accrued without resort to the money market. This activity has received the entire concurrence and active support of successive Secretaries of State, as the following instances will show:—

In Despatch No. 148 R., of 27th November 1884, it is said—

"I desire to express, not merely my general concurrence in its adoption, but my hope that it* will be completed within the four years over which your Excellency proposes to spread the expenditure."

And, again, in the same despatch—

"The course I am of opinion should be pursued is that the frontier communications should be completed with the utmost speed consistent with economy of construction."

In his Military Despatch of 15th October 1885, the Secretary of State says:—

"With respect to the roads, railways, and bridges, &c. &c. &c., I have only to express my earnest desire that they may be pressed forward with such energy as to ensure their completion within the period estimated by your Government, viz., the end of the year 1887-88."

And again, in Despatch No. 367 (Financial) of 10th December 1885, in which Lord Randolph Churchill reviews the programme of railway expenditure for 1886-87, his Lordship says:—

"Large as is the amount of expenditure thus contemplated in 1886-87, I will not withhold my sanction from your Excellency's proposal to obtain the funds from borrowed money, such a course being, in my opinion, rendered necessary for the protection of the country against the risks of war and famine."

* The scheme of frontier communications.

—	Actuals. 1883-84.	Actuals. 1884-85.	Actuals. 1885-86.	Budget. 1886-87.	Grant as it stands, Jan. 1887.
	Lakhs.	Lakhs.	Lakhs.	Lakhs.	Lakhs.
Frontier lines - -	6,69	81,34	316,97	202,86	327,26
Mandalay extension -	—	—	—	—	20,00
Other lines in progress	227,57	219,24	129,40*	95,84	101,44
Open lines - -	109,87	128,41	101,50	78,55	64,45
Stores and working capital.	3,94	8,32	1,00	8,60	8,33
Reserve - - -	—	—	—	4,76	1,84
Total - -	348,07	437,31	548,87	463,41	506,66

* Against this expenditure there was a credit on account of the India Midland refund of 46,75 lakhs.

The extreme extent to which expenditure on other railways has been reduced in order to meet these orders and the obvious necessities of the case in respect of frontier lines, is shown by the marginal table from which exchange is excluded.

The 49th paragraph of the despatch is devoted to the analysis of the loan funds outlay for the current year, which is extracted marginally, adding the figures exclusive of exchange, so as to obtain comparisons with

—		Current Year's Outlay.	Excluding Exchange.
		£	£
Railways, irrigation, and defences		5,368,800	5,217,100
Advances to municipalities - -		897,600	897,600
Railways of guaranteed companies.		3,162,000	3,162,000
Total - - -		9,928,400	9,276,700
Deduct, paid from revenue famine insurance grant.	£ 748,500	—	748,500
,, Ordinary surplus	182,200	—	469,500
		930,700	279,000
Balance to be raised - -		£8,997,700	£8,997,700

past years. It is remarked that 8,997,700*l.* is "obtained by borrowing in some form or other." And in the next paragraph it is added that—

"However important it is to develop the resources "of the country, I cannot think it desirable, in present "circumstances, that the credit of the State should be "so largely used for promoting objects not of absolute "or urgent necessity;" and "it is specially necessary "to be cautious in increasing permanent liabilities "when borrowing in rupee securities is so difficult and "the continued fall in exchange has so greatly enhanced "the burden of sterling obligations."

Your Lordship's comments, to which we have drawn attention, might be held to point to the conclusion that the outlay to which they refer was abnormal in amount, and was devoted to objects which are not of urgent necessity; and that the Government of India was alone responsible for incurring the expenditure in question, which was largely unremunerative. It is desirable to make a few remarks on this aspect of the subject.

In the first place, it may be remarked that the figures quoted in the last paragraph are unsuitable for the purpose of comparison with former years in respect of the liabilities incurred during the year on account of Public Works. The entry for "Railways of Guaranteed Companies" is a net figure, arrived at as shown below:—

	£	£
Subscribed capital received - - - -		2,060,500
Net expenditure—		
Gross - - - -	5,449,000	
Less refunds - - -	1,684,700	
		3,764,300
		1,703,800
Net withdrawals—		
Paid for discharge of debentures - -		1,458,200
Figure given in despatch - -		3,162,000

The subscribed capital may indeed be termed a "form of borrowing," but the discharge of debentures is a reduction of liability. These guaranteed railway accounts are, in reality, mere drawing accounts, and a large withdrawal in one year is counterbalanced by the advantage of using surplus deposits in another; thus, there was a surplus of 3,848,600*l.* in 1885–86 against the debit of 3,162,000*l.* in this year.

Again, in the calculations of paragraph 45 of the despatch under consideration, we observe that the reduction of 4,098,700*l.* in the balance is regarded as a form of borrowing, although it is clear that the balances may have been strengthened by the excess deposits of guaranteed railways in former years.

We append a statement (D.) which may, perhaps, show the whole position more clearly. The "Balance to be raised for Public Works," and the actual borrowings, are the items requiring chief attention.

It will be observed, in the first place, that when the effects of what we have termed the drawing accounts are practically eliminated, the amount to be raised for Public Works in 1886–87 is only 4,938,100*l.* instead of 8,997,700*l.*, as might otherwise be inferred from the method of stating the account adopted in paragraph 49 of the despatch, coupled with the remarks next following.* Secondly, the amount actually borrowed in 1886–87 compares favourably, if due allowance be made for the exigencies of frontier defence, and the special grants on that account, with the average amounts borrowed annually in earlier years as far back as 1859–60.

As to the bulk of the outlay shown in the statement, which is for State railways and irrigation, we would invite perusal of paragraphs 7 to 11 of our Despatch, No. 269. Financial, dated 24th September 1883, in which it was shown that the outlay then advocated (which differed comparatively little from the present normal sanction) was less in amount, and far less less burdensome, than the outlay which was thought necessary 25 years ago, when the country and finances were in a far less advanced and flourishing state. Adopting and supplementing the figures there given, we obtain the contrasts of annual figures, given below, which necessarily exclude exchange:—

ANNUAL AVERAGES.

——	1859–60 to 1863–64.	1864–65 to 1867–68.	1868–69 to 1873–74.	1874–75 to 1883–84.	1884–85 to 1886–87.	Revised Estimate 1885–86.	Budget Estimate 1886–87.
	£	£	£	£	£	£	£
Railways, guaranteed and subsidised.	6,394,277	6,044,225	2,675,679	1,041,901	3,042,983	3,166,000	3,764,300
State - - -	—	(*a*) 594	934,256	(*b*)2,928,711	(*b*) 3,950,918	(*b*) 4,346,900	(*b*)4,127,100
Irrigation and Navigation.	—	(*a*) 219,255	1,024,684	971,086	672,165	617,100	700,000
Total State - -	6,394,277	219,849	1,958,940	3,899,797	4,623,083	4,964,000	4,827,100
Grand Total -	6,394,277	6,264,074	4,634,619	4,941,698	7,666,066	8,130,000	8,591,400

(*a*) Outlay for 1867–68 only.

(*b*) Exclude debt incurred in purchase of guaranteed railways.

Regarding the necessity for the above outlay, the passages to which we have referred in the preceding paragraph 20 might be supplemented by others specifically recognising the importance and urgency of protective work, especially railways, which is admitted on all sides, and the execution of which on the lines from time to time advocated by us is delayed, not because they are not needed, but from pressure on our finances. That capital outlay on open lines is unavoidable needs no demonstration. We need scarcely add that not one of the great works in hand has been undertaken without the Secretary of State's previous sanction.

The remaining point is that of dead weight. It is shown in paragraph 8 of the Despatch, No. 269 F. of 1883, already referred to, that at the time when the large loans, at a high rate of interest, were raised in past days the railways were a heavy and progressive loss to the State. In 1863–64 this loss amounted to 1,634,634. Now the case is very different, as shown in the appended statement, E., and summarised below,* where the figures given in enclosure No. 3 to the above despatch are revised and carried on down to the present time. The broad result is a gain of 4,239,600*l.* in the seven years, which exchange converts into a loss of 5,066,424*l.*, as detailed in Statement F. Statement F., however, puts the case in the most unfavourable light, for it includes under the head of State Railways the interest on all the capital for the time locked up unproductively in unopened lines in progress. This interest is estimated in the Budget of the current year for both State railways proper and subsidised lines such as the Southern Mahratta, the Indian Midland, and the Bengal Central, at 709,438*l.* excluding exchange, or 821,538*l.* including that item. It will be noticed in Statement F. that it is the old guaranteed lines which drag down the amount. As their contracts fall in, and the lines in hand are opened, a far better result will be attained. In any case, the improvement on earlier years is, of course, unaffected, and the fact remains that the railways are bringing in a large and annually increasing return.

We also append a statement (G) for 1885–86, showing that the open State railways, including exchange and indirect charges earned 5·53 per cent., and that the temporarily unproductive capital outlay on state lines proper in progress amounted to about 7½ crores of rupees. Even when allowance is made for the cost of remitting to England such portion of the net earnings as is due for interest on capital raised in sterling, the return is 5·39 per cent.

In view of such results of our investments, coupled with the fact that our credit is so good that sterling loans can readily be obtained at about 3½ per cent., there would seem to be no impropriety in borrowing for really urgent needs, as we do unless in accordance with the contention which we are well aware will not be endorsed by your Lordship that loans are an absolute evil, irrespectively of the results they may produce.

In paragraph 50 of the despatch it is stated, with respect to State outlay on railways and defensive works, that "so far as estimates have yet been sanctioned it is anticipated that only 275 lakhs will remain unspent after 31st March 1887." This statement is based on the last column in Appendix C., at page 43 of the Financial Statement. We would point out that the figures in Appendix C. shew that on the estimates not worked up to there remains a balance to spend of 330·6 lakhs and to add that this larger figure may be exceeded.

	£
* 1880–81	31,151
1881–82	938,572
1882–83	247,762
1883–84	903,443
1884–85	460,431
1885–86	1,181,341
1886–87 (revised)	476,900

	£
* 1867–68 to 1883–84	3,477,800
1884–85 to 1886–87	4,273,651
1885–86 alone	6,190,900
1886–87 alone	4,899,000

No. 17.

EXTRACT from DESPATCH to the Government of INDIA, dated August 18th, 1887, No. 215 (Financial).

Although, in my despatch* above mentioned, regarding the expenditure on the construction of railways, I have drawn attention to the very serious change that has occurred in the financial position in recent years, I cannot on the present occasion refrain from comment on some of the chief points. The following table shows since 1881–82 the provision made from revenue for insurance against famine and construction of railways, and the surplus over expenditure if such charges had been excluded, the special transactions connected with the Military operations in Afghanistan and Egypt in the earlier years being also omitted:—

—	1881–82.	1882–83.	1883–84.	1884–85.	1885–86.	1886–87. Revised.	1887–88. Budget.
Famine Insurance:—	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Construction of Protective Railways.	682,403	— *133,129*	649,248	946,457	589,000	200,000	
Interest on capital raised by Indian Midland and Bengal-Nagpore Railway Companies (charged under Railway Revenue Account).	—	—	-	—	—	152,000	228,000
Construction of Protective Irrigation Works.	135,449	263,443	283,223	253,046	186,807	111,300	92,500
Reduction of Debt -	715,151	1,343,555	581,137	341,504	683,498	—	—
Total - -	1,533,003	1,473,869	1,513,608	1,541,007	1,459,305	463,300	320,500
Construction of Railways charged against Revenue, in addition to that under Famine Insurance (excluding outlay from Provincial Balances, so far as shown in the Accounts).	512,655	480,923	— *176,295*	172,825	500,000	—	—
	2,045,658	1,954,792	1,337,313	1,713,832	1,959,305	463,300	320,500
Surplus (excluding Military Operations in Afghanistan and Egypt).	2,107,769	1,301,991	1,931,213	— *383,586*	—*2,801,726*	60,073	16,700
Virtual Surplus, available for Famine Insurance and Railway Construction.	4,153,427	3,256,783	3,268,526	1,330,246	— *842,421*	523,373	337,200

The remissions of taxation and other advantages conferred on the people by the measures announced in the financial statement for 1882–83 were estimated to cost Rx. 2,886,000, which approximately accounts for the reduction of the "virtual surplus" between 1881–82 and 1884–85. The year 1885–86 was abnormal, owing to the heavy temporary outlay on military preparations; but, apart from this, your letter of the 22nd of February last, No. 47, assumed the position at the beginning of that year to have been one of equilibrium, after providing Rx. 1,500,000 for expenditure on famine insurance. It is, therefore, necessary to examine the statements carefully, in order to see to what causes the alteration of the position is due; and for this purpose the most convenient figures are those of the net revenue and expenditure, for the year 1884–85 and for the current year, which are as follows:—

—	1884-85.	Budget, 1887-88.	Increase.
	Rx.	Rx.	Rx.
Net revenue - -	41,521,000	44,478,000	2,957,000
Net expenditure - -	41,905,000	44,461,000	2,556,000
Surplus or deficit -	— *384,000*	17,000	Improvement 401,000

Of the increase of Rx. 2,957,000 in the net revenue, Rx. 405,000 is attributable to Upper Burma, and the remainder is distributed among the several heads in the manner shown below.† In the net expenditure, Upper Burma accounts for Rx. 2,176,000, so that, apart from this, the increase is only Rx. 380,000; but,

† —	Improvement since 1884–85.
	Rx.
Land Revenue - - -	482,000
Opium (chiefly reduction of expenditure).	538,000
Salt - - - -	73,000
Stamps - - -	65,000
Excise - - -	196,000
Provincial rates - -	171,000
Customs - - -	199,000
Assessed Taxes -	868,000
Forests - - - -	53,000
	Rx. 2,645,000
Assignments and Compensations -	93,000
	Rx. 2,552,000

as the allotment under famine relief and insurance is reduced by Rx. 1,453,000, there is a sum of Rx. 1,833,000 to be explained in other ways. Foremost among the causes of this deterioration must be placed the fall in exchange, which involves a charge in 1887–88 of

* August 18, 1887, No. 216 (Financial).

Rx. 2,055,000* more than that which was borne in 1884–85 (excluding, on the one hand, an additional receipt of Rx. 353,000 on the capital transactions of railways, &c., and, on the other hand, the additional charge of Rx. 252,600 under Army for the pay of the British troops). Next comes the permanent increase of the Army, the net payments for which (apart from Burma) have risen in India by Rx. 1,147,000, while there is a temporary reduction of 159,000*l.* in the sterling charge. Further, the payments in England on the railway revenue account are heavier by 535,000*l.*, apart from exchange, while the receipts in India are better by Rx. 815,000. The following, then, is a summary of the variations between the Accounts for 1884–85 and the Budget for 1887–88:—

* Distribution of Exchange.

	Increase since 1884-85.
	Rx.
Railway Revenue Account	818,000
Army	443,000
Interest	346,000
Civil Superannuation	241,000
Other heads	207,000
	Rx. 2,055,000

	Worse since 1884–85.
	Rx.
Exchange	2,055,000
Upper Burmah (net charge)	1,771,000
Army (excluding Exchange)	988,000
Railways, sterling payments	535,000
	Rx. 5,349,000

	Better since 1884–85.
	Rx.
Land Revenue	482,000
Assessed Taxes	868,000
Opium	538,000
Railway receipts in India	815,000
Other sources of Revenue	664,000
Other sources of Expenditure	462,000
Provincial Adjustments	468,000
	Rx. 4,297,000
Net worse	Rx. 1,052,000

This has been met by reducing the provision for famine relief and insurance to the extent of Rx. 1,453,000, thereby making the balance of revenue and expenditure better by Rx. 401,000.

This result has been attained by not only absorbing almost the whole of the provision made for famine insurance, but by also appropriating as much as possible of the provincial resources. It is in this respect that I feel some anxiety regarding the recent arrangements with the Local Governments for the next five years, of which a description is given in the financial statement of your Government. The suggestion made by Lord Kimberley, in the 40th paragraph of his despatch of the 29th of July 1886, No. 216, was that, in making the new arrangements, some means should be devised "by which, in the case of emergency, "the Local Governments may be called upon to "contribute a proportionate share towards meeting "the necessities of the empire, according to some "established principle." In your financial statement, however, it is observed that it has been proved by experience that the only means by which the Government of India, in a time of emergency, has been enabled to obtain help from the Provincial Governments, has been by adjusting its demand according to the power of each Government to pay; and, as this is an inequitable arrangement, the pressure falling on those only who happen to have balances in hand, and as you consider that the necessity of applying to Local Governments during the term of the current contract is inconsistent with that sense of security which is essential, you deem it a lesser evil that large balances should not accrue, than that the accumulation of large balances should expose provincial finances to claims for contributions. You have, accordingly, in the new arrangements, so apportioned the increase of revenue as, while leaving to the Provincial Governments a fair share thereof, to lessen the probability of their being called upon for exceptional assistance.

Of the right of your Government to call on the Provincial Governments to take a larger share in the general burdens, there can be no question; and I doubt not that you have, after careful examination, adopted the plan which, for the present, seems the most suitable for effecting the desired object. I must, however, point out that you have given up, to a great extent, your first reserve of the grant for famine insurance, and that, by lessening the power of the Provincial Governments to render assistance if requisite, you also relinquish your second reserve of aid from the provincial balances.

Before passing from this subject, I desire to comment on one or two expressions in the financial statement which seem open to criticism. The closing words of paragraph 53 appear to imply that a Provincial Government may, in any year, withdraw the whole of its surplus balances, provided only that it has estimated to do so in its Budget. It appears to me that, in a case in which a Local Government has accumulated considerable balances, a very large expenditure in one year beyond its income might be injudicious on the part of the Provincial Governments, and might even expose your Government to difficulty, and that you ought to possess the right of regulating in some degree the rate of expenditure of the balances accumulated. At the end of the 67th paragraph a suggestion is thrown out that it may be practicable to make the agreements in future for a longer term than five years. Considering the important alterations which it has been found desirable to introduce on each occasion of revision, and the fact that it is only through such alterations that any additional assistance is in future to be given by the Local Governments to the Supreme Governments, I am of opinion that in no case should the period of five years be exceeded.

* * * * *

It is, nevertheless, highly important to consider, in good time, what arrangements can be made for the provision of an adequate surplus in 1888–89. In that year, the payments in connection with the sterling debt will be reduced by only about 30,000*l.*; since, besides the charges otherwise occurring, there will be the interest for a fifth quarter on 5,300,000*l.* On the other hand, you will, as it would seem from the 81st pargraph of the financial statement, have to meet upwards of Rx. 300,000 for the permanent military expenditure; and your power of doing so, without the imposition of additional taxation, will probably be greatly dependent on the extent to which the net charge now incurred in Upper Burma may be capable of reduction. In any case, I must desire that, apart altogether from the addition to the expenditure caused by the special Defence Works, a proper margin shall be provided to meet the consequences of a fall in exchange, or any other contingency.

No. 18.

DESPATCH to the GOVERNMENT OF INDIA, August 18th, 1887, No. 216 (Financial).

I have considered in Council your Excellency's Letter, dated the 18th of April, No 75 (Railway), forwarding a programme of the outlay which you propose to incur on State Railways during 1887–88, an analysis of which, under main heads, gives the following result:—

	Rx.
Frontier lines	1,304,000
Burma extension	1,095,000
Protective lines	454,800
Assam-Behar Railway	191,970
Bezwada Junction with the Nizam's Railway	140,400
Open line capital	818,540
Stores and working capital, including reserve	288,190
Surveys	1,300
Total	Rx. 4,294,200

2. To meet this expenditure, your Government consider the following sums to be available:—

	Rs.
Amount entered in forcast forwarded to the Secretary of State with Finance Letter, No. 264, dated 22nd September 1885, and approved in Despatch, No. 367, of 10th December 1885 - -	2,69,50,000
Contribution by the Government of the North-western Provinces and Oudh, from surplus provincial balances, for outlay on the Bareilly-Pilibhit State Railway during 1887–88 - -	20,000
Estimated outlay on the Toungoo-Mandalay Extension of the Burma State Railway (*vide* Letter, No. 148 (Railway), dated 20th September 1886, to the Secretary of State - -	1,00,00,000
Outlay on the railway from Bezwada to the Hyderabad frontier during 1886-87, which will be paid for in 1887-88 - - - -	2,75,000
Addition on account of proposed short outlay by military department on special defence works - - -	15,50,000
	3,87,95,000
Exchange debitable to the capital accounts of railways - -	41,47,000
Total as before -	Rs. 4,29,42,000

3. The whole of this amount of upwards of 429 lacs of rupees is to be provided from borrowed money, and, as appears from your financial statement, is in addition to 70 lacs that are to be supplied in like manner for works of irrigation. The total of about 5 crores of rupees is so much in excess of the sum of 3½ crores which your Government have been authorised to borrow for public works in any one year, that I have felt it to be necessary to consider carefully whether so large an expenditure is compatible with the exigencies of the present financial position, and how far the sums which you hold to be available for meeting it may be properly regarded as applicable to the purpose.

4. Anxious as I am to extend, as fast as practicable, the construction of railways, whether for the defence of the north-west frontier or the extension of such communications in Burma, for the protection of the country from famine, or for the promotion of the commercial and industrial progress of the country, I cannot but think that there appears to have been some misapprehension on the part of your Government as to the scope and intention of orders on the previous forecasts of expenditure submitted to the Secretary of State in Council, as your proposals so greatly exceed the limit of 350 lacs, which, at a much more favourable time, was fixed as the maximum that it would be prudent to borrow in any one year for public works.

5. In replying on the 27th of November 1884 to the letters of the Government of India, No. 25 (Secret), and No. 150 (Railway), dated the 22nd and 29th of September 1884, explaining their views in regard to railway construction, including the system of railways and other works designed for the defence of the north-west frontier, Lord Kimberley observed that "the "rapidity with which the works necessary for these "purposes shall be constructed must manifestly depend "on financial considerations;" and he directed that the frontier communications and defences should be completed as speedily as was consistent with economy of construction, their cost being defrayed as far as possible from revenue, and only from borrowed money when the revenue should prove insufficient; and, in view of the urgency of the requirements, he consented to the extension of the maximum amount of borrowing for public works in any one year, from 250 to 350 lacs of rupees, that being, in his opinion, "the extreme "limit to which it is prudent to pledge our resources for such purposes," a point on which he subsequently enlarged in another Despatch, dated the 30th of April 1885, No. 112 (Financial).

6. In a letter of the 22nd of September 1885, No. 264, your Government, feeling the urgent necessity for pressing on the frontier railways, combined with the importance of not discontinuing the famine lines which had been already begun, which called for an expenditure in excess of the limit of borrowing that had previously been prescribed, made proposals for meeting a total outlay of 2,643¼ lacs to be expended on railways in the following five years, of which 877½ lacs were needed for frontier lines, 538¼ lacs for protective lines in progress, 447½ lacs for similar lines not to be begun till 1888–89, and 780 lacs for lines under agreement with companies, open lines, and stores and working capital. Lord Randolph Churchill, in his reply, dated the 10th of December 1885, No. 367 (Financial), assented to the proposal that 456 lacs should be provided by borrowing, in 1886–87, for railways, irrigation, and defensive works; and he at the same time agreed that, for the next five years, any interest becoming payable to guaranteed companies formed for the purpose of constructing the special railways which had been designed by your Government as essential for the protection of the country against famine might be treated as a deduction from the allotment annually made for famine insurance. In other respects he gave no opinion on the proposals relating to years subsequent to 1886–87.

7. Turning now to the actual progress recently made in railway construction, I find that, on the 31st of March 1884, the number of miles of open railway was 10,832¼, while the sanctioned mileage was 14,290. The length open on the 31st of March 1887 appears from the Administration Report for 1886–87 to have been 13,390 miles, and that sanctioned to have been 16,596. Thus the addition made in the three years to the open mileage was 2,558; and a further length of 2,306 miles has been sanctioned, of which 627 are comprised in the military defence system, 987 miles have been alloted to companies, and 692 are being constructed by the Government, by Native States, or from provincial revenues. These results cannot be regarded as unsatisfactory.

8. Next I find that the annual average capital outlay, combining that by the Government and by companies guaranteed or subsidized by the Government, was stated in the Report of the Select Committee to have been 4,370,000*l.* (conventional sterling) from 1874–75 to 1878–79, and 4,845,000*l.* from 1879–80 to 1883–84. According to the manner in which the accounts and estimates are now stated so as to include exchange on capital outlay in England, the figures for the years from 1874–75 to 1887–88 would be those given below,

	1874–75 to 1878–79.	1879–80 to 1883–84.	1884–85 to 1887–88.
	Rx.	Rx.	Rx.
State Railways -	3,449,989	3,946,496	5,149,648
Companies Lines -	1,192,344	1,267,140	4,112,534
Total - Rx.	4,642,333	5,213,636	9,262,182

showing an increase from Rx. 4,642,333 in the first period, and Rx. 5,213,636 in the second, to no less than Rx. 9,262,182 as the average for the four years from 1884–85 to 1887–88, including the lines* which are being constructed by Native States, or without a guarantee from the Government. Thus it appears that in the period of five years the average rate of expenditure for these objects has been very nearly double what it was between 1874 and 1879, and that the financial liability arising from this outlay is borne by the revenues of India as completely as though the whole of the funds had been directly borrowed by the State.

9. As regards the financial position generally, the Budget for 1884–85 showed a surplus of Rx. 319,300, after providing Rx. 1,750,000 for famine insurance, so that virtually there was, according to that estimate, a surplus of Rx. 2,069,300 available for expenditure on public works or reduction of debt, if not needed for other purposes. The actual accounts were not so favourable; but the surplus of revenue over other expenditure was still in that year Rx. 1,330,246.

10. Viewing the expenditure of 1885–86 as having been to a large extent of a temporary and exceptional character, in connexion with the Quetta Field Force and the Burma Expedition, your letter of the 22nd of

* Bengal and North-Western.
West of India Portuguese.
Nizam's.
Mysore.
Jodhpore,
Wadhwan-Morvi.

February last, No. 47, refers to the commencement of 1885–86 as a time when your finances were in a state of equilibrium, and the Budget for that year showed a surplus of revenue over other expenditure amounting to Rx. 2,631,600, or about Rx. 1,300,000 better than the accounts of the previous year.

11. But in that letter your Excellency reports that the expenditure has since been increased by Rx. 1,500,000 for the permanent augmentation of the Army, and Rx. 1,200,000 for the military and civil charges in Upper Burma, to which must be added Rx. 2,000,000 on account of exchange.* Against this total of Rx. 4,700,000 may be set Rx. 800,000 from the imposition of the Income Tax, Rx. 1,000,000 from increased net railway receipts, and Rx. 500,000 from reduction of expenditure, or Rx. 2,300,000 in all; so that the financial position for the present year is worse than it was two years ago by Rx. 2,400,000, and consequently there is no surplus revenue available for the construction of public works, either under Famine Insurance or otherwise, nor for the reduction of the usual loan, and, on the contrary, even the moderate surplus of Rx. 231,600,† to which the above figures would lead, is not likely to be realized.

12. I now turn to a consideration of the proposals that you have made for the allotment of borrowed money to the Public Works Department in the present year. You commence with a sum of 269½ lacs, which is said to be the amount entered in the forecast approved by Lord Randolph Churchill. I have pointed out that his Lordship did not approve the forecast, or sanction the proposed expenditure, as respects the years subsequent to 1886–7. That forecast was based on the supposition that it would be practicable to allot to the railways and special defences 280 lacs of borrowed money, and 50 lacs of revenue from the Famine Insurance Grant; but, excepting the payments of interest to the Indian-Midland and the Bengal-Nagpur Railway Companies, which in 1887–88 require Rx. 228,000, you have not been able to make any provision from revenue for these purposes. To the above-mentioned sum of 269½ lacs, you add 100 lacs for the Toungoo-Mandalay Railway, regarding which you were informed in Lord Kimberley's Despatch of the 29th July 1886, No. 216, that the funds must, if possible, be found by the postponement of operations on other lines of railway, or of some other expenditure not equally urgent, and no authority was conveyed for providing for the outlay by any special addition to the sum to be borrowed. As to the 15½ lacs which will not be required for the Special Defence Works, and which you have regarded as applicable to railway construction, I must observe that a reduction of such expenditure affords no justification for an increase on the proposed outlay on railways. The two small sums of Rs. 275,000 and Rs. 20,000 call for no comment.

13. To the total of these amounts, Rs. 3,87,95,000, you add Rs. 41,47,000 on account of exchange on the English expenditure. In Lord Kimberley's Despatch of the 29th of July 1886, No. 216, it was recognised that, for comparison with the sum of 350 lacs authorised as outlay from borrowed funds in the old form of account, it was necessary now to add the exchange; and, therefore, I do not object to a suitable increase of the amount now to be authorised. In future, however, I desire that, whatever sum may be recognised as the limit of borrowing for such works, it shall be considered to include the exchange, for otherwise the anomalous and dangerous position will arise that, in proportion as the value of the rupee measured in gold falls, the amount to be borrowed for public works will increase.

14. A consideration of all the circumstances to which I have referred has satisfied me that while, on the one hand, very satisfactory progress has been made, and an unusually large expenditure undertaken for railway construction during the last few years, on the other hand the important surplus of revenue which had been available for Famine Insurance, and for meeting unforeseen charges, has entirely disappeared, that additional taxation has already been necessary, and that the prospect of the imposition of further charges cannot be disregarded. The conclusion has therefore been forced upon me that some reduction must be made in the outlay which you comtemplate, and as regards the current year, the amount available from borrowed funds should be taken as follows :—

	Rs.
Authorized annual outlay for railways and irrigation works - -	3,50,00,000
Bareilly-Philibhit Railway -	20,000
Bezwada Line - - - - -	2,75,000
Exchange, say - - - -	40,00,000
	Rs. 3,92,95,000

or say 400 lacs, as compared with the sum of Rs. 4,99,42,000 proposed in the Budget; and I have accordingly to request that the estimated expenditure on railways and irrigation works this year, not provided from revenue, may be so revised as to reduce the amount of outlay to four crores of rupees. I will not attempt to apportion between railways and irrigation, or to the various works, the sum by which the estimates must be reduced; but I feel convinced that, without interfering with the progress of what may be essential for military or political purposes, or stopping works actually in hand, your Government will be able to curtail to the necessary extent the outlay proposed on other works, additions to or improvements of the open lines, on stores, or on irrigation, or by postponement of work to a future year.

15. I must fully recognise the very great value of the railways constructed in India, and the important development of the resources of the country to which they have so largely contributed. No less strongly do I feel the obligation to do all in my power to facilitate and expedite their extension within the limits of what is financially possible. I trust, therefore, that the pressure which has led me most reluctantly to require some reduction of the proposed expenditure in the present year may at no distant date be relieved, and that the early completion of those lines of communication which are of most pressing necessity will, before long, admit of the prosecution of others which must for a time be postponed.

16. I shall, moreover, continue to hope that the sustained evidence of the generally satisfactory financial results of railway working in India may induce capitalists to invest in these undertakings without a Government guarantee. The Government of India will always afford every facility to *bonâ fide* investors, but its power to accept financial responsibilities in connection with such enterprise is obviously limited, and it cannot be expected to carry out every railway that may be shown to be useful, at its own risk or through its own agency. I would also add that, now that the main lines of communication throughout British India are either completed or in a fair way towards completion, I should welcome any measures that led to the gradual addition of shorter and less costly branch lines, on any appropriate gauge, which would serve to supply more fully the means of cheap transport, and its attendant benefits, to all parts of the country.

17. With regard to the proposed railways in the south of India, which were mentioned in Sir Auckland Colvin's minute, and in your letter of the 22nd of February, No. 47, I have now before me your subsequent letters of the 16th of May, Nos. 94 and 95 (Railway), suggesting that negociations should be opened with the Southern Mahratta and South Indian Railway Companies, for the purpose of taking over these lines; and I have caused communications to be addressed to these companies on the subject.

18. I have not on the present occasion taken into consideration the outlay on Special Defences, as I shall await a reply to my before-mentioned Despatch of the 12th of May last, in the Military Department. It was explained in my Despatch of the 31st of March, No. 103 (Financial), paragraph 11, that such expenditure was in future to be included in the expenditure on military works chargeable against revenue; but I am aware that, as this may involve a deficit on the year, the money may have to be supplied by borrowing.

	Rx.
* Exchange at 1*s.* 5½*d.* on 14,632,100*l.* = - -	5,434,743
Exchange at 1*s.* 5½*d.* on 14,632,100 in 1884-85 = - -	3,426,424
Increase - - -	Rx. 2,008,319

	Rx.	Rx.
† Budget of 1885-86: Surplus of Revenue over Expenditure, excluding Famine Insurance and Construction of Railways -		2,631,600
Alterations: Worse - - - - -	4,700,000	
Better - - - - -	2,300,000	
		2,400,000
Apparent surplus - -		Rx. 231,600

19. As it is important that you should be informed of my decision regarding the outlay on railways in the present year at as early a date as possible, I addressed to your Excellency, on the 10th instant, the following telegram :—

"Proposed outlay on railways and irrigation works from borrowed money so greatly exceeds authorized limit that, without delaying progress of works essential for military or political purposes, or stopping works actually in hand, outlay proposed on other works, additions to or improvements of open lines, on stores, or in irrigation, must be revised, with view to reduction by one crore. Despatch follows."

No. 19.

LETTER from the GOVERNMENT OF INDIA, June 18th, 1887, No. 153 (Financial).

We have the honour to forward, for your Lordship's information, ten copies of the Volumes I. and II. of the Report of the Finance Committee appointed under our Resolution, No. 649, dated 10th February 1886, and of a third volume, being the Report of the Finance Commissioner appointed under our Resolution, No. 4821, dated 24th December 1886.

2. The first of these volumes contains the proposals of the Finance Committee with reference to provincial contracts. These we have for the most part disposed of, and we forward, for your Lordship's information, three copies of a volume containing the successive resolutions which establish the new provincial contracts.

3. We enclose also copy of a resolution issued by us in the "Gazette of India" of June 4th, 1887, in which we recorded our acknowledgment of the services of the Finance Committee.

No. 2952.

GOVERNMENT OF INDIA.

DEPARTMENT OF FINANCE AND COMMERCE.

Salaries, Establishments, &c.—Administration.

RESOLUTION.

Simla, the 3rd June 1887.

The Finance Committee, appointed by Resolution No. 649, dated 10th February 1886, to inquire into public expenditure has submitted its report to the Government of India. The Report of the Financial Commissioner with the Government of India who, when the Finance Committee was dissolved, was nominated by Government Resolution, No. 4821 of the 24th December 1886, to bring to a conclusion certain enquiries, has also been submitted.

The recommendations contained in these reports are for the most part now under the consideration of the Government and will continue for a considerable time to occupy its attention, but the Government does not desire to delay acknowledgment of the labours of the Finance Committee and of the Financial Commissioner until its examination of their reports has been concluded.

The researches of the Committee have already resulted in an increase of over 50 lakhs of rupees to imperial revenues on the revision of the provincial contracts, an increase which it is believed will be obtained without injury to provincial finances. This result has been attained entirely by the judgment and industry of those members of the Committee who were deputed to work out the basis of the new provincial contracts, with the assistance of the local members nominated by the several Provincial Governments to consult with them. The notes which have been recorded by Sir Charles Elliott and his colleagues, Mr. Westland, Colonel Filgate, and Mr. Bliss, will prove of the greatest assistance to the several Local Governments during the ensuing five years, and at the next revision of the contracts will furnish an invaluable standard of comparison. They have thrown light upon the administration of provincial finance which it had never received before, and have placed it in the power of Provincial Governments to introduce extensive economies into their administration without prejudice to its efficiency. This result alone would have entitled the Finance Committee to the best thanks of the Government. It is not possible at present to say what may be the result of the decisions taken on the various other matters submitted for the consideration of the Government of India, in connection with its own expenditure. Questions of policy are necessarily in many cases involved which may over-ride considerations of economy; but in all departments with which they have dealt the Commission have examined the details of administration in a manner which, so far as the considerations referred to do not intervene, will enable the Government to deal with their recommendations without difficulty or delay. The Government desires to return to Sir Charles Elliott, and to the various members of the Committee, but more especially to the members charged with the duty of reporting on the provincial finances, its thanks and acknowledgments for the admirable manner in which they have carried out the instructions conveyed to them. The best thanks of the Government are also due to the officers who successively represented the Provincial Governments on the Committee. The objects which the Government had in view in appointing the Committee have been entirely fulfilled. Nothing but the most untiring industry, guided by great experience and sound judgment, could have ensured the completion of these enquiries and the preparation of these reports within the comparatively brief space of one year. The reports are, and must for a time remain, of a confidential nature, dealing as they do with a variety of questions the public discussion of which would prove at present inconvenient; but at a later stage, when the views of the Secretary of State have been obtained, his Excellency in Council will consider what steps should be taken towards their publication.

Ordered, that a copy of this Resolution be communicated to each of the following members of the Finance Committee :—

President :

Sir C. A. ELLIOTT, K.C.S.I.

Members :

Honourable Mr. JUSTICE CUNNINGHAM.
Sir W. W. HUNTER, K.C.S.I.
Honourable RAO BAHADUR MAHADEO GOVIND RANADE, C.I.E.
Mr. J. WESTLAND, C.S.
Lieutenant-Colonel A. J. FILGATE, R.E.
Mr. H. W. BLISS, C.S.
Mr. ROBERT HARDIE.

C. J. WEIR,
Officiating Under Secretary to the Government of India.

No. 20.

DESPATCH to the GOVERNMENT OF INDIA, September 8th, 1887, No. 234 (Financial).

I have considered in Council your Excellency's letter, dated the 18th of June, No. 153, forwarding copies of the Reports of the Finance Committee appointed by your Government last year, and of the Finance Commissioner, who, with two other members, carried on the work, after the greater portion of the Committee had terminated their labours.

2. I concur in the opinion expressed in your Excellency's Resolution of the 3rd of June last, as to the value of the various notes recorded by Sir Charles Elliott and his colleagues, whose recommendations have already resulted in an increase to Imperial revenues, and as to the manner in which the Committee discharged the onerous task entrusted to them.

3. I shall await with much interest the opinion of your Government on the several subjects treated in the reports; and, until the receipt of the proposals

which in many cases you will, doubtless, think it right to make, with the view of attaining the economy contemplated by the Committee, I refrain from commenting in detail on the matters with which the report deals.

No. 21.

DESPATCH to the GOVERNMENT OF INDIA, September 8th, 1887, No. 235 (Financial).

In your Excellency's letter, dated the 15th of March, No. 65, you reply to certain observations made by the Earl of Kimberley, when reviewing the Financial Statement of 1886.

2. It is unnecessary for me to discuss the arguments which it contains in detail. They are valid as a defence of an outlay on objects of public utility at a time when there is a surplus of revenue available, but they do not affect Lord Kimberley's contention that, when the pressure on your finances renders economy essential, it is incumbent on all the local administrations to restrict such expenditure within the narrowest limits consistent with efficiency. And, considering the financial position of the present year to be even less satisfactory than in 1886, I desire that every effort may be made to prevent avoidable outlay in the Public Works Department.

3. Paragraphs 17 and 18 of your Excellency's letter refer to the subject of the arrangements with the Provincial Governments, which have been dealt with in your Financial Statement for the year.

4. The remaining portion of the letter contains many interesting observations regarding the outlay in the construction of public works from borrowed money, on which it is needless for me to make any comments, as in another Despatch (No. 216, dated 18th August 1887), I have addressed your Government on the subject at some length.

No. 22.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, April 12th, 1888, No. 98 (Financial).

Your Excellency was undoubtedly right in desiring that the fresh burdens placed on the country should be as light as was consistent with financial prudence; but, at the same time, I fear that the measures now adopted will not in themselves be sufficient to restore your finances to a condition that can be considered satisfactory. Even with the additional taxation now imposed, your Government estimate that, excluding the Special Defence Works, your surplus will be little more than Rx. 500,000; and this, under existing circumstances, is clearly an insufficient margin between revenue and expenditure.

In the very careful estimate which was laid by Mr. Westland, in 1884, before the Select Committee on Railways in India, he reckoned on a normal increase of the revenue by Rx. 360,000, and of the expenditure by Rx. 96,000, per annum, or a net yearly improvement of Rx. 264,000, apart from the railway revenue account and exchange. As regards the ordinary transactions, the accuracy of that forecast has, on the whole, been justified; although the revenue from Salt and Customs has recovered less rapidly than he anticipated, the improvement in Land Revenue and Provincial Rates has exceeded the Estimate, and, apart from the Income Tax, the net revenue has improved by Rx. 391,775 per annum; and, while the charges for Law and Justice, Police, Marine, and Buildings and Roads, have been heavier than was foreseen, there has been a considerable reduction under Post Office, Telegraph, and Mint, and the net expenditure has altogether increased by Rx. 145,625 a year. Thus the annual improvement has been Rx. 246,150, as compared with Rx. 264,000 above mentioned. In the Railway Revenue Account an improvement of Rx. 150,000 a year was anticipated, which in four years would have given an increase of Rx. 600,000; the increase, according to the Budget of 1887–88, was Rx. 675,500, but this estimate is now reduced to Rx. 275,500.

Mr. Westland's figures would, then, have presented the following position at the end of the four years:—

			Rx.
Normal surplus in 1883–84 - - -			479,700
		Rx.	
Annual improvement: Revenue		360,000	
Railways		150,000	
		510,000	
Less, increase of expenditure -		96,000	
		414,000 × 4 =	1,656,000
			2,135,700
and, allowing for the fall of ¼d. a year in exchange, or Rx. 220,000 a year - - -			=880,000
there would have been a surplus in 1887–88 of - - - - -			Rx. 1,255,700

The result, according to the Budget for 1887–88 is as follows:—

			Rx.
Normal surplus, as above - - -			479,700
		Rx.	
Annual improvement: Revenue		391,775	
Railways		168,875	
		560,650	
Less, increase of Expenditure -		145,625	
		415,025 × 4 =	1,660,100
			2,139,800
Fall in exchange at an average of ½d. a year -			1,853,400
			286,400
Additional Revenue from Income Tax -			864,400
Expenditure reduced under Famine Insurance - - - - -			1,330,500
			2,481,300
		Rx.	
Increase of charge for Interest -		566,000	
,, ,, Army -		887,700	
,, ,, Upper Burma (net) - - - -		1,770,500	
			3,224,200
showing a deficiency of - - -			742,900
which is converted, by the payment from Provincial Balances, of - - -			759,600
into a surplus of - - - -			Rx. 16,700

The deterioration from the Budget amounting to Rx. 1,420,000, and the imposition of fresh taxation to the extent of Rx. 1,925,000, bring the surplus to the present estimate of a little more than Rx. 500,000.

* * * * *

The expenditure on railways has been heavily increased owing to a combination of circumstances. The military and political necessities rendered imperative the construction of a great system of strategic lines on the North-West frontier, and the extension of railways in Burma; and the importance of taking all practicable measures to avert or mitigate the consequences of famine was thought to render desirable the early completion of the programme laid down for the protection of the country. There can, however, be little doubt that the construction of railways generally would not have been carried on so rapidly if the present financial position had been foreseen; and great caution will be required in adding to the liabilities which are now pressing on the Government on this account.

I will next refer to the question of the home charges. Your Excellency is aware that in 1879 this subject was specially investigated, with the view of effecting any reductions that might be found possible. So large a portion, however, of the payments in this country, such as the interests on debt, superannuations, and contributions under agreements for a series of years, is practically beyond my control, that very little effect can be produced in this direction. I have, however, made a very careful examination of the subject, with reference to the growth of these charges in the last six years, and I find the following result, on a comparison of the accounts of 1882–83 (excluding the charges

connected with the expedition to Egypt) with the Budget estimate for 1888–89 :—

The charge for interest and management of debt is increased by 120,648*l.*; but, excluding in both years exceptional charges, and supposing the conversion of the 4 per cent. stock to have been completed, there is a reduction of 38,800*l.*, notwithstanding that the principal of the debt has been increased by 7,440,000*l.*

Under the head of railway revenue account there is an increase of 727,168*l.*, of which 641,929*l.* is due to the payments made to companies formed in recent years. There can be no doubt that further capital will have to be raised, and consequently a further annual charge to be incurred, before their lines are completed, and even then additions to the capital outlay will continue to be necessary.

For the India Office, the charge has been reduced by 967*l.*

For the Civil Administration in India, the payments on account of the various Departments, the Postal, Telegraph, Marine, Political, and various miscellaneous charges, have been reduced by 61,709*l.*

In the army effective charges there is an increase of 101,551*l.*, caused partly by the augmentation of the force in India, and still more by the growing amount of the deferred pay, while the cost of passage has been largely reduced.

Excluding the sum of 78,302*l.* for frontier railways in 1882–83, which are no longer debited to revenue, the payments for stores show an increase of no less than 371,002*l.*, of which 313,876*l.* is in those for the Army.

The furlough pay has increased by 21,938*l.*, and the Civil Superannuation by 227,854*l.*, of which 203,766*l.*, is due to the Government having taken over the Civil Funds. There is, however, a certain set-off to this in the Indian charges, owing to the discontinuance of the contributions and interest paid by the Government to these funds.

The non-effective Army charges are, on the whole, less by 212,734*l.*, owing to the alteration in the system of paying for the share of pensions of British officers and soldiers who have served in India. There has been an increase of 291,496*l.* in the retired pay and pensions of officers of the Indian Army.

The final result is to show an increase of 1,216,449*l.* in the six years, of which considerably more than half (727,168*l.*) occurs in the railway revenue account, 292,700*l.* in stores, and 120,648*l.* in interest, leaving only 75,933*l.* under other heads. Some further increase must be anticipated in the deferred pay and non-effective charges, and in the interest due to the railway companies, and I can see little hope of a material reduction in other respects; but there appears to be no reason to anticipate any rapid addition to the sterling payments, if borrowing in England and guarantees to railway companies are avoided.

Besides the general obligation to reduce the home charges so far as may be possible, the continued fall in the gold value of silver, which has added enormously to the burden that they throw upon your Government, affords a strong additional incentive in the same direction. The reduction in the sterling value of the rupee from 1*s.* 7½*d.* in 1882–83 to 1*s.* 5*d.* estimated in my Despatch of the 5th of January, No. 7, for 1888–89, would have added more than 2½ crores to the cost of remittance, if the sterling expenditure had been unaltered; and, according to the latter rate, the total expense of defraying the home charges in 1888–89 would exceed that of 1882–83 by Rx. 4,269,347. The figures already given in paragraph 3 show that the revised amounts under exchange for the current year and for 1884–85 respectively are Rx. 6,154,000 and Rx. 3,364,000, showing an increase of Rx. 2,790,000, to which I fear that it is not impossible that a further large sum may have to be added, if the fall of exchange that has occurred within the last few weeks is maintained. If, unfortunately, a recovery does not take place, the whole of the surplus estimated by your Government in January will have been lost, and further additions to your resources will become necessary. What measures the Government either in India or in England can adopt for the mitigation of this continually growing evil, which is a cause of the greatest anxiety to me, whether viewed financially or politically, I do not propose now to discuss, since it is necessary for me to reserve my opinion until the Royal Commission on Gold and Silver Currency have made their report. The question, however, is one the extreme gravity of which I fully appreciate, and your Excellency may rely on its receiving the earnest attention of Her Majesty's Government.

Under the head of Famine Insurance your Government may probably make, in the estimate for next year, a small allotment for Protective Irrigation Works; and the railway revenue account will include about Rx. 493,000 for the payment of interest to the Indian Midland and Bengal-Nagpur Railway Companies, which it has been arranged should be treated as a charge under the same head. But there is no longer any surplus of revenue from which these charges can be met, and they have to be added to the general expenditure of the year. Although the provision against the financial consequences of famine has been swept away, the obligation that rests upon the Government to protect the country from such a calamity is no less than in 1878, when the policy of providing a surplus to meet this liability was adopted. The grounds on which that policy rested have not been impugned; it was maintained until two years ago, and it is only under irresistible financial pressure that its operation has been suspended. During the past ten years India has had an almost uninterrupted succession of favourable seasons; but, judging from past experience, we must assume that the time is not far off when we may again have to meet a very large expenditure on account of the relief of distress from widespread scarcity. The necessity for maintaining a surplus revenue on this account is as great as ever. Considering, however, the extension of the railways, and the increased protection given to the people since the average annual charge for famine relief was estimated at Rx. 1,500,000, it would, perhaps, now be sufficient if Rx. 1,000,000 were annually provided on this account. I am of opinion that, when this has been accomplished, it may be better to revert of the original arrangements under which the whole of the famine surplus was to be applied to the reduction of existing debt or the diminution of borrowing. Until provision is made for meeting this liability, the financial position must be viewed as unsatisfactory.

* * * * *

For the reasons which I have stated, I think it necessary that you should take into your serious consideration the condition of the finances, since I cannot doubt that they require to be very considerably strengthened. In view of the various contingencies to which I have referred, it appears to me that the improvement which is needed cannot be estimated at less than from 1½ to 2 crores of rupees, and that, if that amount were provided, and no further fall in exchange were to occur, you would even then be hardly able to set aside the annual surplus of Rx. 1,000,000 as a provision against famine, together with a sum of Rx. 500,000, which has always been regarded as a necessary margin for contingencies.

In these circumstances, and with this prospect, the question of restoring the equilibrium of your finances becomes one of extreme difficulty. Although an increase of taxation, to keep pace with the growth of expenditure, may ultimately be the only resource left to the Government, there are great and manifest political reasons against accepting this necessity, until and unless no alternative has been proved to be possible. But the only possible alternative, when the new demands to be met are of paramount urgency and importance, is to provide the money, or some of it, by a reduction of the outlay allotted or available for purposes less absolutely and immediately necessary. Your Excellency is no doubt well acquainted with the course and tenor of the correspondence on the subject of reduction of expenditure, which has, since June 1883, been from time to time passing between the Secretary of State and the Government of India; so that I need not remind you that my predecessors, in communicating the grave apprehensions caused by the steady growth of expenditure in India, have consistently and continuously laid stress upon this view of the situation, and have impressed upon the Government of India their conviction that nothing but the strictest economy could long avert "the serious evil of imposing fresh taxation." That these apprehensions should have been already fulfilled is to me, as it will have been to your Excellency, a matter of extreme regret; and I cannot deny that it materially increases my anxiety for the future.

I do not propose to lengthen this despatch by even a brief recapitulation of the correspondence to which I have referred; but I may remind your Excellency that

one of the main issues discussed (but not conclusively determined) was whether the system of quinquennial provincial assignments could be so adapted or revised as to reserve to the Supreme Government some further power of exceptional control over provincial expenditure, and to provide some method of uniting provincial with Imperial resources against emergencies that must call out the whole financial strength of the Empire. The Government of India did not directly contest the principle, which the Secretary of State proposed to lay down, that, where the choice lay "between taxation of "an inexpedient nature, deficit, or a recourse to provincial revenues," some interference with the assignments was justifiable; but they were decidedly opposed to any such interference during the term of the assignments then current. And thus, although Lord Randolph Churchill recorded, in his Despatch of the 10th of December 1885, No. 367, a very decided opinion as to the duty of all parts of the Indian Administration to unite in measures necessary to the common welfare, the correspondence on this point terminated with an understanding that, in revising the provincial arrangements in 1887, care would be taken to provide for the contingency of financial emergencies.

The arrangements have since been revised for another period of five years; they transfer to the Government of India a substantial additional income, with a share in the increase, during that term, of the main provincial heads of revenue. And the Government of India have declared that "the obligations of "Provincial Governments in the event of severe famine "or abnormal disaster, as provided in the Resolution "of 1881, will continue to be enforced." The point, however, which I desire now to press upon your Excellency's attention, is that the contingency which was anticipated in the papers to which I have referred, of inexpedient taxation being forced upon the Government of India to meet inevitable expenditure, appears now to be approaching, if, indeed, it has not already occurred. It is my conviction that this position imposes the strongest obligation upon all departments, Imperial and provincial, to avoid or postpone such a contingency by the closest economy and retrenchment. And, since I do not doubt that this view has been adopted and will be effectively acted upon by the Government of India in regard to all departments under their direct control, it seems to me impossible that the large expenditure of the local governments should remain beyond the scope of this obligation, or exempt from its pressure.

The experience gained since the system of provincial assignments was introduced, appears to me to show that, great as the advantages resulting from that system have been, there is, in the form which it has now taken, a fundamental defect which it is necessary to remedy. In India the conception has acquired increasing strength, that the arrangements between the Imperial and Provincial Governments are in the nature of contracts or agreements entered into for a term of years, and that it is only in the event of what has been called "abnormal disaster" that any interference with those contracts by the Imperial Government is justifiable. Such a system, while it holds out no sufficient inducements to provincial economy, makes no due provision for meeting the constantly changing requirements of the Government of India.

Strong illustrations of the result of this system are seen at the present time. The existing financial difficulties affect the Imperial Government alone, while the Provincial Governments are virtually relieved from all responsibility. The Government of India is compelled to have recourse to fresh and, perhaps, objectionable taxation, and is even then unable to place its finances in a satisfactory position, at a time when the Provincial Governments are in no financial embarrassment. They possess, under the guarantee of the Government of India, an ample and increasing income, the amount of which they can assume will never fall below a certain sum; and, unlike the Government of India, the necessity for meeting serious demands for additional expenditure, over which they have no control, can hardly fall upon them. They are under no inducement to reduce expenditure, or to refrain from devoting their steadily increasing resources to administrative and other provincial improvements. The finances of India must be dealt with as a whole; and it is not reasonable that the Provincial Governments should bear no share of the most difficult part of the financial responsibilities of the Empire. Scales of income and expenditure liable to no modification for a term of years are impossible for the Imperial Government, and, consequently, cannot be suitable for the Provincial Governments. The latter should be expected to manage their finances, as the Government of India and other modern Governments are compelled to do, according to the varying requirements of the time; and among the obligations which they must recognise would always be the necessity of maintaining a proper equilibrium in Imperial finance. Nor can I avoid the conclusion based on recent experience, that the uncertainties affecting some of the existing sources of revenue, as well as the demands for further charges, are likely in the future to lead, more frequently than heretofore, to the necessity of readjustments of revenue and expenditure, and that increasing embarrassment can hardly fail to arise, so long as the responsibility for providing the means for such readjustments rests on the Supreme Government alone.

For these reasons, I am decidedly of opinion that some system should be arranged, by which the Government of India, as occasion demands, should announce to the Provincial Governments the extent to which in each case it had become necessary to modify the normal arrangements, in order to meet the requirements of the Imperial Treasury, and the Provincial Governments should reconsider and readjust their expenditure and revenue accordingly. In the event also of the Government of India at any time anticipating any serious addition to the expenditure or diminution of income, it should be in a position to require the Provincial Governments to place a limit on the extent to which their income or their accumulated balances should be engaged in large or permanent outlay, or to which new charges should be incurred.

In making these observations, it is not my intention to suggest any restriction of the powers and responsibilities of the Provincial Governments in administering their finances. On the contrary, I am satified that, for successful financial management and political progress, nothing is more important than the continued development of the principle of decentralization which has been already applied with so much advantage. But I think it desirable that your Excellency should review the financial relations between the Central and Provincial Governments, with the view of placing upon the latter a more complete obligation for bearing their due share of those Imperial liabilities from which, under the present system, they are exempt.

I have no doubt that, when these views are placed before the Provincial Governments, they will not fail to acquiesce in the necessity of their aiding the Imperial finances to the full extent of their respective capacities whenever occasion may require. To what extent the requisite help could, in any case, be given by reducing expenditure, and how far additional taxation may sometimes be unavoidable, is a question which you and the Provincial Governments are most competent to discuss. The only alternative to retrenchment is taxation, which obviously must fall upon the provinces. The Provincial Governments will, undoubtedly, prefer to co-operate with the Government of India in strenuous exertions to provide the necessary funds from the existing revenues, instead of raising them by an additional impost upon their provinces. Between diminishing the expenditure and increasing the taxes, the choice, where any is possible, will scarcely be doubtful.

It is, therefore, to the curtailment of all expenditure, both Imperial and Provincial, that can be postponed or discontinued, and to the employment of all available reserves, whether of income or of accumulated balances, that your Excellency and the Provincial Governments will, I trust, have recourse, in the first place, for providing against deficiencies.

No. 23.

LETTER from the GOVERNMENT OF INDIA.
July 21st 1888, No. 193 (Financial).

In the debate in the House of Commons on March 13th last, the Under-Secretary of State indicated that the attention of the Government of India would be drawn to the comments of Lord Randolph Churchill upon the increase of expenditure in India.

2. The portion of the noble Lord's speech to which we understand that attention was specially drawn was as follows:—

"I will first take the increased cost of administration quite apart from Public Works. I find that under the head of administration, which covers only a limited area, there has been an increase in 15 years, from 1870 to 1885, of 440,000*l.* In the administration of law and justice in the same period, the increase has been 403,000*l.*, and under the head of police, 399,000*l.* The total increased expenditure under these heads is, therefore, 1,242,000*l.* The medical services have increased during the 15 years by 301,000*l.*, the political agencies by 414,000*l.*, the miscellaneous civil charges 83,000*l.*, and other expenditure 1,685,000*l.* The total increase of expenditure between 1870 and 1885 has therefore been no less than 2,483,000*l.* I pass to another branch of expenditure. Superannuation has increased in 15 years by no less than 1,953,000*l.* Therefore, the total increase in 15 years of expenditure connected with administration is 5,668,000*l.* In addition to that, I add the increased cost of the collection of revenue in the same period. Under the head of land revenue there has been an increase of 1,118,000*l.*, and of opium 1,146,000*l.* The increased cost of the collection of salt revenue is 58,000*l.*, making the total increase in the cost of collection 2,322,000*l.* Adding together the total increased expenditure for administration purposes and collection of revenue, I find the increase has been no less than 7,990,000*l.* in 15 years. It is there that large economies may and must be made."

* * * "I find that in 1870 the land revenue only produced 744,000*l.* less than it produced in 1885, but the cost of collection has increased by 1,188,000*l.* The cost of collection has therefore increased to a much greater extent than the revenue itself. In 1870 the cost of collection was 10 per cent. of the total, but in 1885 it amounted to 15 per cent., while the increase in the land revenue itself is less than 5 per cent. Those figures deserve great attention. So it is with regard to opium. Between 1870 and 1885, the opium revenue has increased by 863,000*l.*, but the increased cost of collection has been 1,146,000*l.*"

Sir John Gorst said—

"He was sure he was expressing the sentiments of the noble Lord, the Secretary of State for India (Viscount Cross), when he said that the speech the noble Lord, the member for South Paddington, had made that evening would be most salutary to the Government of India. He did not wish to criticise the statements made in that speech."

3. We think it a matter for regret that Sir J. Gorst should have given an answer which implied that the Government of India was open to the charge of unnecessarily increasing its expenditure.

4. We have been unable to find the precise figures given by Lord Randolph Churchill, who, we observe, states that he derived them from the paper of a distinguished gentlemen read before the Society of Arts. The figures we have adopted as the foundation of the following remarks are those of the 20 years' accounts prepared under your Lordship's orders for the presentation to Parliament, and they differ materially from those quoted by Lord Randolph Churchill; for instance, the increase in land revenue receipts during the 15 years in question was Rx. 1,960,048 according to our accounts, but is stated by Lord Randolph Churchill to have been Rx. 744,000 only; and the increase of expenditure under the same head was Rx. 656,091 and not Rx. 1,118,000. As we have been unable to reconcile the discrepancies which appear between all his Lordship's figures and those of our accounts, we propose to confine our remarks to an explanation of the variations in the revenue and expenditure of the years 1870–71 and 1885–86 as exhibited in the two statements accompanying this despatch, which are extracted from the compilation mentioned above.

5. Your Lordship will observe that the total increase of expenditure as shown in statement B. was Rx. 22,080,615, of which Rx. 16,978,428 occurred in India, 1,465,570*l.* in England, and Rx. 3,636,617 under the head of exchange. As our present purpose is to refute the charge of extravagance in our Indian expenditure, we do not propose to enter into a very detailed explanation of the increase in England; the increase under exchange is of course due to the fall in the gold value of silver—a circumstance beyond the control of the Government of India.

The increase of expenditure in India may be distributed among the following classes:—

	Rx.
(1.) Civil Expenditure -	- 2,945,244
(2.) Famine Relief and Insurance	- 1,500,500
(3.) Public Works Expenditure	- 9,671,674
(4.) Army Services - -	- 2,697,785
(5.) Provincial Adjustment	- 163,725
Total -	Rx. 16,978,428

6. Short explanations will dispose of the last four items. No. 2, *Famine Relief and Insurance*, represents the fixed sum of Rx. 1,500,000, which it was decided under Lord Lytton's Government to appropriate every year to construction of protective works against future famine and in reduction of debt or borrowing, and was treated from the year 1881–82 as a part of the ordinary expenditure of the year. The increase in No. 3, *Public Works*, arises almost entirely from the extension of railways and irrigation works, the outlay on railways in India having risen from Rx. 241,056, in 1870–71 to Rx. 8,386,159 in 1885–86, or by Rx. 8,145,103; and that on irrigation from Rx. 852,626 to Rx. 2,303,157, or by Rx. 1,450,531.

7. We observe that Lord Randolph Churchill noticed with satisfaction the decrease in the net expenditure on railways and irrigation works in 1885–86 as compared with earlier years, and the figures below, which bring together the transactions in India and England, including exchange on these works, indicate the gradually diminishing burthen on the public revenues due to the construction and maintenance of railways. The real benefit due to the vigorous prosecution of irrigation works cannot be set forth in the public accounts. For instance, it is impossible to distribute, otherwise than arbitrarily the land revenue between land revenue proper and irrigation revenue.

RAILWAYS.

——	1870–71.	1885–86.	Increase.
	Rx.	Rx.	Rx.
Revenue - -	2,867,000	13,684,000	10,817,000
Expenditure -	4,810,000	15,048,000	10,238,000
Net Expenditure	1,943,000	1,364,000	*—579,000*

IRRIGATION.

——	1870–71.	1885–86.	Increase.
	Rx.	Rx.	Rx.
Revenue (including Land Revenue).	547,000	1,588,000	1,041,000
Expenditure -	906,000	2,304,000	1,398,000
Net Expenditure	359,000	716,000	357,000

8. We observe that attention was also called to the increase of expenditure upon public works under the head "Roads and Buildings." As this is a question rather of policy than of finance, we do not enter upon it here. Your Lordship is aware that the increase of railways in India would have been quite ineffectual as an opening of communications, if it had not been accompanied by a large development of the local District Board system for the application of local rates to the construction and maintenance of roads all over India. The matter has, however, been separately dealt with in our Public Works Department, and reported to your Lordship.

9. A considerable portion of the increase in Army expenditure in 1885–86 was due to causes which were peculiar to that year. The expenditure in India in 1885–86 was greatly in excess of the average ordinary expenditure of the preceding 10 years, and exceeded the Budget estimate of the year by Rx. 3,085,600. The increase represents the extra charges incurred in

connection with the preparations on the North-West frontier and the expedition to Burma. About Rx. 200,000 may be reckoned as a permanent increase of expenditure in India owing to the augmentation of the army; the rest was of a character which can only be classified as recurring in so far as the political complications which necessitate it are recurring.

10. The increase on account of the Provincial Adjustment represents a decrease, and not an increase of expenditure. It means that Provincial Governments saved Rx. 163,725 more in 1885–86 than in 1870–71, and this additional amount had therefore to be charged off by transfer to their balances.

11. We now turn to the important question of the increase in Civil expenditure, which was Rx. 2,945,244 in India, 717,083*l.* in England, and Rx. 1,354,901 in Exchange, or Rx. 5,017,228 altogether. The most convenient manner in which this large increase may be analysed and explained is to arrange the several items of expenditure into the following groups:—

(1.) Those which have not increased at all.
(2.) Those which have increased merely in proportion to the increase in the population and the resources of the country.
(3.) Those which have increased to a greater extent, the increases being caused by special circumstances requiring explanation.

We have followed this arrangement in contrasting the expenditure of the two years under the several heads of Civil Expenditure in Statement C. accompanying this despatch, in which the charges under India, England, and Exchange are set forth separately, but the following explanations apply almost entirely to the variations in Indian expenditure. The total increase or decrease of expenditure (including England and Exchange) is stated in each case, but only very marked increases of expenditure in England are noticed, while the increases due to the fall in Exchange obviously need no explanation.

12. The heads of expenditure which fall within the first category are:—

(1.) Interest.
(2.) Refunds and Drawbacks.
(3.) Stamps.
(4.) Excise.
(5.) Customs.
(6.) Assessed Taxes.
(7.) Marine.
(8.) Territorial and Political Pensions.
(9.) Miscellaneous.

The aggregate decrease of expenditure under these heads was Rx. 2,710,504, and was the result of a decrease in India of Rx. 3,427,575, and an increase in England and Exchange of Rx. 717,071. The greater part of the decrease is under the head of "Interest," and is due to the burden of ordinary debt, as distinguished from Railway and Irrigation debt, having largely decreased, notwithstanding the increase in the charge for Exchange. This head is also largely affected by the extinction of the Civil and Annuity Funds, the interest payable on the balances at credit of the Funds having ceased on the transfer of the Funds to Government.

The reduction of expenditure resulting thereby is however only nominal, as there is a corresponding increase under the head of *Superannuations*, where the whole of the amounts paid as annuities now appear.

13. Under the second category, the following heads of expenditure fall. The total increase of expenditure was Rx. 2,036,945 as detailed below, of which Rx. 1,808,059 occurred in India and Rx. 228,886 in England and Exchange:—

	Rx.
(1.) Forests	290,327
(2.) Registration	76,894
(3.) Post Office	467,098
(4.) Telegraph	358,006
(5.) Mint	50,922
(6.) Education	407,665
(7.) Ecclesiastical	9,816
(8.) Scientific and other Minor Departments	200,044
(9.) Civil Furlough and Absentee Allowances.	74,322
(10.) Stationery and Printing	101,851

Except in the case of classes (7) and (9) above, which appear only on the expenditure side of the account, and have together increased by Rx. 14,082 in India and 19,082*l.* in England, the growth of expenditure in each case has, to a greater or less extent, produced a corresponding increase of revenue, the increase being Rx. 1,803,266 in India and 15,121*l.* in England, against increased expenditure of Rx. 1,793,977 and 32,905*l.* respectively. It should, however, be explained that the Telegraph receipts were abnormally high in 1885–86, in consequence of the increased number of State messages caused by the occupation of Upper Burma and the Afghan Boundary Commission. On the other hand, the increase in Post Office revenue would compare more favourably with the increase in expenditure if the receipts on account of district dâks were shown under *Post Office*, where the corresponding charges, amounting to about Rx. 100,000, are debited, instead of under *Provincial Rates*. The expenditure under *Education* it is obviously unnecessary to defend; and the same may, to a large extent, be said of that charged under *Scientific and Minor Departments*.

14. Your Lordship will doubtless agree with us in thinking that, considering the nature of these services, the increase of revenue alone sufficiently justified the increase of expenditure referred to. It is indeed obvious that most of these Departments must necessarily and from the nature of things expand concurrently with the progress of the country in civilisation, population, and internal prosperity. Increased expenditure is, under such conditions, inevitable, and in some cases loss of revenue, as in the case of the Post Office, the policy under which that Department is administered being to surrender a portion of its increasing revenue by reduction of the charges made to the public for the services it renders. Some idea of the expansion of the services rendered by the Post Office, the Telegraph, and the Mint Departments, may be gained from the following statistics of the operations of those Departments in the two years under comparison; and similar evidence could be advanced to justify the increased cost of many other Departments of the Government of India:—

Post Office.

	1870–71.	1885–86.
Number of Imperial Post Offices.	2,743	6,849
Number of Imperial letter boxes.	1,597	9,056
Number of articles given out for delivery.	84,562,634	233,800,803

Telegraph.

	1870–71.	1885–86.
Number of circles	15	17
Number of signal offices open.	205	634
Length of telegraph wire — Line	14,016	27,510
Length of telegraph wire — Wire	23,360	81,667
Number of messages	548,605	2,292,842

Mint.

	1870–71.	1885–86.
	Rx.	Rx.
Net imports of silver	941,924	11,606,629
Silver received into the Mint	1,071,549	9,432,000
Value of silver coinage	1,718,197	10,285,566

15. The remaining heads of Civil Expenditure which fall into the third category are the following:—

(1.) Assignments and Compensations.
(2.) Land Revenue.
(3.) Opium.
(4.) Salt.

(5.) Provincial Rates.
(6.) General Administration.
(7.) Law and Justice.
(8.) Police.
(9.) Medical.
(10.) Political.
(11.) Superannuation.

The total increase amounted to Rx. 5,690,787, of which Rx. 4,564,760 was in India, 627,282*l.* in England, and Rx. 498,745*l.* in Exchange. The increase in England occurred chiefly under Superannuations, and partly under General Administration.

(1.) *Assignments and Compensations.*—The increase in this head (Rx. 532,312) dates from the year 1878–79, and for the most part represents the payments made to Native Princes when the Northern Customs line was abolished—a reform which conferred great benefits on the country. The arrangements under which these payments were made brought in a corresponding increase of revenue under salt.

(2.) *Land Revenue.*—The increase is Rx. 656,091, and arises chiefly in connexion with allowances to district and village officers, and is due to the following causes: (1) the acceptance, as a charge against General Revenues, of the cost of the Patwari Establishment in the North-Western Provinces, by the remission of Rx. 310,000 of special taxation, out of which, until 1882, these charges were met, and of the cost of the Oudh Patwari Establishment amounting to Rx. 85,000 which had previously been borne by the zemindars; (2) the regularisation and inclusion in the accounts of similar charges in other provinces which are met from local cesses, but were not, in the year 1870–71, included in the accounts. The local cesses referred to come in as increased revenue, partly under land revenue, and partly under provincial rates.

(3.) *Opium.*—The expenditure under this head, which has increased by Rx. 1,043,249, depends on the quantity of opium produced, which was 44,323 and 66,994 chests in 1870–71, and 1885–86 respectively. The charges recorded in the Finance and Revenue accounts of those years do not, however, exactly represent the cost of the opium produced in them, as the year of opium operations does not correspond with the financial year, but runs from September to August. The actual cost to Government of the opium produced in the two years was Rx. 1,570,234, and Rx. 2,695,776 respectively, being 35⅗ and 40½ per chest, or Rx. 20·5 and Rx. 22·2 per maund. This difference almost exactly corresponds to the increased price from Rs. 4–8 to Rs. 5 a seer which it was found necessary in 1880–81 to pay to the cultivators for the raw produce. At present, owing to a succession of favourable seasons, the reserve stock is so high, that we may be able to reduce the price again to Rs. 4–8, for the present at any rate.

(4.) *Salt.* — The increase is trifling, being only Rx. 10,672; but in stating the real increase in salt expenditure, the salt compensations (Rx. 299,135 in 1885–86) shown above under *Assignments and Compensations* should be taken into account.

(5.) *Provincial Rates.* — The increase is small (Rx. 41,119), and first appears in 1871–72, in which year the expenditure rose from Rx. 11,964 to Rx. 47,958, and has not since varied materially from the latter figure. The extra expenditure represents the cost of collection in Bengal of the District Road cess, the levy of which was first authorised by Bengal Act X. of 1871. The increased expenditure produces a very much larger increase of revenue, *i.e.*, Rx. 1,648,766 in 1885–86.

(6.) *General Administration.* — The increase in this head is Rx. 339,318, of which Rx. 227,263 is in India, and Rx. 112,055 in England and Exchange. A portion of the increase in India is not of a permanent nature, but is peculiar to the year 1885–86, on account of the extra expenditure connected with the Rawalpindi Durbar, Burma war, &c., which necessitated a large outlay on account of service telegrams, and also to a special expenditure of about Rx. 10,000 under tour expenses, and Rx. 20,000 under civil secretariats. The cost of the offices of account and audit has increased owing (1) to the creation of the Assam Comptroller's office; (2) reorganisation of the Financial Department in 1876 and 1880; (3) the appointment of Auditors-General in connection with the appropriation audit; and (4) to natural increase in most of the offices, and especially in the Public Works Department, owing to the ever increasing amount of public business, and to the vast extension of railway operations. The expenditure under Allowances to Presidency Banks increased as a consequence of the growth of the public debt and savings bank deposits, and that under local funds owing to the establishment of the newly constituted district local boards. Excluding these last and the special charges of 1885–86 on account of the Rawalpindi Durbar and the Burma war, the increase in 15 years (1870–71 to 1886) would not be more than 10 or 12 per cent. The expenditure in England was largely in excess of that for 1870–71, owing to increased expenditure on telegraph charges. A portion of the increase was also due to the fact that the cost of printing currency notes, for which there was a heavy demand in 1885–86, appeared prior to 1882–83 under *Stationery and Printing.*

(7.) *Law and Justice.* — Of the total increase of Rx. 411,659. the most important was under civil and sessions courts, and is due to demands for additional tribunals. The important changes were the reorganisation of the judicial service in Bengal and Burma in 1882–83, and in the Punjab in 1884–85. The net expenditure in India under law and justice, taking into account receipts from court fees credited under stamps, was Rx. 659,448 in 1870–71, and only Rx. 288,532 in 1885–6, thus showing a net decrease of Rx. 370,916 during the 15 years.

(8.) *Police.* — The increase under this head is Rx. 369,136, and is due chiefly to local Governments having taken over as a provincial charge the police charges previously borne by municipalities. A portion of the increase is nominal, as the municipalities have generally been required to undertake corresponding services charged under *Education* and *Medical.* There has been a large increase under State railway police, the obvious and inevitable consequence of extension of railways; and in local funds expenditure, principally on account of the village police in the North-Western Provinces and Burma; and the increase in expenditure (which is of the same nature as that connected with village land revenue officers, *see* clause (2) above) has been more than counterbalanced by increase in the receipts under provincial rates.

(9.) *Medical.*—The increase of Rx. 162,605 is mostly under local, and represents the extension of hospitals and dispensaries provided for under Local Rates Acts. The corresponding receipts occur under provincial rates; excluding local, the real increase from 1870–71 to 1885–6 in the net expenditure has been Rx. 28,975.

(10.) *Political.* — The increase in this head was Rx. 782,562, but the expenditure of 1885–86 was altogether abnormal, special charges amounting to Rx. 492,490 having been incurred therein on account of the Afghan Delimitation Commission. Special subsidy to the Amir of Afghanistan, Rawalpindi Durbar, the Gilgit Mission, and the supply of artillery to the Amir. The following charges, aggregating Rx. 248,890, also contributed to the increase over 1870–71:—Ordinary subsidy to the Amir, Rx. 139,643; refugees and State prisoners, chiefly the ex-Amir Ayub Khan, Hussein Khan, and other Kabul refugees, and the ex-King Theebaw, Rx. 43,744; and charges on the North-West Frontier, Rx. 65,503.

(11.) *Superannuation.*—Of the increase of Rx. 1,342,064, Rx. 265,535 occurred in India, and Rx. 1,076,529 in England and Exchange. Progressive increase under this head is inevitable, and can only be avoided by a complete reconstruction of the conditions of public service. It is obvious that there are grave administrative questions involved which make it difficult to deal in an arbitrary way with this class of infructuous expenditure. As explained in paragraph 12, a material portion of the increase is due to the change in accounting necessitated by the transfer of the annuity and civil funds to Government. Moreover, a very large share of this increase is not a real increase of expenditure. The balances of the civil service annuity funds were transferred to credit of Government in 1874–75, and those of the civil funds and Bombay City Police Superannuation Fund in 1882–83, and 1885–86. The aggregate amount so transferred was over Rx. 8,000,000. This sum was not credited as revenue, but as an extraordinary receipt outside the revenue account. But the accounts now record the full liability incurred in exchange for the relief afforded to the funds on their surrendering their claims to the balances at credit with Government.

16. We have thus shown, we trust to your Lordship's satisfaction, that some of the heads of expenditure in our accounts have not increased at all during the 15 years ending with 1885–86; that the increases in some others are inseparably connected, partly as cause, and partly as effect, with the natural growth of revenue; while the increases in the rest were inevitable, and due to the ever-increasing pressure of public business in a country whose progress during the period under consideration has been at a rate which has seldom been equalled The increase of expenditure in England, a country of comparatively stable conditions, has been from 67,777,657*l.* in 1870–71 to 92,223,844*l.* in 1885–86 (*vide* page 7 of Parliamentary "Statistical Abstract" of 1886); a rate of increase almost as great as that shown by India, one of the most rapidly progressive countries in the world.

17. The Government of India has been at all times most anxious to discover practical methods of reducing expenditure, and in illustration of this statement we may mention that special investigations have repeatedly been made with this object in view, and that quite recently a very strongly constituted Committee of experts was appointed for this purpose. The report of this—the Finance Committee—which was received in the early part of of last year has since engaged our anxious consideration. The proposals of the Committee have already been given full effect to so far as they related to the provincial contracts. The scale of necessary provincial expenditure was carefully scrutinised, and the assignments from general revenues to meet that expenditure were framed with reference to the reduced scale. Reduced provincial expenditure, resulting in corresponding relief to the general revenues of the Empire, was therefore an immediate and necessary result of the revision. The Committee further investigated the conditions of work and the constitution of almost every department of the administration, and, though we are yet quite unable to forecast the eventual savings that will result from their labours, we can confidently say that they will be considerable.

18. We have presented this analysis to your Lordship in order that it may be understood that we have lost no opportunity of revising and contracting our expenditure, wherever that has been possible without unduly paralysing the administration of the country. We have already, in view of the embarrassments due to the continued fall in gold value of silver and a diminishing opium revenue, been compelled with extreme reluctance to enhance the tax on a necessary of life, and under such conditions, it seems almost superfluous to assure your Lordship, and the audience to whom Lord Randolph Churchill's remarks were addressed, that the responsibilities and anxieties of the situation necessarily enforce upon us a continuous and acute stimulus to vigilance and economy in administration. On the assumption that all the services hitherto so charged are to continue to be charged to general revenues, we do not think that the administration can be conducted more economically than it has been conducted by the successive Governments since 1870. We trust your Lordship will accept the figures and explanations we have given, as proof that, though face to face with difficulties, which are almost unparalleled—difficulties, moreover, which are entirely due to influences absolutely beyond the power of the Government to control or direct—we and our predecessors have not unsuccessfully conducted the administration of this country on a system which, in its economical aspects, will compare favourably with that of any administration in the world.

No. 24.

DESPATCH to the GOVERNMENT OF INDIA, October 31st, 1888, No. 273 (Financial).

I have considered in Council your Excellency's letter, dated the 21st of July, No. 193, on the subject of the increase of Civil Expenditure in India.

2. The passage to which you take exception in the remarks of the Under Secretary of State, when separated from the rest of the speech delivered by him on the occasion referred to, does not accurately represent what he said. Lord Randolph Churchill professed to refer, in his observations, to a paper read before the Society of Arts; but it has been ascertained that the figures he quoted were taken from the article by Mr. Jeans in the Journal of the East India Association for April 1887. In reply, Sir John Gorst said that, having received no notice of Lord Randolph Churchill's intended criticism of expenditure, he could not at the moment fully answer the charge that there had been a considerable increase in the Civil Expenditure, but he could readily see that the two sets of figures did not admit of a fair comparison, owing to the change in the form of accounts, the inclusion of exchange in the later period, and other circumstances; but he added that the importance of restricting all avoidable expenditure was engaging the attention of the Government of India and the Secretary of State in Council, and that he did not doubt that the remarks made by Lord Randolph Churchill would strengthen the hands of those authorities in their efforts.

3. Your Excellency may, no doubt, have observed that, at page 14 of the Explanatory Memorandum, of which copies have been already forwarded to your Government in due course, Sir John Gorst has dealt with this subject, and has shown that the statements of Mr. Jeans were greatly exaggerated.

No. 25.

DESPATCH to the GOVERNMENT OF INDIA, May 30th, 1889, No. 121 (Financial).

With the letter from the Government of India, dated the 18th of June 1887, No. 153, I received copies of the three volumes containing the recommendations made by the Finance Committee and the Finance Commissioner for the reduction of expenditure in India; and, in acknowledging the receipt of that letter, I observed that I should await with interest the opinion of your Government on the several subjects treated in the Reports.

2. The first of those volumes dealt particularly with the agreements made with the Provincial Governments, and recommended a revision estimated to produce a gain to the general finances of the State amounting to Rx. 690,100. As a result of the consideration of these proposals by your Government, the agreements made in 1887 showed a resumption to Imperial from Provincial revenues of sums amounting in the aggregate to Rx. 640,100, of which, however, for special reasons, credit could be taken for only Rx. 490,000 in the Estimates for 1887–88.

3. The Committee made further suggestions calculated, in their opinion, to give an additional annual saving of Rx. 157,120 in the provincial expenditure; but I am not aware whether any of these have been adopted by the Local Governments, or whether you have passed orders on these details.

4. In the Imperial and Miscellaneous Departments, treated in the second volume of the Report, the Committee recommended various reductions, of which, so far as estimates were given by them, the following is a summary:—

	Rx.
Public Works Department - -	275,700
Allowances for hill stations - -	64,660
Ecclesiastical Department - -	31,000
Salt and Customs Department -	23,880
High Courts - - - -	18,400
Presidency and house rent allowances, &c. - - - -	12,100
Various - - - - -	11,720
	Rx. 437,460

5. The Report of the Finance Commissioner, which formed the third volume, took up the work which the Committee had been compelled to leave unfinished, and made further suggestions, the saving from which he estimated at Rx. 225,590 in India, besides 100,000*l.* roughly calculated as the economy which might accrue from the abandonment of the Indian Troop Service in favour of a system of conveyance by hired vessels. This matter has for some time been under my consideration, but I have not yet come to a conclusion on the subject.

6. On some of the questions dealt with by the Committee, your Excellency has already communicated with me, or you have reported that they are under consideration.

7. I shall be glad to receive from your Government a brief report, stating to what extent the recommendations made in these volumes have been examined, and how far you have found it possible to carry them into operation. As I am desirous of having this information at an early date, I do not wish the report to be delayed for a complete inquiry into all the details, and it will be sufficient if in a general way you can indicate to me what has hitherto been the financial result of the inquiry conducted with so much care and labour by the Committee.

No. 26.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, dated July 25th, 1889, No. 159 (Financial).

32. The review of the Estimates is satisfactory in so far that the deficit of Rx. 2,029,000, in 1887–88, has been converted into an equilibrium of Revenue and Expenditure, notwithstanding a fall in Exchange by more than a halfpenny per rupee since 1887–88, involving a net additional charge of Rx. 1,010,000, besides an increase of Rx. 557,000 in the cost of the Army, and of Rx. 647,000 in the outlay upon Special Defence Works. This result has, however, only been attained by additional taxation, and by large contributions from the Provincial Governments, my sense of whose co-operation in meeting the difficulties of the time I desire to place on record. At the same time, I notice Sir David Barbour's observation, in the 69th paragraph of his Financial Statement, that, looking to the portion of the assistance from the Provincial Governments which was received only for one year, and the amount of gain by exchange on the capital transactions of the subsidized Railway Companies which is of a temporary character, a deficiency exceeding a crore from these two causes is to be expected in the ensuing year, which must be otherwise met, and the outlay still remaining to complete the Coast and Frontier Defences is very heavy. While, therefore, strongly urging the importance of postponing all avoidable expenditure, at any rate until the Special Defence Works are more nearly completed, I would impress upon your Government the urgent need of devising forthwith some permanent method by which you may obtain from the Provincial Governments assistance, in a time of necessity, as suggested in my Despatch of the 12th of April 1888, No. 98.

	1887–88.	1889–90.
	Rx.	Rx.
Net Charge for Exchange	6,357,000	6,954,000
Gain on Remittance Accounts	745,000	527,000
	5,612,000	6,427,000
Additional pay to British Soldiers.	437,000	632,000
	Rx. 6,049,000	7,059,000

No. 27.

LETTER from the GOVERNMENT OF INDIA, October 15th, 1889, No. 328 (Financial).

We have the honour to acknowledge the receipt of Your Lordship's Despatch, No. 121, dated the 30th May 1889, asking for a brief report stating to what extent the recommendations contained in the Reports of the Finance Committee and of the Finance Commissioner have been examined by our Government, and how far we have found it possible to bring them into operation.

2. As regards the suggestions of the Finance Committee referred to in paragraph 3 of Your Lordship's Despatch estimated to yield a saving of Rs. 15,71,200 a year, we have the honour to state that orders have issued resulting in an immediate saving of Rs. 4,44,200 and an eventual additional saving of Rs. 1,30,600, making a total saving of Rs. 5,74,800 a year. Of the remaining proposals for reducing expenditure, a few may have been given effect to by the local Governments, without informing the Government of India, but most of them have been considered and abandoned as inexpedient.

3. In regard to the suggestions referred to in paragraph 4 of Your Lordship's Despatch, which were estimated to yield a saving of Rs. 43,74,600 a year, we have issued orders which result in an immediate saving of Rs. 3,73,600 and an eventual further saving of Rs. 1,41,800, making a total of Rs. 5,15,400 a year. Of the remaining proposals, a few are still under consideration. The large difference between the estimated savings and those actually secured is due principally to the following items:—

(i.) Under Ecclesiastical, the Finance Committee estimated an annual saving of over 3 lakhs of rupees. We have, however, decided that the Government of India should not at present move in the large question which the recommendations of the Committee raised.

(ii.) Under Public Works, the Committee estimated an annual saving of over 27½ lakhs of rupees, of which a sum of 4½ lakhs was to be secured by the abolition of the Military Works Department, and a sum of over 23 lakhs by the reorganisation of the establishment of the Public Works Department, which was roughly estimated to be in excess by 150 or 200 officers. It has been decided to maintain the Military Works Branch, though savings are to be attempted by making over Military Works to the Civil Works Establishment at places where they are small and unimportant, and *vice versâ*. A scheme for the reorganisation and gradual reduction of the Public Works Department Establishment was submitted to Your Lordship in our Despatch in the Public Works Department, No. 30, dated the 2nd April 1889; in this scheme the number of officers to be maintained was fixed at 740 instead of 887, a reduction of 147. The saving to be effected gradually by this reduction is estimated at about 11 lakhs of rupees; and the saving effected by what has already been done in this direction, together with the dismissal of temporary officers and the amalgamation of local and provincial establishments in the North-Western Provinces, is estimated to amount to about 4¾ lakhs of rupees. These amounts are in addition to the sum of Rs. 5,15,400 mentioned above.

(iii.) Under Simla Allowances the Committee's lowest estimate was 4 lakhs and the highest 5¼ lakhs. The examination of these allowances is still under consideration, but we are afraid that the savings considered possible by the Finance Committee will be found to have been placed too high. We have just considered the report of the Committee appointed to inquire into the subject of the travelling allowances to and from Simla, with the result that about Rs. 60,000 annually will be saved on this account against the Committee's estimate of possible savings of Rs. 1,05,000.

4. In regard to the suggestions of the Finance Commissioner referred to in paragraph 5 of your Lordship's Despatch, which were estimated to yield a saving of Rs. 22,55,900 a year, orders have been issued which secure an immediate saving of Rs. 9,49,230 and an eventual additional saving of Rs. 8,77,250, making a total of Rs. 18,26,480 a year. Of the remaining proposals, a few are still under consideration, but nearly all the suggestions in this section have been disposed of.

No. 28.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, July 9th 1891, No. 129 (Financial).

That your Excellency should be able to meet expenditure on Public Works and Loans for improvements of various kinds, to the extent of Rx. 4,508,300, without the necessity for borrowing, is very satisfactory; and it is, of course, mainly due to the addition to the cash balances, which were already in excess of their usual amount, caused by the surplus revenue of 1890–91. This surplus resulted in a great measure from the sudden rise that occurred in exchange, and from the special contributions by the Provincial Governments amounting to Rx. 490,000. Seeing that that surplus was only of a temporary character, and that it was almost entirely obliterated by the great increase of Expenditure for which your Government had to provide in the Budget of the following year, I am of opinion that you could not have applied the cash balances in a manner better calculated to develop the resources of the country, and to improve the public credit. Since the foregoing observations were written, I have learnt from a memorandum, dated the 25th of May, that the surplus of 1890–91 is now estimated to exceed Rx. 3,600,000.

Had the surplus promised to be of a more permanent character, your Excellency would doubtless have found it possible to apply some portion of it in reduction of taxation; and, in consequence of your inability to do so, it becomes necessary to examine carefully the causes which have led to such a result. In the first place, you have once more been able to devote to the purposes of Famine Relief and Insurance the full sum of Rx. 1,500,000, for which provision was made by the Government of Lord Lytton, but for which a much smaller sum is all that has been available annually since 1886. In my Despatch dated the 12th of April 1888, No. 98, I suggested that, in view of the extension of the railways and the increased protection now given against famine, it might be sufficient if the allotment for this grant were fixed at Rx. 1,000,000, provided that there were also to be a surplus of Rx. 500,000 as a necessary margin against contingencies. Your Excellency has, however, preferred to set aside the whole sum of Rx. 1,500,000 for Famine Relief and Insurance, including the net charge entered in the Railway Revenue Account for the two railways constructed by companies as being specially calculated to secure the country against the effects of famine.

There is, however, one point which needs special consideration. In the despatch above mentioned, I expressed my opinion that when it should be found possible to provide the requisite surplus of revenue (which I took as Rx. 1,000,000), it might be better to revert to the original plan under which the whole sum was to be applied to the reduction of debt or the diminution of borrowing; in that case, any further allotment which you might have been able to make for expenditure upon Protective Railways would have been entered under the separate head of "Construction of "Railways charged against Revenue in addition to "that under Famine Insurance." On the present occasion, there were special reasons for increasing the grant for Railways; your Excellency had undertaken the construction of the East Coast line, and it was desirable not to delay its prosecution through want of funds, and you therefore proposed to spend 395 lakhs in the coming year; I had, however, on general financial principles, been compelled in my Despatch of the 3rd of July 1890, No. 131, to express my objection to a larger sum than 350 lakhs being entered under the head of Expenditure not charged to Revenue. Accordingly you have provided under that head for Rx. 3,500,000, of which Rx. 2,950,000 is devoted to railways; and under Famine Relief and Insurance you have allotted from Revenue Rx. 975,000 for the construction of protective railways, while for provincial lines there is a further expenditure of Rx. 210,500. Thus the total expenditure on Railways contemplated in 1891–92 is Rx. 4,135,500, and, including the allotments for Irrigation Works, the capital outlay on Public Works amounts to Rx. 4,750,500. While giving my sanction to this programme as an exceptional measure, I must draw your Excellency's attention to the risk of allotting to specific works nearly the whole of your surplus revenue, leaving so very small a margin as is shown in your present Budget.

The great decline in the price of opium has a most important effect on the finances; at the sale in March last the price of Benares opium was but Rs. 982 a chest, a lower rate than appears to have been realized since 1865; but I have learnt with satisfaction that some improvement has occurred at the more recent sales. The precarious character of this source of revenue is a subject on which my predecessors have repeatedly commented; and your Government has exercised a wise discretion in reducing the estimate considerably in this year. The gold value of the rupee, which rose above 18 pence on the average of 1890–91, has fallen below 17 pence; and, while admitting the impossibility of forming any trustworthy estimate on a matter which is dependent on such constantly varying elements of calculation, I cannot but fear that the estimate of 17¼ pence which has been taken in the Budget may prove to be too high as an average.

With all these reasons for caution in the framing of your Estimates, there is the greatest necessity for doing the utmost to keep the Expenditure down to the lowest limits compatible with good administration. Much stress is laid in the Financial Statement on the growth of the Military Expenditure, and not without reason, seeing that the charges for the Army, Military Works, and Special Defence Works, taken together, show an increase of Rx. 522,742 in the Budget of 1891–92 over the amount in the Accounts for 1889–90. An examination which I have instituted into the increase of these expenses during the last seven years shows that since 1884–85 the burden which they impose on the Revenues has been augmented by more than five crores of rupees, the total amount paid in 1884–85 having been Rx. 17,913,450, and that entered in the Budget for 1891–92 being Rx. 23,028,500. The year 1884–85 has been selected for comparison, because by that time the abnormal expenditure in connection with the expeditions to Afghanistan and Egypt had ceased, while the recent augmentation of the forces had not then been commenced.

The following table shows the main causes to which this increase of military expenditure is to be attributed:—

	Account, 1884–85.	Budget, 1891–92.	Increase.
Charges in India:	Rx.	Rx.	Rx.
Exchange on Payments in England -	966,984	1,964,300	997,316
Additional pay of British Troops, owing to fall in Exchange.	184,000	322,000	138,000
Total attributable to Exchange -	1,150,984	2,286,300	1,135,316
	Rx.	Rx.	Rx.
Extra Army Charges for Upper Burma.	—	400,000	400,000
Special Expeditions - - -	161,562	155,000	*—6,562*
Pay - - - -	5,986,398	6,814,241	827,843
Commissariat - - - -	2,202,383	3,138,560	936,177
Other Army Charges: Effective -	2,667,489	2,819,958	152,469
" " Non-Effective	821,797	915,741	93,944
Military Works: Upper Burma -	—	150,000	150,000
" " Other - -	943,344	968,900	25,556
Special Defence Works - -	—	360,000	360,000
Total Charges in India, excluding Exchange - - -	12,782,973	15,722,400	2,939,427
Charges in England:—	£	£	£
Effective, excluding Stores - -	1,151,760	1,321,800	170,040
Non-Effective - - - -	2,360,284	2,165,500	*—194,784*
Stores: Clothing, Medical, Commissariat, and Malt Liquor -	320,239	272,300	*—47,939*
" Ordnance and Miscellaneous	142,139	902,000	759,861
" Military Works - - -	5,071	8,200	3,129
" Special Defence Works -	—	350,000	350,000
Total Charges in England -	3,979,493	5,019,800	1,040,307
	Rx.	Rx.	Rx.
Total Military Expenditure -	17,913,450	23,028,500	5,115,050

The total increase of Rx. 5,115,050 may, then, be thus divided:—Exchange, Rx. 1,135,316; Upper Burma and Special Expeditions, Rx. 543,438; Pay and Commissariat Charges, Rx. 1,764,020; Special Defence Works in India, Rx. 360,000; Stores for Ordnance (including Miscellaneous) and Special Defences, 1,109,861*l.*; other Expenditure, an increase in India of Rx. 271,969, and a reduction in England of 69,554*l.* During these seven years the British force has been increased by 10,475, and the Native army by 18,895, making a total augmentation of the Establishment by 29,370 officers and men, raising it to about 15½ per cent. above the former strength; the charge for pay, apart from the addition on account of Exchange, has increased by nearly 14 per cent., while the Commissariat charges are heavier by no less than 42 per cent.; in other respects there is not a great increase of the payments in India. The reduction in England is largely due to the alteration made in 1885–86 in the method of paying for the pensions of the British forces, and will soon disappear; the effective payments are necessarily higher, owing to the increased force in India. As to the cost of the special operations in Upper Burma and on the North-West Frontier, I can only express my hope that their success will render it unnecessary to incur charges to the same extent in future years. But the increase in the payments caused by the re-arming of the troops, the improvement of the ordnance, and the special defences, amounting, if exchange be added, to very nearly Rx. 1,900,000, is more than, in my opinion, ought to be required in a single year, to the exclusion of the possibility of reducing the taxes, or adopting reforms in other departments of the State. I trust, therefore, that, when these immediate demands have been met, your Excellency will find it possible to effect a very considerable reduction in the military expenditure.

It is not, however, only under the Army that I find the growth of the charges very great, since in the group of Civil Departments the Budget for 1891–92 shows an increase of Rx. 582,774 over the Revised Estimate for the previous year. A very interesting correspondence* took place on this subject in 1883, when the various heads of Expenditure were examined in considerable detail, and explanations given respecting the causes of the rise then observed. Up to the year 1885–86 the charges continued to increase, mainly owing to the very heavy Political expenses; but from that date to 1889–90 there was very little fluctuation, the reduction in the political charges counteracting the increase under some other heads, and it is only during the last two years that the upward tendency has again become so strong and general in all departments. In the following table the expenditure in Upper Burma is omitted, for the sake of obtaining a clearer comparison:—

Civil Departments.	1881–82.	1885–86.	Increase in Four Years.	1889–90.	Increase in Four Years.	Budget, 1891–92.	Increase in Two Years.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
General Administration	1,542,100	1,732,909	190,809	1,737,088	4,179	1,743,300	6,212
Law and Justice	3,232,788	3,352,284	119,496	3,470,935	118,651	3,640,200	169,265
Police	2,553,861	2,852,724	298,863	3,025,844	173,120	3,190,200	164,356
Marine	664,207	524,700	*— 139,507*	627,167	102,467	671,500	44,333
Education	1,078,558	1,243,097	164,539	1,315,599	72,502	1,418,800	103,201
Ecclesiastical	162,227	163,846	1,619	159,532	*— 4,314*	167,200	7,668
Medical	684,726	747,568	62,842	768,552	20,984	815,400	46,848
Political	654,675	1,150,723	496,048	624,131	*— 526,592*	734,100	109,969
Scientific and other Minor Departments.	565,239	475,838	*— 89,401*	437,846	*— 37,992*	601,100	163,254
Total	11,138,381	12,243,689	1,105,308	12,166,694	*— 76,995*	12,981,800	815,106

The manner in which the augmentation of expenditure shown in the Estimates is expected to arise is shown in more detail in the following statement:—

	Imperial.	Provincial and Local.	England.	Exchange.	Total.
	Rx.	Rx.	£	Rx.	Rx.
General Administration	4,320	8,067	5,455	*— 11,630*	6,212
Law and Justice	3,568	166,543	*— 435*	*— 411*	169,265
Police	*— 330*	164,686	—	—	164,356
Marine	*— 46,164*	5,887	65,256	19,354	44,333
Education	*— 1,273*	104,251	228	*— 5*	103,201
Ecclesiastical	7,659	—	54	*— 45*	7,668
Medical	1,448	44,405	1,008	*— 13*	46,848
Political	112,930	3,460	*— 3,568*	*— 2,853*	109,969
Scientific and other Minor Departments.	159,537	10,646	*— 3,885*	*— 3,044*	163,254
Total	Rx. 241,695	Rx. 507,945	£ 64,113	Rx. 1,353	Rx. 815,106

The only serious additions to the Imperial portion of the charges are those under Marine caused by the subsidy of 60,000*l.* a year to the Admiralty for the Indian Government defence vessels, under Scientific and other Minor Departments arising from the allotment of Rx. 188,000 for the cost of the Census this year, and under Political where, though it is in some degree due to the levies stationed in Baluchistan, the greater part is nominal in consequence of the irregularity of the payments to the Amir of Afghanistan. When, however, I turn to the Provincial portion, I find a very heavy increase under Law and Justice, Police, Education, and Medical—and that not of an exceptional or temporary character—amounting with smaller sums under other heads to Rx. 507,945. The opportunity will be afforded next year of revising the agreement with the Provincial Governments, in such a manner as to give to the Imperial Government that assistance which they are bound to contribute towards the general expenses of the Empire; but the difficulty of making such arrangements is much enhanced if, during the preceding years, they have, in reliance on their improving revenues, made great additions to their permanent establishments, which will not admit of reduction when the necessity arises.

No. 29.

EXTRACT from the LETTER from the GOVERNMENT OF INDIA, September 23rd, 1891, No. 262 (Financial).

We have the honour to acknowledge the receipt of your Lordship's Financial Despatch, No. 129, dated the 9th July 1891, reviewing the Financial Statement for the year 1891–92.

2. With reference to the remarks in paragraph 29 of the despatch, we are of opinion that the reduction

* *See* Parliamentary Paper 352 of 1885.

of the Grant for Famine Relief and Insurance to Rx. 1,000,000 at the present time would be misunderstood by the public, and would be open to misconstruction, and we propose, therefore, to maintain it at Rx. 1,500,000. We consider it desirable that the net loss on the Bengal-Nagpur and Indian Midland Railways should be chargeable against the Grant so long as the amount is maintained at Rx. 1,500,000. But as the orders quoted below* authorise the inclusion of that loss in the Grant only up to the current year, we request that your Lordship will sanction the continuance of the present practice until further orders.

No. 30.

DESPATCH to the GOVERNMENT OF INDIA, November 5th, 1891, No. 213 (Financial).

I have considered in Council your Excellency's letter dated the 23rd of September, No. 262, in which you state that you propose to maintain at Rx. 1,500,000 the Grant for Famine Relief and Insurance, including therein the net charge on account of the Bengal-Nagpur and Indian Midland Railways; and, under the impression that the arrangement by which this charge is so included was sanctioned for only five years, you ask that the present practice may be continued until further orders.

2. I agree to this proposal, which, indeed, it was hardly necessary that your Excellency should now make to me, for, in your telegram of the 5th of March 1890, it was suggested "in future" to include the net loss on the railways, instead of the "interest for first five years only"; and my reply of the 11th of that month assented thereto.

3. The question whether the Famine Insurance Grant should thus be maintained at Rx. 1,500,000, or whether the appropriation of Rx. 1,000,000 is sufficient, can only be determined on a full consideration of the financial position in the coming year. If, however, it be possible, without interference with other measures of greater importance, to make the larger allotment, it is no doubt desirable in this manner to secure surplus revenue for the reduction of debt, which may be available in case of an emergency arising.

No. 31.

DESPATCH to the GOVERNMENT OF INDIA, June 16th, 1892, No. 103 (Financial).

From the Financial Statement published by your Government on the 18th of March, I learn that, for the third year in succession, your Excellency has been able to provide the full amount of the funds authorised for the construction of public works, without the necessity of raising a loan for the purpose. This satisfactory condition of affairs is ascribed by Sir David Barbour to various causes,† of a temporary nature, on the continuance of which no policy can be based; and it seems desirable to consider, with reference to the progress made in the construction of railways in recent years, and the present wants of the country, whether the annual allotment of 350 lakhs of rupees for State Railways and Irrigation Works is adequate, in addition to any sums that may be available from the revenue of the current year.

2. Before the investigation made by a Select Committee of the House of Commons in 1884, the limit of 250 lakhs had been imposed, in accordance with the recommendation of a previous Committee which sat in 1878 and 1879. The programme of the Government of India framed in 1884, while specifying a large number of railway schemes as likely to be remunerative, and therefore suitable for private enterprise, described in a Schedule A. 30 projects which they were desirous of undertaking, at an estimated cost of 27,632,450*l*.

3. The Select Committee recorded its opinion that the operations of the Government should not necessarily be limited to works expected to be remunerative, and that railways needed either for the development of the country or for its protection from famine should be made as required; that the amount which it was proposed to spend was moderate; and that the limit of 250 lakhs a year imposed on the amount to be borrowed might safely be enlarged, provided that no additional taxation were involved.

4. Scarcely had the Select Committee made its report, when the Government of India forwarded its scheme for frontier railways, involving an outlay of 443 lakhs, and showing that, including the sums required for irrigation and for military roads, as well as for railways generally, it was desired to spend within the next six years 2,243 lakhs of rupees. In view of the urgency of the circumstances, the Earl of Kimberley sanctioned* the extension of the maximum amount of borrowing to 350 lakhs in any one year, that being, in his Lordship's opinion, the extreme limit to which the resources of India could with prudence be pledged for such purposes; and, while stating that this must cover all the expenditure of the Public Works Department from borrowed money, for whatever purpose, he directed that borrowing should not be resorted to unless the amount could not be provided from revenue.

5. The limit was specially waived in 1885–86 and 1886–87, in order that rapid progress might be made with the frontier railways; but in some years, especially 1887–88 and 1888–89, large credits were received on account of lines transferred to Companies; so that, after deducting 334 lakhs thus obtained, the amount charged against borrowed money has not been much in excess of the prescribed sum of 350 lakhs a year, although the total outlay averaged 453 lakhs.

OUTLAY (in Lakhs of Rupees) on the CONSTRUCTION of STATE RAILWAYS and IRRIGATION WORKS.

Years.	From Revenue.	From other Funds.			Total.	
		Total Outlay.	Transfers to Companies.	Amount charged against borrowed Money.	Total Outlay.	Amount charged against Loans and Revenue.
1885-86	142	575	47	528	717	670
1886-87	52	567	—	567	619	619
1887-88	17	418	139	279	435	296
1888-89	10	305	141	164	315	174
1889-90	10	324	7	317	334	327
1890-91	9	337	—	337	346	346
Revised estimate, 1891-92.	56	350	—	350	406	406
Total	296	2,876	334	2,542	3,172	2,838
Annual average	42	411	48	363	453	405

During the time that has elapsed since the inquiry of the Select Committee, the programme laid down in Schedule A. of the letter from India in 1884 has been practically completed, a great extension of the Burma system has also been effected, and the mileage of railway has been raised from 10,832 open and 3,458 under construction on the 31st of March 1884, to 17,209 open and 2,795 under construction on the 31st of December 1891.

6. In the Statement A. which accompanied my Despatch of the 18th of August 1887, No. 216, a table was given showing the capital outlay on railways by the Government of India, either directly or through Companies guaranteed or subsidised by the Government, from 1874–75 to 1885–86; and I enclose a revised copy of that Statement bringing the figures to the

* Despatches to the Government of India, Nos. 367 and 378, dated, respectively, the 10th and 17th December 1885, and telegram dated the 11th March 1890.

† "(1.) The large surpluses of 1889-90 and 1890-91.
"(2.) The provision made for reduction of debt since 1889-90.
"(3.) The large increase in the Savings Banks deposits.
"(4.) The fact that the Secretary of State hopes to receive in 1892-93 considerable capital receipts from Railway Companies, only a portion of which will be required for expenditure next year.
"(5.) The fact that the Secretary of State intends to meet a portion of his expenditure in 1892-93 by drawing on his cash balance."

* Despatch to India, 27th November 1884, No. 148 (Railway).

close of 1891-92, of which a summary is given below, with the addition of the expenditure on irrigation. It will be seen that the average outlay since 1885 has greatly exceeded that of the previous years; and, although there has been a considerable reduction since April 1889, the annual outlay falls little short of six crores of rupees during the last three years.

CONSTRUCTION OF PUBLIC WORKS (in Lakhs of Rupees).

Outlay on Construction of Railways and Irrigation Works.	Five Years: 1874-75 to 1878-79.	Six Years: 1879-80 to 1884-85.	Seven Years: 1885-86 to 1891-92. Four Years: 1885-86 to 1888-89.	Three Years: 1889-90 to 1891-92.	Total: 1885-86 to 1891-92.
Railways: State	1,725	2,447	1,500	895	2,395
Guaranteed	596	495	342	114	456
Subsidised	—	400	1,910	579	2,489
Total	2,321	3,342	3,752	1,588	5,340
Irrigation works	519	703	259	187	446
Grand total	2,840	4,045	4,011	1,775	5,786
Annual Average Outlay.					
Railways: State	345	408	375	298	342
Guaranteed	119	82	85	38	65
Subsidised	—	67	478	193	356
Total	464	557	938	529	763
Irrigation works	104	117	65	62	64
Grand total	568	674	1,003	591	827

7. During the seven years from 1885-86 to 1891-92, the increase of debt has amounted to Rx. 9,512,071 in India, and 38,133,055*l.* in England, or a total of 47,645,126,† of which 21,984,850*l.* was incurred for the purchase of Guaranteed Railways, and 7,123,978*l.* for advances to companies, leaving 18,536,298 which may be considered to have been spent in the construction of public works by the Government establishments. Out of the advances to Companies, 1,856,900*l.* was used for the discharge of debentures; and the total debt applied to new works was, therefore, about 23,800,000, or an annual average of 3,400,000.

DEBT.

†	1st April 1885.	31st March 1892.	Increase.
India - Rx.	93,183,984	102,696,055	9,512,071
England - £	69,271,088	107,404,143	38,133,055
Total	162,455,072	210,100,198	47,645,126

DISTRIBUTION OF DEBT.

Ordinary	78,391,209	76,881,617	— *1,509,592*
State railways	60,203,146	105,010,525	44,807,379
Irrigation works	23,860,717	28,208,056	4,347,339
Total	162,455,072	210,100,198	47,645,126

8. Besides this addition to the Public Debt, the liabilities of the Government have been augmented by sums amounting to 16,855,000*l.* having been raised by railway companies under the guarantee of the Secretary of State; so that the total obligations of the Government on account of Public Works have been enhanced by more than 40,600,000, or at the rate of nearly six millions a year. Your Government have, however, been careful not to add to the debt when such a course could be avoided; and the large surpluses in 1889-90 and 1890-91, amounting to 630 lakhs, were properly appropriated to the expenditure of the Public Works Department in the succeeding years, a course which, by rendering it unnecessary to incur debt, was in effect similar to the reduction of debt to which in this country such a surplus is by law applied.

9. As regards the revenue account of the railways, I find that the net charge, which has included an enormously increased sum for exchange owing to the fall in recent years that has taken place in the gold value of the rupee, was, nevertheless, only Rx. 687,291 in 1890-91, and is estimated at Rx. 528,800 in the year that has just closed; but, not considering it prudent to reckon on a continuance of the recent heavy traffic, you have in the Budget for 1892-93 taken the net charge at Rx. 1,574,500.

RAILWAY REVENUE ACCOUNT.

Years.	Net Charge. Total.	Net Charge caused by Exchange.
	Rx.	Rx.
1879-80	1,570,478	958,495
1880-81	1,044,050	930,365
1881-82	285,584	1,002,395
1882-83	1,305,860	1,120,453
1883-84	304,912	1,102,307
1884-85	1,051,175	1,172,877
Average of six years	927,010	1,047,815
1885-86	731,713	1,594,814
1886-87	1,188,668	1,987,178
1887-88	2,122,386	2,268,780
1888-89	2,233,392	2,629,783
1889-90	1,852,601	2,517,090
Average of five years	1,625,752	2,199,529
1890-91	687,291	1,862,886
Revised, 1891-92	528,800	2,464,200
Budget, 1892-93	1,574,500	2,870,500

10. These figures show the cost at which during the last seven years the great line of railway communication between Bombay and Calcutta has been completed, Bhopal connected with Cawnpore and Agra, and branches thrown out, enabling the grain districts of the Central Provinces to send their produce to the coast and to Upper India; some 1,500 miles of railway have been constructed in the districts of the Deccan and Southern India, which are most liable to suffer from famine; a large system has been completed to the north of the Ganges; the scheme of frontier lines in the north-west of India has given a vast addition of strength to the security of the country from military invasion; and the newly acquired province of Upper Burma is being rapidly opened up and pacified; while at the same time about 800 miles of railway have been constructed by various Native States of India at their own expense.

11. It can, therefore, hardly be doubted, in my opinion, that the Earl of Kimberley was justified in his decision that the resources of the country could with safety be pledged to the construction of new works to a greater extent than in the past; but the figures do not induce me to think it prudent that the Government should now embark on a course which would involve liabilities being incurred more rapidly than in recent years. I am, however, as in various despatches I have explained to your Excellency, most desirous of restricting the sterling obligations; and, in so far as this can be done, their place might with great advantage be taken by debt on which the interest is payable in rupees. Your Excellency's Government is able to form a better opinion than I can, how far, with reference to the administration generally, it is practicable in any single year to borrow from the market, or whether to any degree money can be raised by debentures guaranteed in silver, as suggested in the papers which accompanied my Despatch of the 18th of February last, No. 22 (Railway).

12. Fluctuations of a large amount in the expenditure on the construction of public works have a tendency to disarrange the establishments, and often lead to a want of economy; but these considerations have less force if the money is entrusted to companies, who will execute the projects by means of temporary establishments, and who are not fettered in an equal degree by the financial rules which unavoidably must be applied to the distribution of a fixed annual grant among the Government works.

13. While, therefore, I deem it requisite to maintain the limit of 350 lakhs within which funds may be annually allotted to railways and irrigation works under construction by the direct agency of State officers, I see no objection to an enlargement of the total grants, to an extent not exceeding Rx. 500,000, in cases where you are satisfied that the money can without inconvenience be supplied to enable companies to undertake new lines of railway and extensions. It is with satisfaction that I observe a grant of 16 lakhs to the East Indian Railway Company in the Budget of 1892–93 for the branch to the Jherria coalfields. Another instance in which money may usefully be employed in this manner is for the connection of the East Coast line with Madras, as to which proposals have been made by the Madras Railway Company.

14. In conclusion, I desire to say that, apart from the question of the revenue which may be directly derived from an extension of the railway system, I attach great importance to the construction of new lines, not only on account of their effect on the general development of the country, but especially in view of their value in the prevention or mitigation of famines, of which during the last few months we have had the strongest evidence. On this, as on other grounds, I shall always be ready to give favourable consideration to any scheme which your Government may think it prudent and advisable to recommend for my sanction within the limits above stated.

No. 32.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA July 7th, 1892, No. 119 (Financial).

It is most satisfactory that your cash balances should have been in so flourishing a condition as to permit of your being able, for a third year in succession, to dispense with a loan in the Indian Market; and I am glad to find that the high price to which your 4 per cent. securities have risen has enabled you to make an offer to the proprietors of the 4½ per cent. Rupee Debt still outstanding for the conversion of their holdings into debt bearing interest at 4 per cent. I have in another Despatch, dated the 16th of June, No. 103, treated of the subject of using your surplus balances to make more rapid progress with railways under construction by companies.

From the very small surplus of revenue at the disposal of your Excellency, it is obvious that it was impossible on the present occasion to take any measures in reduction of taxation; and this is the more evident when it is remembered that it would have been impracticable to have shown in the Budget any surplus, without the assistance derived from the revision of the Provincial Agreements. On the duty of the Local Governments to assist the Central Government in meeting the constantly increasing charges of the Indian Empire, I strongly insisted in my Despatch of the 12th of April 1888, No. 98; and, while I am glad that the various administrations should be allowed to retain as large a share of their increasing revenue as may be practicable, with a due regard to all the Imperial interests, I must express my opinion that on the present occasion no excessive demands have been made upon them.

The 97th paragraph of the Financial Statement contains a most instructive table regarding the working of the Provincial Agreements made in 1887, from which I deduce the following figures:—

Provinces.	Five Years' Revenue, 1887-88 to 1891-92.			Five Years' Expenditure, according to Estimate.	Surplus of Actual Revenue over Estimate of Expenditure.	Disposal of Surplus.			New Agreements.		
	Estimate of 1887.	Result.	Excess over Estimate.			Contributions to Imperial Government.	Spent on the Province.	Added to Provincial Cash Balances.	Surplus of Revenue in 1891-92 over Estimates of 1887.	Portion allotted to the	
										Imperial Government.	Provincial Government.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Central Provinces	3,484,500	3,755,800	271,300	3,484,500	271,300	30,000	232,500	8,800	119,200	22,700	96,500
Lower Burma	4,893,000	5,996,600	1,103,600	4,359,500	1,137,100	—	827,600	309,500	334,900	58,900	276,000
Assam	2,320,000	2,598,500	278,500	2,320,000	278,500	10,000	224,200	44,300	99,300	—	99,800
Bengal	18,842,000	20,424,700	1,582,700	18,842,000	1,582,700	100,000	1,482,600	100	517,700	51,900	465,800
N.-W. Provinces and Oudh.	16,200,500	16,001,900	*— 198,600*	16,060,500	*— 58,600*	—	*— 117,600*	59,000	63,300	56,900	6,400
Punjab	7,916,500	8,360,100	443,600	7,901,000	459,100	—	359,400	99,700	195,400	41,000	154,400
Madras	12,818,000	14,143,500	1,325,500	12,818,000	1,325,500	175,000	1,181,500	*— 31,000*	313,200	103,800	209,400
Bombay	18,402,500	19,508,200	1,105,700	18,402,500	1,105,700	175,000	1,091,500	*— 160,800*	399,200	131,100	268,100
Total	84,877,000	90,789,300	5,912,300	84,688,000	6,101,300	490,000	5,281,700	329,600	2,042,700	466,300	1,576,400

From this calculation it appears that, during the quinquennial period from 1887–88 to 1891–92, the Provincial Governments received Rx. 6,101,300 above the estimate of their expenditure on which the agreements of 1887–88 were founded; and that, besides making special contributions amounting to Rx. 490,000 in aid of the Imperial Government in 1890, they were able to devote Rx. 5,281,700 to measures for improving the administration and developing the country, and to strengthen their cash balances by the sum of Rx. 329,600 which is available for similar purposes in future years. It is further shown that their annual revenue has improved during the five years by Rx. 2,042,700; and that of that improvement they have been required to contribute to the general purposes of Imperial Finance only Rx. 466,300, or less than 23 per cent., leaving Rx. 1,576,400 or more than 77 per cent. at their own disposal. It is a source of satisfaction that your Excellency should find yourself in a position to deal with the Local Governments so liberally; and my only doubt is whether, in view of the general necessities of the Central Administration and the importance of effecting certain fiscal reforms as soon as it may be practicable, the portion of the improved revenue appropriated to Imperial purposes might not with propriety have been fixed at a higher amount. I fully share in the view expressed in Sir David Barbour's statement (at paragraph 98), that it would have been desirable, if possible, to allow the Local Governments to spend the whole of their surplus revenue on measures of utility; and I regret that the necessities of the Imperial Government should have made this impossible. It must, in this connection, be borne in mind that the rate of exchange, which in the Budget of 1887–88 was fixed at 1*s.* 5½*d.* the rupee, has for the present year been estimated at only 1*s.* 4*d.*, and that the difference between these two rates on a remittance of 17,000,000*l.* considerably exceeds two crores of rupees. while at the rate of 1*s.* 3¼*d.*, which is about the average at which the bills have been sold up to the present date, the increase of Expenditure due to the fall in Exchange would be 344 lakhs of rupees. It is with satisfaction that I learned from your telegram of the 16th of June, that at present you

see no reason to alter your estimate of a small surplus in the current year, notwithstanding the recent fall in the gold price of silver.

The extreme importance of the subject of Exchange renders it necessary that the utmost economy should be exercised in every branch of the service; and I desire especially to enforce this view with reference to the military expenditure. While the established strength of the Army has remained practically unchanged since the Budget of 1887-88, the charge for the effective services is now higher than at that date by Rx. 938.400 in India, and by 511,200*l.* in England; and, including Exchange, the net payments for the Army, effective and non-effective together, now amount to more than 42 per cent. of the total net Revenue of India. In my Despatch of the 9th of July 1891, No. 129, paragraphs 32 to 34, I drew the attention of your Government to the great increase which had taken place in recent years in the military expenditure; and I have again to beg that your earnest attention may be given to this subject.

No. 33.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, NOVEMBER 3rd, 1892. No. 143 (Military).

In sanctioning this increase of expenditure, I have accepted the opinion of your Government that it is necessary in order to keep your Transport Service in a state of efficiency, but I would at the same time invite your Lordship to consider the effect of these and similar increases of pay on other establishments of the Army, on the Civil Departments of the State with which they compete for labour, and especially in regard to the pay of the native soldiers. I understand that the pay of these drivers on field service will be Rs. 10. 8 per mensem, as compared with Rs. 8. 8, the pay of a private of Native Infantry, field batta being included in both cases.

I notice also in the attached correspondence that the pay of the Government servant is contrasted with the market rate of wages, no weight being allowed to the fact that the former carries with it deferred pay in the shape of pension. If the market wage for temporary or non-pensionable work is to be given, the Service should not be considered as pensionable.

In connection with this case, my attention has been forcibly drawn to the very large number of similar proposals for increase to pay and establishments which have been sanctioned of late years. A list of the principal items is attached.

These several measures may have been unavoidable, but their numbers and the large and constantly increasing expenditure which they have involved, point, more especially in the existing financial pressure, to the need for the utmost caution in accepting the recommendations of heads of departments and others for any further increase. Where such increases are found to be absolutely indispensable, a most searching inquiry should be made in each case as to whether the cost cannot be met by some equivalent economies. It is only by a rigid scrutiny of such demands, and a constant re-examination of all possible means of retrenchment, that the military expenditure in India can be kept within its present limits.

The subject of the continual increase of expenditure on the Army was prominently brought to the notice of your Government in Viscount Cross's Despatches in the Financial Department, dated the 9th of July 1891, No. 129, paragraphs 32 to 34, and the 7th of July 1892, No. 119, paragraph 24. On the latter occasion he observed that, since the Army was raised to its existing strength, the effective charges in India had been increased by no less than Rx. 9,38,400 a year, a figure which it is only necessary to state in order to show how essential it is that proposals for any permanent augmentation of the cost should be admitted only in case of absolute necessity.

ENCLOSURE.

INCREASES of PAY and ESTABLISHMENTS sanctioned by the SECRETARY OF STATE IN COUNCIL during the FIVE YEARS 1888-92.

Particulars of Increase sanctioned.	Approximate Increase of Expenditure per Annum.
	Rs.
Indian Medical Service, various additions -	36,000
Electrical Engineer for Bombay Dockyard -	3,000 to 4,200
Lahore Veterinary School - - -	1,780
Improved conditions for Non commissioned officers of Royal Engineers - - -	Government of India unable to estimate.
	Rs.
Ordnance Department, Additional 4th Class officer, Burma -	5,480
" " re-organization -	19,572
" " addition of three officers, Quetta, Bombay, and Burmah -	29,710
" " increase of Assistant Superintendents -	20,408
Musketry instruction - - - -	5,208
Military Works Department, administrative establishment charges - - -	9,000
Royal Indian Marine: Assistant Engineer's establishment, &c. - - -	from 6,660 to possibly 30,000
Secretary to Mobilization Committee - -	9,300
Royal Artillery Commands and Staff -	4,800
Commissariat Transport Establishment -	65,000
Second class Station Staff officers: office establishment - - - - -	9,250
Indian Medical Service: Deputy Surgeon-General, Nagpore - - -	21,600
Armourer-Sergeants' establishment - -	6,000
Army Schools - - - - -	4,000
Central India Horse: additional squadron officer	17,136
Indian Nursing Service: increase - -	1,38,706
Army Signalling Instruction - -	33,000
Ordnance inspectors and civilian artificers and mechanics - - - - -	1,21,500
Military Accounts Department: re-organization	6,000
Submarine Mining Service - - -	76,000
Artificer establishment, pioneer regiments -	3,400
Appointment of Royal Artillery officer as Adjutant, Naval Volunteers - - -	6,000
Intelligence Department - - -	54,945
Garrison Artillery: increase of - -	4,20,000
Native Silladar Cavalry: increase of pay -	8,68,500
Military Secretariat: allowance to clerk during summer - -	15,252
" " additional Assistant Secretary - -	12,000
Government Telegraphic Department: pay of British signallers - - -	15,000
Native Mountain Artillery: Assam frontier establishment - - - -	9,814
Improved status for drivers, &c. of heavy batteries of Royal Artillery - -	1,211
Establishment of Non-commissioned officers for garrison batteries and ammunition columns -	8,141
Seconding of First-class Station Staff officers -	46,640
Increase of Sub-Medical Department - -	92,670
Recruiting Depôts - - -	75,000

No. 34.

LETTER from the GOVERNMENT OF INDIA, March 8th, 1893, No. 39 (Military).

With reference to the Viceroy's telegram of the 5th instant, we forward herewith a Minute by Lieutenant-General Brackenbury, showing the reasons for which he considered it impossible to accept the proposal of Sir David Barbour, that the India Military Budget net estimate for 1893-94 should not exceed the net budget estimate for 1892-93 (all charges on account of military operations or expeditions being excluded from both estimates), and for which he proposed to increase the net Budget estimate by a sum not exceeding 54½ lakhs.

2. The proposed items of increase to the military estimates were before us at the time when we arrived

at the decision communicated to your Lordship in our telegram above referred to, Sir David Barbour and Sir Charles Pritchard dissenting, as stated in the telegram.

Enclosure in No. 34.

MINUTE by Lieutenant-General BRACKENBURY.

I will endeavour to state as briefly as possible the reasons which made it impossible for me to accept the Honourable Sir David Barbour's proposal that the India Military Budget net estimate for 1893–94 should not exceed Rs. 14,26,50,000, that being the amount of the net budget estimate for 1892–93; all charges on account of military operations or expeditions being excluded from both estimates.

2. The net Military Budget estimate consists of two parts, receipts and expenditure. The receipts estimated for are the probable amounts to be received under existing regulations in the several heads shown in the abstract appended to this minute. They are calculated by the Accountant-General, they are checked by the average actuals of the past three years, and verified by the Comptroller-General, with whom and the Accountant-General in the Military Department rests the amount to be estimated. It is not in the power of the Military Department, or of the Member of Council in charge of the Department, or of the Governor-General in Council to alter the amounts which will probably be received, unless they alter the regulations under which those receipts are obtained. Whether it is or is not possible so to alter those regulations as to increase the receipts is a question into which I need not enter here. It would clearly be unwise to alter the regulations hastily and without due consideration, and it is impossible that due consideration should be given to the questions involved, in the few weeks intervening between the date of Sir David Barbour's proposal and the final closing of the estimates. The receipts for 1893–94 must therefore be taken at the amounts estimated by the Accountant-General in the Military Department and the Comptroller-General in consultation together.

3. The expenditure estimated for is divided into two heads, effective services and non-effective services. The amounts estimated as required for non-effective services are based upon the known requirements under existing regulations as to rewards and pensions, checked by the actuals of the past three years. It is impossible to alter these figures without altering the existing pension regulations, and any alterations which might be made in those regulations, other than the actual taking away of pensions already granted, would have no immediate effect. It may, therefore, be confidently stated that it is not in my power or in the power of the Governor-General in Council to make any alterations in the amounts estimated for for non-effective services. Any alteration to be made in the estimates must therefore be made in the estimated expenditure on effective services.

4. The expenditure for effective services is divided, as shown in the accompanying abstract, into 15 heads or grants:—

Grant 1, Army and Garrison Staff, and *Grant* 2, Administrative Staff, contain only the pay and allowances of existing sanctioned establishments, and no alteration can be made in them except by altering the establishments or the allowances sanctioned by the Government of India.

Grant 3, Regimental Pay, Allowances and Charges, contains only the actual pay and the sanctioned allowances of existing establishments. Deduction is made for the probable number of officers and men absent during the year, and the totals are checked by the average actuals of the past three years. No alteration can be made in this grant except by reducing the number of troops or reducing the allowances sanctioned by existing regulations.

Grant 4, Commissariat Establishments, Supplies and Services, contains the pay and allowances of the existing commissariat establishments, the estimated amounts required for food for the troops, and forage for the horses and transport animals, for hire of transport, sea and inland water charges, railway charges and incidentals. The amount for establishments cannot be altered without reducing the establishments or the sanctioned allowances. The amount estimated for supplies is based upon the existing scales of rations and forage, and is checked by the actuals of the past three years, allowance being made for any known cause of deviation, such as increasing or decreasing price of food and forage. The amount estimated for commissariat services is similarly based upon existing regulations, checked by past actuals. The amounts for supplies and services are as near the actual requirements as it is possible to make them, and any deduction made from them would only result in a false estimate being put forward, in which case money not estimated for would compulsorily be spent.

Exactly the same arguments apply to *Grant* 5, Remount and Veterinary; *Grant* 6, Clothing; *Grant* 7, Barrack; and *Grant* 9, Medical Establishments, Supplies and Services.

Grant 10, Ordnance Establishments, Stores and Camp Equipage, provides for the authorised establishments, including labour, of the Director-General and Inspectors-General of Ordnance, of the arsenals and the manufacturing establishments; and for the establishments of the fort armaments. The estimate for stores, which includes repairs, is based upon the actual requirements for keeping up sanctioned reserves in arsenals and depôts, and for the materials required for manufacture in the several manufacturing establishments. No alteration can be made in this grant except by reducing establishments or reducing sanctioned reserves or throwing the factories out of work, by not providing the materials for them to work upon.

Grant 8, Administration of Martial Law; and *Grant* 11, Ecclesiastical, contain only the pay and allowances of the Judge Advocate-General's Department and the Chaplains' Department, respectively.

Grant 12 contains only the pay and sanctioned allowances of educational staff (Director of Military Education, Superintendents and Inspectors of Schools and Garrison Instructors) and the charges of the Lawrence Military Asylums, and Orphan School, and donations to educational institutions. *Grants* 8, 11 *and* 12 cannot be touched without altering existing regulations.

Grant 13, Sea Transport Charges. Contains charges for passage money, for Her Majesty's Indian troopships, and for medical comforts, bedding &c., supplied to troops proceeding by sea in chartered vessels. This is based upon the average actuals of the past three years as regards all the charges except Indian troopships, which are based upon the actual requirements for the year's relief.

Grant 14, Miscellaneous Services, contains the charges for examination of military officers in the Native languages, purchase and rent of lands and buildings, munshi allowance to officers and men in passing in Native languages, camps of exercise, contingencies and a number of minor items. This grant is not capable of any sensible reduction. It varies chiefly according to the amount of charges for military operations and expeditions which are included in it, and these, which depend upon the policy of the Government of India, were, by the mutual consent of Sir David Barbour and myself, excluded from the present discussion.

Grant 15, Volunteer Corps. This grant includes existing establishments and capitation grants of existing volunteer corps, and is not capable of any reduction.

5. The estimates thus prepared after allowance has been made for an increase of 7½ lakhs, due to rise in the price of food and forage in India, for 8¾ lakhs for increased outturn of stores due to changes in armament and equipment, and for the increases due to automatic fluctuations, show an increase over the estimates of 1892–3 of 1¼ lakhs, without including one new item of expenditure.

6. I have thus endeavoured to show that no reduction can possibly be made in the estimates for 1893–4, which show an increase of 1¼ lakhs before any new items are included in them, except by one of the following methods:—

(*a.*) Reducing the establishment of the army.
(*b.*) Reducing the pay of the army.
(*c.*) Reducing allowances.
(*d.*) Reducing the authorised reserves of stores.
(*e.*) Throwing the ordnance factories out of work.

7. Of these methods it is for the Governor-General in Council and the Secretary of State for India to

decide, after due consideration, whether (*a*) any reduction of the army is possible, and if so, how that reduction can best be made. But it is clearly impossible to make any such reduction before the closing of the forthcoming estimates.

8. As regards (*b*) a reduction of pay, we have only recently represented to the Secretary of State the hardships which the European officers of the army are suffering in consequence of the depreciated gold value of the rupee. The pay of the European troops is unalterable. We have recently found it necessary to make an addition to the pay of the Native cavalry; and an increase to the pay of the Native infantry was advocated by Sir George Chesney in his valedictory minute, and has been pressed upon my attention during the last two years by the Commander-in-Chief. I hold, therefore, that any reduction under (*b*) is impossible.

9. As regards (*c*) allowances, I will not say that it might not be possible, after most careful consideration, to make some reduction under this head, but it would be infinitesimally small. It would only affect future holders, and would probably cause an amount of discontent out of proportion to the financial relief it would afford. Reductions under this head have from time to time been made, but, on the other hand, this item has increased owing to the employment of troops in remote parts of our frontiers, such as Baluchistan and the Naga, Chin and Lushai Hills, where the expenses of living were found to be so great as to make it necessary to give some compensation for them.

10. As regards (*d*) depletion of the reserves of stores, a considerable reduction in sanctioned local reserves was made some time ago consequent upon increased facilities of communication. On the other hand, additional reserves were added as lately as 1891 to place us and keep us in a condition to be ready for rapid mobilisation. Unless we are to undo the good work done that year, and to go back to the condition of unreadiness for mobilisation, I do not see where any reduction can safely be made. It would of course be possible to say that, in consequence of financial difficulties, we would allow our existing reserves to be used up during the forthcoming year, and would not replace them. There is always a great temptation to Governments to take this course under financial pressure, but this is probably the very worst course which can be taken to meet a financial strain, even at home where such stores can be rapidly replaced; and here, where we are dependent on England, and upon the very limited outturn in this country for replacing stores, such a policy would, in my opinion, be suicidal.

11. As to (*e*) throwing the ordnance factories out of work by not purchasing the stores for manufacture in ordnance factories, any such course would be equally suicidal. It would simply mean that we should not replace the ammunition expended in practice, that we should reduce our stores of powder, projectiles, small arms, ammunition, clothing, harness, and saddlery, that we should destroy, by reducing the establishments of our factories, our manufacturing power, and that we should be absolutely unready to meet any emergency which might arise. We are endeavouring to make India as independent as possible of England for her military requirements; and experience has shown that there is considerable economy in doing so. Any tampering with the work of our ordnance factories would be fatal to the object we have in view.

12. I trust that from the above statement it will be clear that the only margin left upon which any possible reduction can be made in the estimates for 1893–94 is in the new items which, under the authority of the Governor-General in Council, have now been added to those estimates. Those items amount to 53 lakhs. Lists showing the items in detail were laid before Council, and all that it seems necessary for me to do in view of what I have above stated, is to show the necessity for the introduction of those items into the estimates.

13. The first item to which I would call attention is one of 24 lakhs, increased provision for the pay of British troops, due to the fall in the rate of exchange from 1*s.* 4$\frac{3}{4}$*d.* to 1*s.* 2$\frac{3}{4}$*d.* This item is unfortunately not under the control of the Government of India, and must be admitted. This leaves 29 lakhs of increased expenditure, which is apparently within our control, but a large portion of it is in reality not within our control.

14. The following items cannot be touched by us:—

	Lakhs.
Clothing due to British troops under new system of supply sanctioned by Secretary of State, and authorised in India Army Circular 165 of 1892	2$\frac{3}{4}$
Transfer from home estimates for purchase of tinned beef and mutton from the Colonies instead of home, ordered by Secretary of State	$\frac{3}{4}$
Increased pay to the Garrison Artillery given by Royal Warrant	1$\frac{1}{2}$
Pay for Inspectors of Ordnance Machinery on their way out from home	$\frac{1}{4}$
Increased expenditure on account of occupation of Gilgit	3$\frac{1}{4}$
Maintenance of field telegraph lines in Burma, Sikkim, &c.	1
Replacement of fort and reserve stocks and mobilisation reserve stock, not included in the estimates	$\frac{3}{4}$
Change in clothing due to new equipment, &c.	$\frac{1}{4}$
More horses to meet the estimated increase of casualties in 1893-94	$\frac{1}{2}$
These items amount to	11

leaving only 18 lakhs, to which it is reasonably in the power of the Government of India to refuse sanction.

15. Of this sum is for the reconstitution of the Hindustani regiments of the Bengal Army, sanctioned by the Secretary of State in 1891, and which, owing to the state of unrest amongst those regiments from whom it has been impossible to keep the proposed change secret, it is not considered desirable any longer to postpone.	1$\frac{1}{4}$
Maintenance and improvement of conservancy arrangements in cantonments account for about	2$\frac{1}{4}$
This question has been pressed upon us by the sanitary authorities; we commenced the work of improvements last year, and it is impossible to postpone extending it, in view of the serious amount of enteric fever, considered to be largely due to defects in the existing sanitary arrangements.	
Extension of the system of voluntary cantonment general hospitals in the three presidencies, introduced at some stations last year with great success, and in which we have every reason to hope will be found some mitigation of the terrible ravages of contagious diseases amongst our troops	1
Provision of lines for Native regiments, who are living at present under most grievously insanitary conditions which cannot be allowed to continue longer	2$\frac{1}{2}$
Annual grant for camps of exercise in the three presidencies	1
Increase in the number of volunteers, and the continued grant of additional concessions which were given to them last year with most beneficial effect, and which could not be again withdrawn without serious injury to the volunteer movement	1$\frac{1}{4}$
Provision of mountain guns to be attached to the troops in the Chin Hills; experience having shown that great loss of life occurs from stockades being attacked without artillery (nearly)	1
Conversion of a Madras infantry regiment into a local Burma battalion; exceptional opportunity being now afforded by the contemplated reduction of eight companies of Burma military police	$\frac{1}{2}$
Small increases found absolutely necessary in the ordnance establishments, in consequence chiefly of the increased manufacture in India; and the provision for the manufacture of blank ammunition in those factories instead of regimentally, as under the present system many accidents have occurred, and serious damage has been caused to the rifles	1$\frac{1}{2}$
Increased provision for grass-farming operations in Bengal, rendered necessary by the fact that owing to increased cultivation in the neighbourhood of cantonments, grass can no longer be procured by grass-cutters as formerly, and from which an ultimate saving is expected	1$\frac{1}{2}$
Improvements to be made in the system of artillery practice, and musketry training of the reserves	$\frac{1}{4}$
Improvements in the recruiting system of the Native Army	$\frac{1}{4}$
	14$\frac{1}{4}$

16. This accounts for 14¼ lakhs out of the 18 over which it is possible for the Government of India to exercise any control. The remaining 3¾ lakhs include Rs. 37,500 for the continued use of the Karachi route, which it is essential to keep up in view of its great importance in the event of mobilisation; Rs. 53,690 for the purchase of land for camping grounds and for rifle ranges, due to the increased range of the Magazine rifle; Rs. 40,000 for an increase to the establishment of veterinary officers, sanctioned by the Secretary of State; and Rs. 23,500 for victualling, godown, and cattle establishments in the Chin Hills. The balance of about 2¼ lakhs is made up of small items, all of which have been proved to my satisfaction to be necessary for the efficiency of the army.

17. In order to keep down increase in the estimates to the 54½ lakhs for which I asked,* and which has been sanctioned by the Governor-General in Council, it was necessary to exclude provision for the reserve of horses, which I am most anxious to establish whenever money is available, and the need of which has been shown by the fact that we could not mount a European cavalry regiment in October next, if it were sent out to replace the 7th Dragoon Guards ordered with their horses to Egypt, without depleting the establishments of other British cavalry regiments, and to postpone other items amounting to over 50 lakhs, which it would have been desirable to introduce into the estimates, had money been available.

18. No one can be more sensible than I am of the necessity for economy in military expenditure. I have resisted every proposal which I do not consider to be necessary for the health or efficiency of the army, and shall continue to do so. Every effort shall be made to find any causes of expenditure which can be reduced; but while I hope to see a sensible reduction shortly in the home estimates, when our expenditure on special defences has ceased, when the re-armament of our infantry and artillery is completed, and when our manufacture in India has more completely replaced manufacture at home, I cannot, as I said in a recent note, hold out any hope that the present increase to our Indian military estimates will be final. The maintenance of the special defences has involved additional establishments, and the cost of those establishments, of the maintenance of the works and the repair of the armaments, falls upon the Indian Budget estimate. Station practice from largely-increased number of guns using very costly ammunition is in itself a considerable item. All our weapons, both for artillery and infantry, are more costly than those which are being replaced by them, and the cost of maintenance and repair is correspondingly increased. The cost of ammunition will largely increase with the introduction of solid-drawn cartridges for cordite. Until we have supplied all the troops with cordite cartridges, and obtained a sufficient reserve of cordite both for infantry and artillery, we must maintain our stocks of powder. Prices of articles purchased by the commissariat, and compensation to Native troops for dearness of provisions, are evidently rising. In consequence of the rise in price of food it is difficult to obtain followers at the old rates, and I am pressed on all sides to grant them higher rates of pay. The volunteers in India continue to increase to a most satisfactory extent, and unless we are to stop that increase, there will be a corresponding growth in the estimates. The Commander-in-Chief has laid before me papers showing that the quality of the recruits for the Native Army is falling off, and can only be raised by granting higher pay to the sepoy. With the rupee at 1*s.* 2¾*d.* we cannot expect to continue to get the horses and mules we import from abroad for the same price at which we bought them when the rupee was 1*s.* 7*d.*, as it was when the present price was fixed. We must spend money on pure water-supply and sanitary improvements in our cantonments, and we must house those Native troops whose lines have fallen into a dangerously insanitary condition.

19. If any sensible reduction is to be made in our military estimates, or even if they are to be kept down to the figure of the estimates of 1893-94, one or two measures must, in my opinion, be adopted. Either the exchange value of the rupee must be raised, every farthing of exchange making a difference of 3 lakhs in our military estimates, or the army in India must be reduced. In neither case does the final word rest with the Military Department.

H. BRACKENBURY,
Lieut.-General.

* The actual increase, exclusive of field operations, is Rs. 54,26,000. The Home estimates show a decrease of 90,000*l.*, or about 14¼ lakhs, so that the total net increase on the Home and Indian estimates is under 40 lakhs, of which 24 lakhs is due to fall in exchange.

No. 35.

LETTER from the GOVERNMENT OF INDIA, April 5, 1893. No. 63 (Military).

With reference to paragraph 9 of your Lordship's Military Despatch, No. 143, of the 3rd November 1892, and in continuation of our Military Despatch No. 177 of the 2nd idem, we forward for your Lordship's information an "Analysis of the expenditure on the army in India from 1884-85 to 1892-93 inclusive, drawn up by the Accountant-General in our Military Department. The analysis includes figures regarding expenditure on "Military Works," "Special Defences," and "Strategic Railways." We also forward a "Brief "note on the causes of increase in gross military ex- "penditure in India since 1887-88" as appearing in the military accounts and estimates.

2. We would explain that we are prosecuting further inquiries into the causes of the increased expenditure, and a further communication on the subject will be made in due course.

Enclosure in No. 35.

ANALYSIS of the EXPENDITURE on the ARMY in INDIA since 1884-85.

The three statements attached (marked A., B., C.) show the strength of officers and British and Native troops from the year 1884-85 to 1892-93; the actual annual military expenditure *in India* in round numbers under each grant from 1884-85 to 1891-92, and the estimated expenditure in 1892-93 as taken in the Budget estimate for the year; the same information as regards expenditure *in England;* and the total actual and estimated expenditure *in India and England* taken together for the same period.

2. Comparison of past and present expenditure:—

Effective Services.

GRANT 1.

Army and Garrison Staff.

	Rx.	
In 1884-85	485,100	Actuals.
,, 1885-86	481,300	,,
,, 1886-87	503,900	,,
,, 1887-88	514,200	,,
,, 1888-89	488,100	,,
,, 1889-90	481,300	,,
,, 1890-91	484,700	,,
,, 1891-92	498,100	,,
,, 1892-93	517,900	Estimate.

3. In 1885-86 the expenditure fell owing to the abolition of the Deesa Brigade in the Bombay Circle; the transfer of two forts in the Peshawar District to the civil authorities; variations in the ranks of officers; and temporary vacancies; partly counterbalanced by the formation of musketry instruction classes.*

In 1886-7 the expenditure rose in consequence of the employment of additional staff in Upper Burma.

A further increase occurred in 1887-88, consequent on the augmentation of the Brigade and other staff, including establishments in Upper Burma; extra contingent and telegram charges on account of Burma;

	Rx.
* In 1892-93	517,900
,, 1884-85	485,100
Increase	32,800

the establishment of depôts in that country for European and Native troops; and the entertainment of establishments in connection with the conservancy arrangements for Native troops and followers in the Quetta District. The appointment of Inspector-General of Cavalry was created, but a Brigade Command of about equal emoluments was abolished at the same time, and the pay and allowances of Inspectors of Army Signalling were transferred from Grant 3 to this Grant.* On the other hand, the artillery staff at Army Head-quarters in India was reduced; the appointments of Superintendent, British Army Schools, Bengal, and Director of Garrison Instruction in India were amalgamated; bazaar sergeants were abolished, and the command allowance for the Fortress at Asirgarh and the staff pay of Inspector of Gymnasia in Bengal, were reduced.

In 1888–89 the expenditure fell owing to the following causes:—Reduction of certain command and staff appointments in India and Upper Burma; transfer to Grant 12 of the cost (Rx. 10,000) of the garrison instruction staff, and to Grant 14 of the cost of unprepaid telegrams despatched from Army Head-quarter offices, India; abolition of the Rawal Pindi Brigade Command, and of the appointment of Inspector of Army Signalling, Madras. Variations in the ranks of certain officers and the absence of others on furlough also contributed to the decrease. These savings were partly counterbalanced by increased expenditure on account of more extended tours of his Excellency the Commander-in-Chief in India, and by increased grants to cantonment funds, including the new cantonment at Mandalay.

In 1889–90 there was a further falling off in expenditure, consequent on the reorganisation of the army commands and staff, abolition of the station command at Baroda, and a further reduction of the staff pay of the Commandant, Asirgarh Fortress. On the other hand, the musketry instruction staff was increased.

In 1890–91 the expenditure rose owing to more extended tours of the Commanders-in-Chief in India and Bombay; the creation of the appointment of Secretary, Defence Committee, and his office establishment; heavy telegram charges on account of Upper Burma; the creation as a permanency for the whole year of the appointment of Brigade-Major to the Inspector-General of Artillery in India previously sanctioned for only six months in each year; the Sikkim Command; and additional temporary appointments in Burma. The pay and allowances of rank of certain station staff officers were compiled to this Grant instead of to Grant 3 as hitherto. *Per contra*, the appointment of Quartermaster-Sergeant, Poonamalee Depôt, was abolished, and certain cantonments which received grants-in-aid became self-supporting.

In 1891–92 the expenditure continued to rise owing to more charges on account of tours of the Commanders-in-Chief in India, Madras, and Bombay; heavy charges for telegrams, especially on account of Upper Burma; seconding of first class station staff officers; the creation of the following new appointments, Deputy Assistant Adjutant-General, Royal Engineers, Deputy Assistant Adjutant-General for Mobilisation, an additional paid attaché in the Intelligence Branch, Quartermaster-General's Department, Army Head-quarters in India, and an additional Assistant Inspector in Army Signalling, Bengal. Extra charges, amounting to Rx. 602, arose under "Miscellaneous Depôts" in connection with the experimental use of the Karachi route for troops proceeding between England and India. The appointment of Commandant Chunar Fort was abolished and the establishments discharged in this year.

In 1892–93 the following items account chiefly for the excess in the estimates:—House-rent for musketry instruction classes in Bengal; formation of corps of military staff clerks in Bengal (since abandoned); improvement of conservancy arrangements at certain stations; reorganisation of the Intelligence Branch, Quartermaster-General's Department in India; office allowance to station staff officers; local allowance to officers serving in the Southern Chin Hills; larger establishments in connection with the experimental use of the Karachi route for troops proceeding between England and India; and formation of a second musketry class at Deolali. The appointment of Staff Officer, Fort St. George, was abolished and replaced by a Garrison Quartermaster of lower rank.

GRANT 2.

Administrative Staff.

	Rx.	
In 1884–85 - -	185,900	Actuals.
,, 1885–86 - -	183,700	,,
,, 1886–87 - -	188,300	,,
,, 1887–88 - -	191,100	,,
,, 1888–89 - -	193,100	,,
,, 1889–90 - -	193,900	,,
,, 1890–91 - -	192,100	,,
,, 1891–92 - -	191,900	,,
,, 1892–93 - -	195,700	Estimate.

4. The fall in 1885–86 was caused by savings in the Military Accounts Department and to acting arrangements in the Military Department Accounts Branch.*

The increase in 1886–87 was due to the employment of an additional paid aide-de-camp to the Viceroy, as a temporary arrangement, and of additional clerical establishments in the Military Accounts Department in connection with the audit and adjustment of the Burma War accounts.

The increase in 1887–88 was due to the formation of a field pay office in Burma, and to the employment of additional permanent and temporary clerical establishments in the Military Accounts Department for the audit and adjustment of expenditure in Burma.

In 1888–89 the establishment of the field pay office in Burma was increased and a commissariat account audit office established there. On the other hand, the appointment of Examiner of Medical Accounts, Madras, was abolished, and the duties transferred to the corresponding officer at Bombay; and the staff allowances for fund accounts, Madras and Bombay, were discontinued, the work being transferred to the Pay Examiners.

In 1880–90, annual increments of pay to office establishments and variations in the ranks of military officers in the Military Accounts Department added to expenditure, but were partly counteracted by savings due to the revision of the office establishments of the Department, consequent on the abolition of Circle Pay Offices and the payment of native pensioners in certain districts being transferred to the Civil Department and the reorganisation of the establishment of officers and reductions in their salaries.

The fall in 1890–91 was chiefly due to the transfer to the civil estimates of the cost of the Governor's band, Madras; further reductions of certain circle pension offices, the payment of native pensioners in certain districts having been transferred to the Civil and Postal Departments; and the abolition of the appointments of Examiners, Medical Accounts, Bengal and Bombay, their work having been transferred to the Examiners of Commissariat Accounts. These savings were partly counterbalanced by the cost of moving the Bengal Western Circle Account offices to Rawal Pindi, and extra office establishments rendered necessary by the formation of this new set of circle audit offices.

In 1891–92 a small addition was made to the clerical establishment of the Accountant-General's Office. On the other hand, a small saving was caused by the Deputy and Assistant Accountants-General, Military Department, being replaced on the roster of the Military Accounts Department, and by changes in clerical establishments of that Department.

In 1892–93 the increase provided for is on account of the higher rank of military officers, additional clerical establishments and contingencies in the Military Accounts Department, due to the accounts of British troops being now submitted on the Home system, and the payment of bills of staff officers and departments having been retransferred from civil treasuries, and to a provision for test audit.

	Rx.
* In 1892–93 - -	195,700
,, 1884–85 - -	185,900
Increase - -	9,800

GRANT 3.

Regimental Pay, Allowances and Charges.

	Rx.	
In 1884–85 - -	6,170,400	Actuals.
,, 1885–86 - -	6,477,200	,,
,, 1886–87 - -	6,869,700	,,
,, 1887–88 - -	7,184,200	,,
,, 1888–89 - -	7,227,700	,,
,, 1889–90 - -	7,227,600	,,
,, 1890–91 - -	7,212,700	,,
,, 1891–92 - -	7,081,500	,,
,, 1892–93 - -	7,324,000	Estimate.

5. There have been many and important changes in this grant since 1884–85, and the expenditure has consequently increased considerably.* The chief causes of the increase are:—

In 1885–86 the expenditure rose in consequence of the pay of British troops being converted into Indian currency at 1*s.* 7½*d.* the rupee instead of 1*s.* 8*d.* as in the previous year, causing an excess of about Rx. 51,500; increased strength of the British and Native armies during a portion of the year; the recall of officers from furlough owing to special military preparations on the North-West Frontier commenced towards the close of 1884–85 and continued during a part of 1885–86; to troops having been sent to Upper Burma in November 1885; the revision of native establishments with horse and field batteries of Royal Artillery; the reorganisation of the Sappers and Miners throughout India. On the other hand, the grant of bounty-money to British soldiers for extension of their service in India was discontinued from 1st April 1865.

In 1886–87 a further increase occurred, caused by the fall of the rate of exchange for the payment of British troops to 1*s.* 7*d.* the rupee, which accounts for about Rx. 51,500. The strength of British troops was augmented, 11 batteries of Royal Artillery, a squadron of 148 non-commissioned officers and men to each of the nine cavalry regiments, three battalions of infantry and 100 privates to the establishment of each of the 50 regiments in India being added; but the whole of these troops did not arrive in this year. The Native army was also augmented by three regiments of Silahdar Cavalry, the revised establishment consisting of four squadrons each in Bengal, the Punjab, and Bombay regiments, and Central India Horse; the establishment of Madras cavalry regiments was increased; and a part of the expenditure in connection with the raising of five additional Gurkha battalions of infantry was incurred. Twenty supernumerary sepoys were added to each regiment of Native infantry, except Gurkha and Assam regiments. Mountain batteries of Native artillery were raised from four to six guns.

In 1887–88 the pay of British troops was converted into Indian currency at 1*s.* 5½*d.*, instead of at 1*s.* 7*d.* as in the previous year, causing an excess of about Rx. 180,000; drafts arrived from England to complete the augmented strength of the British Army sanctioned in 1885; the addition of a fifth battalion of Gurkhas, three Sikh infantry regiments, one pioneer battalion, two troops to the Corps of Guides Cavalry, two Native mountain batteries; initiation of the scheme of reserves for the Native Army; increased good conduct pay and half-mounting allowances to the Native Army; and revised establishment of collar makers and wheelers for the Royal Artillery. On the other hand, the pay and allowances of veterinary surgeons were transferred from this grant to Grant 5; the establishment of officers for British cavalry and infantry regiments was revised; interpreters to British regiments were abolished; and the establishment of followers for Bengal infantry regiments was reduced.

In 1888–89 the pay of the British soldier was issued at 1*s.* 4½*d.* the rupee in the second half of the year as against 1*s.* 5½*d.* in the previous year, resulting in increased expenditure of about Rx. 60,000. The number of men per battalion allowed to join the reserves of the Native Army was increased; prizes for skill at arms were granted to Native drivers of horse and field batteries, and a revised scale of prizes was sanctioned for British cavalry and infantry regiments; Gurkha and Assam regiments were allowed to enlist 20 sepoys per corps in excess of establishment; a second adjutant was appointed to the Corps of Guides, Punjab Frontier Force; a Burma company of sappers and miners was formed; the rates of working pay for the sappers and miners were revised; regimental establishments and their rates of pay were revised for British cavalry and infantry; a change in the establishment of Native mountain batteries was made; the scale of water and conservancy establishments for British troops in Bombay was amended; and prizes were granted to British soldiers qualifying as cooks. These additions were partly counterbalanced by the British and Native troops being short of strength, and a smaller number of unemployed officers drew their pay and allowances in India; the order allowing 200 extra men per Native infantry regiment in Burma was cancelled; the establishment of Native followers for Native regiments was reduced; and 11 instead of 13 batteries were ordered to be maintained on war footing.

In 1889–90 the pay of British troops was issued at 1*s.* 4½*d.*, thus causing an excess of about Rx. 60,000 on this account; the pay of riding masters of British regiments was increased; bounty was given to soldiers of garrison artillery for extending their service; prizes were given to British troops for proficiency in army signalling; the Native Army reserve was extended, and an active reserve of Native artillery formed. On the other hand, there were savings due to deficiencies in the strength of British and Native troops; fewer unemployed officers of the Staff Corps and General Lists; fewer officers in receipt of colonel's allowances; casualties in the invalid and veteran establishment; and more officers being absent on furlough in England. The establishment of followers for Bombay cavalry regiments was also reduced.

In 1890–91 there was a slight fall in the expenditure, as compared with that of the year before, owing to the adoption of a more favourable rate of exchange for the payment of British soldiers, namely, 1*s.* 5*d.* the rupee, as against 1*s.* 4½*d.* in the previous year. Diminished expenditure also occurred in consequence of the abolition of regimental paymasters of the Army Pay Department with British troops serving in India, other arrangements being made for carrying on the regimental pay duties; the European Artillery Veteran Company in Madras was abolished; the British cavalry and infantry were short of strength; there were fewer invalid and veteran officers; fewer unemployed general officers, and officers of the Staff Corps and General Lists; the strength of mounted infantry in Burma, of the Governor's Body Guard, Madras, of Native followers with regiments and of grass cutters with British mounted corps, was reduced. On the other hand, there was increase owing to the reorganisation of the artillery staff and commands.

In 1891–92 expenditure decreased by Rx. 128,300 as compared with the expenditure in 1890–91. This was chiefly due to a more favourable rate of exchange for paying the British soldier, namely, 1*s.* 6½*d.* instead of 1*s.* 5*d.* the rupee; officers and men were short of strength; grass cutters with the mounted branches of the British Army in Bombay, and partly in Madras, were discharged, the Commissariat Department undertaking the supply of forage; the Skeleton Company of Royal Engineers, the appointment of second in command in the Corps of Sappers and Miners, and the Arab Levy with the Aden troop were abolished; the gradual absorption of the garrison reserve, and discharges from the reconstituted regiments in Madras and Bombay, also resulted in diminished expenditure under certain heads. These savings were partly counterbalanced by the addition of a quartermaster-sergeant to the establishment of garrison companies of Royal Artillery, the number of sergeants being reduced by one; the raising of two battalions of Burma infantry and an additional Baluch regiment; higher rates of pay to the Silahdar Cavalry in Bengal and Bombay; an increase in the Afridi element in the Native Army; and extra expenditure on account of the improvement of lines for Bengal troops.

In 1892–93 Budget provision was made for an increase of Rx. 239,600 as compared with the expenditure in 1891–92. This was due to the fall in the rate of exchange for payment of British troops from 1*s.* 6½*d* to 1*s.* 4¾*d.* the rupee, which accounts for Rx. 210,000;

	Rx.
* In 1892–93 - -	7,324,000
,, 1884–85 - -	6,170,400
Increase -	1,153,600

the conversion of two Bombay regiments of infantry into Baluch battalions, and the reconstitution of two regiments of Madras infantry into two Burma battalions; the addition of 20 privates to each of the Burma battalions of infantry; the augmentation of the strength of garrison artillery by 25 gunners per company; special provision for hutting troops at certain stations; increased allowances to mahouts, assistant mahouts, and bullock drivers of heavy field batteries of Royal Artillery; revised establishment for the guns attached to Native infantry regiments in Assam; local allowances to certain officers serving in Manipur and the Southern Chin Hills; and increased pay to Native saddlers with the Native artillery. On the other hand, decreases occurred owing to the following measures:—The gradual extinction of the garrison reserve; reconstitution of the Madras cavalry by the reduction of one regiment, the remaining three regiments each receiving an additional squadron; the revision of the establishment of the Corps of Sappers and Miners in India. It is to be observed that since the estimates for 1892–93 were sanctioned, special bounties to British soldiers extending their service in India have been given; this will increase charges under this grant.

GRANT 4.

Commissariat Establishments, Supplies and Services.

	Rx.	
In 1884–85	2,202,400	Actuals.
„ 1885–86	2,180,600	„
„ 1886–87	3,630,500	„
„ 1887–88	3,847,000	„
„ 1888–89	3,289,700	„
„ 1889–90	3,109,700	„
„ 1890–91	3,068,500	„
„ 1891–92	3,681,000	„
„ 1892–93	3,279,000	Estimate.

6. In 1885–86 there was a decrease of about Rx. 20,000, which was due to more favourable rates paid for articles of food for men and animals; the utilisation of the special stock of provisions, &c., laid in previously for the Quetta Force; diminished railway and transport charges owing to reduced rates, and to the annual relief in Bengal having been a small one.* On the other hand, country brewed malt liquor was ordered to be supplied to British troops in lieu of imported liquor, thus causing increased expenditure in India to the relief of the Home estimates, and the Commissariat Department was reorganised and a Commissary-General-in-Chief appointed, the department in Bengal being divided into two circles—Eastern and Western—each under a Commissary-General.

In 1886–87 the large increase was due to the increased garrison in Burma and more extended operations in that province; increased charges for provisions, forage and other commissariat supplies, due to the augmentation of the army; the adjustment of arrear charges appertaining to the camp of exercise at Delhi and the Quetta Field Force; larger payments for compensation for dearness of provisions; and a larger number of transport animals having been purchased.

The large increase in 1887–88 was due to a larger garrison in Burma, which added greatly to the cost of supplies, transport and other commissariat services; arrear charges of previous years; the supply locally of malt liquor to British troops in Burma, correspondingly reducing home charges; compensation to Native troops in Madras and Bombay for dearness of provisions and forage were uniformly compiled to this Grant instead of as formerly to Grant 14 in some of the presidencies; a reserve stock of fodder was laid in at Quetta; the establishment of ambulance transport was revised, and also the rules for compensation to the Bombay cavalry for dearness of forage; the establishment of horses for British cavalry regiments was increased; prices of articles of food for men and horses rose; the reliefs of the forces in Upper Burma, and cold weather field operations there were extensive;

	Rx.
* In 1892–93	3,279,000
„ 1884–85	2,202,400
Increase	1,076,600

and additional transport animals were purchased. In this year the Supply and Transport Branches of the Commissariat Department were amalgamated.

In 1888–89 there was a fall in the expenditure owing to the garrison in Burma having been reduced, diminishing charges for food and establishments; more officers were absent on furlough; there were reductions of cattle transport, and other Native establishments in Bombay, and of allowances to the latter serving in the Quetta District; less expenditure for temporary khedda (elephant) and cattle farm establishments; smaller payments for malt liquor and rum; fewer reliefs of troops and movements of stores; economies were effected in the feed of elephants attached to the kheddas and of cattle at the Hissar Farm, and fewer transport animals were purchased to replace casualties. On the other hand, the establishments of officers for the Commissariat Department, and of horses with regiments, were increased; large payments were made as compensation for losses of Native Silahdar cavalry horses in Burma and on account of dearness of articles of food for men and horses owing to rise in prices.

In 1889–90 there was a further fall in the expenditure in consequence of more officers having proceeded to England on furlough; savings in ambulance, khedda and other subordinate establishments, and in charges for regimental transport; expenditure in Burma was reduced; the consumption of malt liquor and rum was less; troops were short in strength; lower prices of food supplies; fewer "sea and inland water charges" owing to the opening of the railway in Burma; and the transport was below the authorised complement.

In 1890–91 there was a still further decrease in expenditure due to the employment of fewer temporary ambulance bearers in Bengal, and the reduction of the numbers of permanent bearers and lower rates of pay given to this class in Burma, also reductions in subordinate regimental establishments generally, partly due to the closing of certain outposts in Burma; reductions in pay of cattle establishments and decreased numbers of cattle in Burma; less charges for compensation for dearness of forage and feed of transport mules; transfer to Grant 7 of the cost of canvas mattresses less consumption of rum and malt liquor, the voluntary regimental system of supply of the latter being introduced in Madras and Bombay; and Government carriage was largely employed for the conveyance of troops and stores. These savings were partly counterbalanced by increased expenditure in Madras and Bombay, due to higher rates for certain articles of food for British soldiers; the cost of dairy farms was compiled to this Grant, in place of payments for milk and butter for hospitals, which they supplanted, being compiled to Grant 9; troops in Bengal were moved more by route march than by rail; elephants were purchased in Burma for the Wuntho Expedition; additional horses with batteries of the 1st Army Corps had to be fed and also extra mules for grass duties with British mounted corps; increased charges for the troops in Sikkim; the rearrangement of commissariat ranges in India coterminous with military commands and the allotment of commissariat transport staff; and redistribution of regimental and depôt transport in India.

In 1891–92 a substantial increase occurred owing to heavy telegram charges in Upper Burma, and Manipur after 30th September 1891 (the expenditure prior to this date was compiled against a special grant in Grant 14); augmentation of transport, including siege train bullocks; large stocks of articles of food laid in at certain stations in the Western Circle, Bengal, and at the outlying posts in Upper Burma, and establishments connected therewith; expenditure to facilitate mobilisation;* cold weather operations in Upper Burma; an additional regiment located in Burma; rise in prices of articles of food for British and Native soldiers and followers, and for horses of the Native cavalry, especially in the Quetta District; rationing the Native troops at Manipur after 30th September 1891; dairy farms in Madras and Bombay; less Government carriage was utilised for the conveyance of stores owing to a large number of animals being on field service; stores were sent to Rawal Pindi, Fort Sandeman, and Quetta for stocking purposes; conveyance of stores, troops, and animals in connexion with Manipur and the Chin Hills (after 30th September 1891), Hazara (after 15th December 1891), Upper Burma and cold weather operations in that country:

* *See also* Grant 14A, page 18, for expenditure on mobilisation arrangements.

frequent movement of troops in the Eastern Frontier Districts by river steamers and boats; increased expenditure for "implements, godown furniture and contingencies," and for transport carts, mule gear and doolies, and the purchase of the buildings, plant, and machinery belonging to Goode's Compressed Forage Company at Amritsur. On the other hand, there was less expenditure on account of malt liquor, the troops in Lower Burma having been permitted to make their own arrangements for the supply; for feed of horses and battery mules, elephants and bullocks; and for the mounted infantry in Burma which was below strength.

The Budget estimate for 1892–93 provides for less expenditure under this grant as compared with that in 1891–92, which included a number of charges of a non-recurring nature. It, however, includes the extra cost of the continued experimental use of the Karachi route for British troops proceeding between England and India; rations for 25 additional gunners per company of garrison artillery; additional commissariat establishments; increased purchases of reserve stock; additional commissariat supplies and services in connexion with posts in the outlying districts in Burma; feed and keep of the greater number of transport animals now maintained; increased pay to transport establishments; expenditure in connexion with the Shwebo Canal fuel and fodder reserve scheme, but this will be borne by the Forest Department under orders subsequently issued; a grass farm at Mandalay and a dairy farm at Kamptee. Since the Budget estimate was sanctioned considerable additional expenditure has been incurred under this Grant on account of special transport and supply arrangements in Kashmir under Captain Yeilding; and prices of articles of food for soldiers, followers, and animals have risen, rendering the amount provided below (by about Rx. 150,000) what will be required.

GRANT 5.

Remount and Veterinary Establishments, Supplies and Services.

	Rx.	
In 1884–85	158,800	Actuals.
,, 1885–86	228,100	,,
,, 1886–87	248,600	,,
,, 1887–88	233,500	,,
,, 1888–89	224,100	,,
,, 1889–90	252,800	,,
,, 1890–91	213,500	,,
,, 1891–92	295–800	,,
,, 1892–93	260–700	Estimate.

7. In 1885–86 the increase was due to the reserve of horses maintained at Oossoor having been raised by 100, and to the purchase of additional horses consequent on the augmentation of the Royal Artillery and British and Madras Cavalry.*

In 1886–87 also more remounts were purchased than in the previous year.

The expenditure in 1887–88 was less than that in the previous year owing to fewer remounts having been purchased. Horses were, however, purchased in this year to complete the larger reserve required in consequence of the increased established strength of the mounted branches of the army.

The above remark also applies to the expenditure in 1888–89 to some extent, and the revised establishment and rates of pay of officers of the Army Remount Department caused an increase in this year.

In 1889–90, more remounts and young stock were purchased and establishments were increased at the rearing depôts at Kurnal and Ahmednagar, and farm lands were purchased at the former place. On the other hand, the grant was relieved of the pay and allowances of the Superintendent and Assistant Superintendent of the Horse-Breeding Department made a civil charge.

In 1890–91 fewer purchases of remounts, ponies for mounted infantry, ordnance mules, and young stock were made.

The large increase in 1891–92 was due to the purchase of additional Australian horses and ordnance mules, and the higher prices paid for the latter; the retention of 305 horses in the depôts for one year longer owing to the order forbidding issue until five years old, instead of four years old, as hitherto. Expenditure to facilitate mobilisation arrangements also contributed to the excess.

The expenditure provided for in 1892–93, though less than that incurred in the previous year, includes special purchases of horses and increased charges for feed and keep of animals purchased in previous years both for the depôts and with regiments. The recent revision of the establishment of officers of the Remount Department is also a cause of additional expenditure.

GRANT 6.

Clothing Establishments, Supplies, and Services.

	Rx.	
In 1884–85	139,300	Actuals.
,, 1885–86	94,000	,,
,, 1886–87	143,000	,,
,, 1887–88	179,800	,,
,, 1888–89	196,800	,,
,, 1889–90	193,600	,,
,, 1890–91	235,500	,,
,, 1891–92	247,100	,,
,, 1892–93	236,100	Estimate.

8. The decrease in 1885–86 was due to less purchases of local supplies; fewer payments of compensation in lieu of clothing; and the adjustment, by deduction from charges, of the value of certain clothing issued from stock to Her Majesty's Imperial Government.*

The increase in 1886–87 was chiefly caused by the purchase of supplies for the Burma Force.

The increase in 1887–88 was due to the augmentation of the army in 1885–86–87; the issue of clothing to reserves of the Native Army; increased purchases of locally-manufactured cloth; and the larger supply of locally made boots for the army at higher contract rates. On the other hand, the staff pay of Superintendents, Army Clothing, was reduced.

In 1888–89 the expenditure included the cost of a reserve of field service clothing; larger local purchases of materials were made, to the relief of the home estimates; compensation in lieu of clothing was sanctioned to certain Native troops, and the fall in the rate of exchange also increased charges for compensation to British troops. On the other hand, reduced expenditure occurred on account of clothing for the reserve forces consequent on the limited number of men transferred thereto, and the issue of revised regulations affecting that service.

The decrease in 1889–90 as compared with the previous year was due to the discontinuance of free clothing to Native soldiers transferred to the reserve; the abolition of the Clothing Factory at Bombay, the supply of clothing to the Bombay Army having been transferred to the Madras Clothing Department; and by the failure of certain contractors to fulfil their contracts.

The increase in 1890–91 was due to larger supplies of articles of local manufacture and to more payments for compensation in lieu of clothing.

The excess in 1891–92 was caused by expenditure to facilitate mobilisation arrangements; the transfer of a large number of Native soldiers to the reserves from regiments reconstituted during the year, who received the increased rate (Rs. 25 instead of Rs. 5) of bonus for articles of kit left with their regiments; and charges were incurred for changing the uniforms of transfers to reconstituted regiments.

The estimate for 1892–93 includes no mobilisation items, but provides for larger expenditure on account

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	Rx.
* In 1892–93	260,700
,, 1884–85	158,800
Increase	101,900

	Rx.
* In 1892–93	236,100
,, 1884–85	139,300
Increase	96,800

of supplies to be obtained locally, and compensation in lieu of clothing, full-dress clothing being issuable. The new system of issues of clothing to British troops, sanctioned after the estimate, will cause considerable additional expenditure.

GRANT 7.

Barrack Establishments, Supplies and Services.

	Rx.	
In 1884–85	190,100	Actuals.
,, 1885–86	194,500	,,
,, 1886–87	237,900	,,
,, 1887–88	231,500	,,
,, 1888–89	226,200	,,
,, 1889–90	214,900	,,
,, 1890–91	229,700	,,
,, 1891–92	240,100	,,
,, 1892–93	217,500	Estimate.

9. The increase in 1885–86 was due to larger purchases of barrack furniture and bedding than in the previous year.*

In 1886–87 the expenditure rose considerably in consequence of supplies necessary for the increased force in Burma and the augmented strength of British troops in India.

In 1887–88 large expenditure was incurred on account of Upper Burma, and certain charges for lighting materials for hospitals were transferred from Grant 9 to this Grant, partly counterbalanced by savings in subordinate establishments for punkah and tattie-watering.

In 1888–89, the supply of barrack furniture and barrack establishments in Upper Burma was transferred to the Military Works Department. On the other hand, increased expenditure occurred on account of certain miscellaneous supplies provided by the Commissariat Department instead of as formerly by the Public Works Department. There was less expenditure for bedding and miscellaneous barrack supplies in this year, but more in 1890–91.

The increase in 1891–92 was caused by larger supplies of barrack furniture in Madras, and barrack bedding in Bombay, and larger establishments for water for plunge-baths and wash-houses. On the other hand, conservancy establishments were reduced at certain stations in the Madras Circle; oil was supplied in this circle at more favourable contract rates, and kerosine oil was used in Burma instead of vegetable oil, which is more expensive.

The estimate for 1892–93 provides for reduced expenditure for furniture, bedding, lighting, and miscellaneous articles.

GRANT 8.

Administration of Martial Law.

	Rx.	
In 1884–85	28,400	Actuals.
,, 1885–86	28,100	,,
,, 1886–87	27,500	,,
,, 1887–88	28,400	,,
,, 1888–89	41,000	,,
,, 1889–90	38,900	,,
,, 1890–91	37,900	,,
,, 1891–92	38,000	,,
,, 1892–93	42,200	Estimate.

10. The variations in expenditure in the years 1884–85–86–87 do not call for special remark.†

	Rx.
* In 1892–93	217,500
,, 1884–85	190,100
Increase	27,400

	Rx.
† In 1892–93	42,200
,, 1884–85	28,400
Increase	13,800

In 1887–88 an additional Deputy Judge Advocate-General was sanctioned for Burma, but a similar appointment was abolished in Madras.

In 1888–89 the increase was due to expenditure for garrison prisoners being compiled to this Grant, a reduction in Grant 3 counterbalancing it. The number of officers in the department was reduced.

In 1889–90 there was a decrease due to the absence of officers on furlough in England and reductions in office establishments.

The further decrease in 1890–91 was the result of an acting arrangement during the absence of the Judge Advocate-General, Eastern Circle, Bengal, on furlough, and after his retirement, and diminished charges for regimental, garrison, and station ptisoners.

In 1891–92 the small increase does not call for special remark.

The estimate for 1892–93 provides for increased rates of staff pay to officers of the Judge Advocate-General's Department, and for greater expenditure on account of prisoners.

GRANT 9.

Medical Establishments, Supplies and Services.

	Rx.	
In 1884–85	550,200	Actuals.
,, 1885–86	563,100	,,
,, 1886–87	624,000	,,
,, 1887–88	639,400	,,
,, 1888–89	612,200	,,
,, 1889–90	618,300	,,
,, 1890–91	627,700	,,
,, 1891–92	682,800	,,
,, 1892–93	686,900	Estimate.

11. The increase in 1885–86 was caused by the grant to officers of the Indian Medical Service holding no specific appointment of the pay drawn by officers of the Army Medical Department in lieu of "Unemployed Pay," and by the reorganisation of the Subordinate Medical Department.*

The further increase in 1886–87 was due to the strength of the medical staff having been augmented, and to extra charges in connexion with operations in Burma.

In 1887–88 the establishments of Army Medical Staff officers and subordinates were increased, and extra medical charges and extra establishments were sanctioned for Burma. Under "Supplies" there was a large increase due to an increase in the number of sick, greater purchases of reserve stock, higher prices, transfer of certain charges from Grant 4, and extra expenditure on account of Burma; partly counterbalanced by larger demands for stores from the Civil Department, the value of which is deducted from charges under this Grant, and the abolition of Garrison Surgeons in Fort William, Chunar, and Attock.

In 1888–89 the decrease was due to a large number of vacancies in establishments of officers, absentees on furlough, junior rank of officers, reductions of establishments maintained in Burma owing to the closing of certain hospitals, and smaller grants-in-aid to cantonment hospitals. On the other hand, the Lady Nursing Service was instituted, and the Subordinate Medical Department was reorganised.

In 1889–90 the increase was in a great measure due to a change in the method of adjusting the value of European stores issued to other departments, which were credited as receipts instead of being deducted from charges as formerly. On the other hand, the establishment of the Hospital Assistant Branch, Subordinate Medical Department, was revised, the effective strength of officers of the Medical Staff was below the authorised complement, and there were fewer unemployed officers of the Indian Medical Service.

In 1890–91 the excess was caused by increased expenditure for medical and surgical stores supplied to hospitals, medical comforts, and diets for the sick owing to a larger number of patients. The Allahabad

	Rx.
* In 1892–93	686,900
,, 1884–85	550,200
Increase	136,700

Medical Store Depôt was abolished, and one Deputy Surgeon-General in Madras was placed in charge of two districts (Madras and Southern Districts).

In 1891–92, the large increase was due to the further revision of the Apothecary Branch of the Subordinate Medical Department, arrangements for facilitating mobilisation, the transfer of certain charges from other grants, charges incurred after the 30th September 1891 on account of Manipur having been compiled to this grant, instead of to the special head in Grant 14, larger stocks having been laid in, higher rates for European stores in consequence of the fall in the rate of exchange, and expenditure in connexion with cold weather field operations in Burma, and issues to troops in outlying posts in that country. The Cantonment General Hospital at Delhi was abolished.

The increased provision in the estimate of 1892–93 includes certain charges transferred from other Grants owing to change in classification, new cantonment hospitals at certain stations in India and Burma, a revised establishment of military hospital assistants for Bengal, and the augmented establishment of nursing sisters.

GRANT 10.

Ordnance Establishments, Stores and Camp Equipage.

	Rx.	
In 1884–85	496,600	Actuals.
,, 1885–86	582,760	,,
,, 1886–87	450,100	,,
,, 1887–88	493,100	,,
,, 1888–89	576,500	,,
,, 1889–90	631,700	,,
,, 1890–91	716,000	,,
,, 1891–92	724,300	,,
,, 1892–93	798,700	Estimate.

12. In 1885–86 the excess was due to increased manufacture of small-arm ammunition for completing reserves which had fallen below established quantities owing to the condemnation of ammunition made at Kirkee, large purchases of local supplies, including camp equipage, to replace issues from stock to Her Majesty's Imperial Government and the Quetta Force and the creation of the Office of Director-General of Ordnance.*

The fall in expenditure in 1886–87 was due to articles specially purchased in the previous year for the Quetta Force having been utilised in this year for ordinary requirements, large supplies were made to civil departments, including the Burma police, the value of which was deducted from military charges and debited to those departments.

The accounts of 1887–88 included some Rx. 25,000 for returned stores belonging to the Field Park at Suakin, Hyderabad Contingent, Police, and Royal Navy; large expenditure was incurred for stores in Burma and to replace stores destroyed by fire in the Arsenal at Rawal Pindi, increased issues of harness and saddlery from the factory, Cawnpore, a larger establishment of warrant and non-commissioned officers in Bengal was sanctioned, and the establishment of master-gunners and park-sergeants for the care of ordnance and stores in fortifications in India was reorganised. On the other hand, savings accrued owing to the absence of more officers on furlough, the entertainment of smaller extra establishments, the closing of the gunpowder factory at Madras, and diminished purchases of timber, camp equipage, and line gear.

In 1888–89 the staff pay of Assistant Superintendents of Ordnance Factories on first joining the department was increased, more Martini-Henry ammunition was manufactured in consequence of the arming of a portion of the Native Army with this weapon, larger purchases of Indian stores were made in lieu of importing articles to the relief of the home estimates, a considerable quantity of stores was returned by other departments, including the Burma Police, and heavy expenditure was incurred on account of camp equipage.

In 1889–90 the expenditure for temporary labour in arsenals and factories rose; the second-class depôt at Mandalay was converted into a first-class depôt, the establishment of the second-class depôt at Rangoon was augmented, and a third-class ordnance officer was added in Bombay. On the other hand, less camp equipage was purchased, and the Ordnance Depôt at Bhamo was abolished.

In 1890–91 three officers were added to the Ordnance Department, more expenditure was incurred for temporary labour in arsenals and factories, more local stores were purchased, and civilian mechanics in connection with the repairs of heavy ordnance and machine guns were instituted.

The increased expenditure in 1891–92 was also due to employment of a greater number of temporary artificers and labourers, the purchase of more local stores, the division of the Bengal Circle of the Ordnance Department into two circles, the addition of two Officer Instructors in Gunnery at Bombay and Aden, regimental instead of staff corps pay was granted to the Royal Artillery officers in the Ordnance Department, further supplies of signalling equipment were made to the Native Army, large expenditure was incurred to facilitate mobilisation arrangements, and large purchases of materials were made for the manufacture of 12-pr. breech-loading gun equipment.

The estimate for 1892–93 includes additional provision for stores, camp equipage, and extra temporary artificers owing to increased outturn to meet the wants of troops, 13 Civilian Ordnance artificers for coast defences, an Officer Instructor in Gunnery, Hooghly Defences, increased office establishments for certain arsenals, and for the recently sanctioned establishment of Coast Defence Lascars.

The expenditure under this head in recent years has greatly increased owing to the additional cost of manufacture of the new description of ammunition for field guns and small-arms and the arming of the Native Infantry with Martini-Henry rifles.

	Rx.
* In 1892–93	798,700
,, 1884–85	496,600
Increase	302,100

GRANT 11.

Ecclesiastical.

	Rx.	
In 1884–85	28,200	Actuals.
,, 1885–86	28,100	,,
,, 1886–87	28,800	,,
,, 1887–88	30,800	,,
,, 1888–89	29,200	,,
,, 1889–90	30,600	,,
,, 1890–91	27,400	,,
,, 1891–92	28,300	,,
,, 1892–93	28,300	Estimate.

13. The variations in expenditure in 1884–85–86–87 do not call for special remark.*

The increase in 1887–88 was due to the employment of more Roman Catholic priests consequent on the augmentation of the strength of British forces.

The decrease in 1888–89 was the result of ordinary fluctuations in the number and allowances of priests.

In 1889–90 the increase was due to the transfer from the Civil Department of a senior Presbyterian chaplain in room of an Assistant Army Chaplain, and the addition of a Roman Catholic priest in Bombay owing to an increase in the number of Catholic soldiers.

In 1890–91 the senior chaplain referred to above was retransferred to the Civil Department, and was replaced by an assistant; the pay of the Roman Catholic bishop in Madras was taken as a civil charge, and the appointment of the Roman Catholic priest at Myingyan, in Upper Burma, was abolished.

The increase in 1891–92–93 does not call for special remark.

	Rx.
* In 1892–93	28,300
,, 1884–85	28,200
Increase	100

GRANT 12.

Education.

	Rx.	
In 1884–85	40,900	Actuals.
,, 1885–86	39,000	,,
,, 1886–87	36,200	,,
,, 1887–88	37,300	,,
,, 1888–89	44,100	,,
,, 1889–90	43,400	,,
,, 1890–91	44,500	,,
,, 1891–92	44,200	,,
,, 1892–93	46,000	Estimate.

14. The fall in expenditure in 1885–86 was caused by savings in charges for the Lawrence Military Asylums, and smaller purchases of school books and materials.*

The further decrease in 1886–87 was due to the abolition of the appointment of Superintendent, British Army Schools in Bengal, and of the Normal School at Umballa; to further savings in charges for the Lawrence Military Asylums, and lower rank of the Assistant Superintendent of Army Schools in Madras.

The increase in 1887–88 was due to the construction of a combined gymnasium and drill shed at the Lawrence Military Asylum, Sanawar, partly counterbalanced by the abolition of the Native Army Training School at Umballa, and the amalgamation of the appointment of Superintendent, British Army Schools, Bengal, with that of Director, Garrison Instruction, and the transfer of the charge to Grant 1.

The large increase of 1888–89 was due to the transfer from Grant 1 of charges for the Director of Military Education, and expenditure in connexion with garrison instruction, partly counterbalanced by savings caused by the reduction of two Sub-Inspectors of Army Schools, and the abolition of the Normal Schools, Bangalore and Poona, and of the appointment of Assistant Superintendent, Army Schools, Madras.

The small decrease in 1889–90 does not call for special remark.

The increase in 1890–91 was due to additional expenditure in connexion with garrison instruction and the Lawrence Military Asylums.

An additional Sub-Inspector of Army Schools was sanctioned in 1891–92. On the other hand, the staff pay of the Superintendent of Army Schools, Bombay, was reduced, and there were savings under other heads due to ordinary fluctuations.

The Estimate for 1892–93 makes increased provision for the purchase of books and materials for Army Schools.

GRANT 13.

Sea Transport Charges.

	Rx.	
In 1884–85	56,000	Actuals.
,, 1885–86	46,300	,,
,, 1886–87	63,700	,,
,, 1887–88	58,100	,,
,, 1888–89	67,100	,,
,, 1889–90	54,800	,,
,, 1890–91	64,500	,,
,, 1891–92	66,300	,,
,, 1892–93	57,300	Estimate.

15. This Grant comprises the Expenditure in India for transport of officers and troops proceeding to and from England, or moving in course of relief between the different ports in India; also passage-money on account of officers and discharged soldiers proceeding to the Colonies, the cost of medical comforts, bedding and special clothing supplied for the use of troops at sea, and the expenditure in India for the overland troop transports on account of the supply of coal, water, and provisions, washing linen and miscellaneous charges for establishments and stores.* The fluctuations are not considerable, and necessarily depend on the number of officers and men moved, and the extent to which hired vessels are chartered.

	Rx.
* In 1892–93	46,000
,, 1884–85	40,900
Increase	5,100

GRANT 14.

Miscellaneous Services.

	Rx.	
In 1884–85	401,400	Actuals.
,, 1885–86	3,202,900	,,
,, 1886–87	620,700	,,
,, 1887–88	468,300	,,
,, 1888–89	554,000	,,
,, 1889–90	603,600	,,
,, 1890–91	525,300	,,
,, 1891–92	896,400	,,
,, 1892–93	225,200	Estimate.

16. The expenditure under this Grant is liable to considerable fluctuation, embracing, as it does, casual and extraordinary charges not strictly appertaining to other Grants. Briefly the principal causes of variation from year to year were as follow.†

The great increase in 1885–86 was due to:—

	Amount.
The Quetta Force (including expenditure on the Bolan Railway) Rx. 2,185,371, against Rx. 102,700 on this Account in the previous year. Difference	Rx. 2,082,671
Burma Expedition	630,679
Camps of Exercise, including the one at Delhi, Rx. 110,178, against Rx. 2,617 in the previous year. Difference	107,671
Concentration of troops, and camp at Rawal Pindi.	42,784
	Rx. 2,863,695

On the other hand, the expenditure on the Zhob Valley Expedition, which was Rs. 56,218 in the previous year, was only Rs. 4,753 in 1885–86.

The fall in this Grant in 1886–87 was due to expenditure on account of Upper Burma being compiled to the grants affected, instead of to this Grant.

In 1887–88 charges for compensation to Native troops in Madras and Bombay for dearness of provisions and forage were transferred from this Grant to Grant 4, and charges on account of the occupation of Upper Burma were considerably less. On the other hand, expenditure was incurred on account of increased purchases of land for military purposes, camps of exercise, the Sikkim Expedition, for committees for purchasing remounts for Native Silahdar cavalry regiments; and large payments were made to contractors for losses or cancellation of contracts.

The increase in 1888–89 was due to increased expenditure on account of camps of exercise and expeditions (Rx. 374,400) partly counterbalanced by a falling off in the charges on account of Upper Burma.

In 1889–90, expeditions and missions cost about Rx. 430,000. The remount premises at Garden Reach were purchased.

In 1890–91, expeditions and missions cost about Rx. 410,000 and more expenditure was incurred on account of camps of exercise. On the other hand, there were savings under ordinary heads, especially in connection with Burma, owing to the usual fluctuations.

In 1891–92, the cost of expeditions and missions amounted to Rx. 760,000. More expenditure was incurred on account of camps of exercise, and submarine mining establishments were increased.

	Rx.
† In 1892–93	225,200
,, 1884–85	401,400
Decrease	176,200

The estimates for 1892–93 exhibit a large decrease in this Grant, owing chiefly to no provisions for expeditions. They include, however, Rx. 61,200 on account of arrear charges in connection with the cold weather field operations in Burma, 1891–92, and for small expenditure in connection with the occupation of Hunza; also increased purchases of land for military purposes, for recruiting depôts, huts for rifle ranges where paper and canvas targets are used, and the maintenance of telegraph lines in the Chin-Lushai country. On the other hand, no provision has been made on account of remount agents for purchasing horses for Bengal Native Cavalry, the appointments having been abolished, nor for the Derajat Frontier militia, which became a civil charge from 1st April 1891. It is to be noted that since the estimates for 1892–93 were sanctioned, considerable expenditure has been incurred on account of the Isazai Field Force, the Gilgit Agency, Kajuri Kach Force, Kurran Escort, and suppression of disturbances in the Lushai, Chin and Kachin countries, which will be compiled to this Grant.

GRANT 14 A.

Mobilisation.

In 1889-90 - - - Rx. 209,700

17. This Grant was specially opened in 1889–90 in order to show separately the expenditure connected with preparations for facilitating the mobilisation of a 1st Army Corps. In 1891–92 similar expenditure, amounting to Rx. 196,100, was incurred, but it was directed to be compiled to the ordinary heads under the several Grants affected. The total expenditure in India compiled in military accounts to the end of 1891–92 for these arrangements has been in round numbers, Rx. 456,800.

GRANT 15.

Volunteer Corps.

	Rx.	
In 1884–85	68,100	Actuals.
„ 1885–86	84,700	„
„ 1886–87	98,300	„
„ 1887–88	107,300	„
„ 1888–89	115,100	„
„ 1889–90	131,200	„
„ 1890–91	135,500	„
„ 1891–92	145,600	„
„ 1892–93	166,600	Estimate.

18. The expenditure falling to be compiled under this Grant is chiefly on account of staff and other allowance to European commissioned and non-commissioned officers attached to volunteer corps, pay of native establishments, capitation grants, volunteer camps of exercise, and allowances for good shooting prizes, bands, clothing, and rifle ranges. The continued increase year after year since 1884–85 is due to the extension of the volunteer movement throughout India.* The estimate for 1892–93 provides Rx. 5,000 for raising a railway service frontier corps, but this money will not be expended as the project has been abandoned.

Non-Effective Services.

GRANT 16.

Rewards for Military Services.

	Rx.	
In 1884–85	7,800	Actuals.
„ 1885–86	7,400	„
„ 1886–87	6,800	„
„ 1887–88	7,900	„
„ 1888–89	8,200	„
„ 1889–90	8,500	„
„ 1890–91	15,200	„
„ 1891–92	13,700	„
„ 1892–93	11,600	Estimate.

	Rx.
* In 1892–93	166,600
„ 1884–85	68,100
Increase	98,500

19. The expenditure under this Grant fluctuates with reference to the number of good service pensions drawn in India, and the transfer to the pension establishments of native officers and men who are members of the "Order of British India," and "Order of Merit."* In 1888–89 annuities and gratuities to the Native Army were sanctioned, and there were increased admissions to the Order of British India. The large increase in 1890–91 and subsequent years was caused by the award of war medals, the expenditure on which account was previously compiled in Grant 14.

GRANT 17.

Military Pensions to Europeans.

	Rx.	
In 1884–85	20,800	Actuals.
„ 1885–86	35,500	„
„ 1886–87	112,500	„
„ 1887–88	126,600	„
„ 1888–89	119,200	„
„ 1889–90	147,900	„
„ 1890–91	140,600	„
„ 1891–92	113,700	„
„ 1892–93	135,700	Estimate.

20. The expenditure under this Grant comprises the pay of retired commissioned officers, and of warrant and non-commissioned officers in India, wound pensions and gratuities, and the capitalised value of pensions paid in this country.† It varies with the number of officers, &c., who elect to remain in India, the amount of capitalised pensions paid, and the rise or fall in the rate of exchange authorised for the conversion of sterling money into Indian currency. It is to be explained, however, that the large increase in 1886–87 was chiefly due to a re-classification of charges, and to the transfer from Grants 14 and 18 of certain charges for gratuities, and wound, and invalid pensions.

GRANT 18.

Military Pensions to Natives.

	Rx.	
In 1884–85	727,900	Actuals.
„ 1885–86	721,800	„
„ 1886–87	654,500	„
„ 1887–88	648,800	„
„ 1888–89	673,800	„
„ 1889–90	667,900	„
„ 1890–91	721,000	„
„ 1891–92	722,400	„
„ 1892–93	691,500	Estimate.

21. This Grant comprises expenditure on account of pensions, bonuses, and gratuities to Native commissioned officers, non-commissioned officers, hospital assistants, and regimental followers, and family pensions to the heirs of deceased native soldiers, and regimental followers.‡ The expenditure necessarily fluctuates according to casualties amongst pensioners, the annual rate of invaliding, reconstitution of regiments resulting in a large number of discharges,

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	Rx.
* In 1892–93	11,600
„ 1884–85	7,800
Increase	3,800

	Rx.
† In 1892–93	135,700
„ 1884–85	20,800
Increase	114,900

	Rx.
† In 1892–93	691,500
„ 1884–85	727,900
Decrease	36,400

the authorised strength of the army, the employment of troops in the field, or on foreign service, &c. The cause of decrease in 1886–87 is explained at the close of the preceding paragraph. Military operations in Burma, Sikkim, and the Lushai and Hazara countries caused increased expenditure under this Grant in 1888–89-90. The increase in 1890–91 was due to a change in the system of paying native military pensioners in Bengal, whereby some are now paid monthly, and others quarterly, instead of half-yearly as formerly, resulting in more charges being thrown into the accounts of that year. The actuals of 1891–92 include charges for payments of pensions, bonuses, and gratuities to men discharged from reconstituted regiments. The estimate for 1892–93 also includes provision on this account, but not to the same extent. The new rules regulating pensions to the Native army were issued in 1886, and have increased the expenditure, and will continue to do so progressively for some time to come before normal conditions are reached.

GRANT 19.

Widows' Pensions and Compassionate Allowances.

	Rx.	
In 1884–85	20,400	Actuals.
„ 1885–86	20,500	„
„ 1886–87	21,300	„
„ 1887–88	23,100	„
„ 1888–89	23,100	„
„ 1889–90	25,600	„
„ 1890–91	26,900	„
„ 1891–92	30,700	„
„ 1892–93	26,400	Estimate.

22. The expenditure compiled in this Grant comprises payments of pensions to widows (late Lord Clive's Fund) and to those pensioned since the passing of the Indian Government Act of 1858, Artillery charitable fund pensions, Indian Service family pensions (corresponding to the old military funds), and compassionate allowances to widows and children of European commissioned officers who have been killed in action or died of their wounds. The expenditure fluctuates according to the number of recipients and their place of residence, whether in India or in England. The increase in 1887–88–89–90 was caused by the payment of arrears of difference of pension to those widows whose stipends were originally fixed in sterling, in consequence of the issue of orders that these pensions should be converted into Indian currency at the annual financial rate of exchange with effect from 1st April 1886. The increase in the following two years was due to the erroneous application of the orders just referred to, to the widows of warrant officers pensioned since 1868, which pensions are now paid at the rates fixed in Indian currency laid down in the Regulations.*

GRANT 20.

Departmental Pensions.

	Rx.	
In 1884–85	44,900	Actuals.
„ 1885–86	47,600	„
„ 1886–87	54,200	„
„ 1887–88	54,500	„
„ 1888–89	55,400	„
„ 1889–90	57,200	„
„ 1890–91	58,300	„
„ 1891–92	60,300	„
„ 1892–93	59,400	Estimate.

23. This Grant includes pensions and gratuities granted under civil rules to uncovenanted servants and under military rules to enlisted followers employed in departments.* The expenditure varies according to the number of recipients and their places of residence, India or Europe. There has been a steady increase owing to more admissions to the pension establishment.

HOME CHARGES.

Effective Services.

Home charges for British Forces serving in India.

	Rx.	
In 1884–85	611,300	Actuals.
„ 1885–86	614,800	„
„ 1886–87	785,000	„
„ 1887–88	734,800	„
„ 1888–89	781,600	„
„ 1889–90	948,600	„
„ 1890–91	873,500	„
„ 1891–92	796,800	„
„ 1892–93	860,000	Estimate.

24. The following explanations of the fluctuations in the military payments made in England on account of the Indian Government have been extracted almost entirely from the accounts and estimates received from England.

The increase in 1885–86 was due to increased payments of deferred pay.† In 1886–87 the payments to the War Office increased on account of the cost of augmenting the British Army in India, while in 1887–88 similar payments were less. The account for 1888–89 includes large payments on account of deferred pay awarded by Lord Northbrook's Commission, and still larger payments were made on this account in 1889–90–91, while in 1891–92 the charges were less. The estimate for 1892–93 makes additional provision owing to the increase of the establishment in India and the charge for deferred pay. The estimate for each year includes 100,000*l.* for the furlough allowances of officers of British regiments serving in India and for the pay of regiments during the voyage to and from India. The payments under this head in the years alluded to were increased considerably owing to the settlement of arrear charges of previous years investigated and awarded by Lord Northbrook's commission; these arrears were cleared off finally in 1892–93. The normal annual payments to the War Office are now estimated at 760,000*l.*

Furlough allowances of Officers of the Indian Service.

	Rx.	
In 1884–85	164,100	Actuals.
„ 1885–86	100,500	„
„ 1886–87	173,600	„
„ 1887–88	189,900	„
„ 1888–89	202,700	„
„ 1889–90	205,200	„
„ 1890–91	188,900	„
„ 1891–92	221,300	„
„ 1892–93	215,000	Estimate.

25. This expenditure is dependent on the number of officers granted furlough.‡ The decrease in 1885–86 was consequent on the recall to duty of a large number of officers on furlough in England and fewer officers

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	Rx.
* In 1892–93	26,400
„ 1884–85	20,400
Increase	6,000

	Rx.
* In 1892–93	59,400
„ 1884–85	44,900
Increase	14,500

	£
† In 1892–93	860,000
„ 1884–85	611,300
Increase	248,700

	£
‡ In 1892–3	215,000
„ 1884–5	164,100
Increase	50,900

were granted furlough, owing to military preparations in connection with the North-West Frontier and Upper Burma. The decrease in 1890–91 was mainly due to a large number of officers having elected to draw their furlough allowances in India in consequence of the market rate of exchange having been higher than the official rate. In 1891–92 more officers went home on furlough. The payments under this head have increased in the period under review under the new Leave Rules for the Staff Corps instituted in 1886.

Indian Troop Service.

	£	
In 1884–85	354,200	Actuals.
,, 1885–86	311,600	,,
,, 1886–87	295,200	,,
,, 1887–88	217,800	,,
,, 1888–89	210,100	,,
,, 1889–90	219,000	,,
,, 1890–91	238,500	,,
,, 1891–92	254,900	,,
,, 1892–93	244,700	Estimate.

26. The expenditure in 1884–85 and 1885–86 included charges for the conveyance of troops on hired vessels in addition to those conveyed in the troopships. The charges for 1886–87 include new machinery for the "Malabar." Fewer voyages were made in 1887–88. The decrease in 1888–89 occurred in the payments for repairs of the troopships. The increase in 1890–91 was caused partly by the employment of the Indian Government steamer "Clive," and partly by the alterations and repairs to the troopships. The account for 1891–92 includes exceptional expenditure owing to the substitution of the transport "Avoca" for the troopship "Malabar."*

Passage of Officers and Troops otherwise than in Troopships.

	£	
In 1884–85	4,300	Actuals.
,, 1885–86	20,600	,,
,, 1886–87	6,400	,,
,, 1887–88	11,700	,,
,, 1888–89	10,900	,,
,, 1889–90	3,500	,,
,, 1890–91	6,600	,,
,, 1891–92	6,900	,,
,, 1892–93	9,600	Estimate.

27. The expenditure under this head fluctuates according to the number of officers provided with passages otherwise than in troopships. The increase in 1885–86 was consequent on the recall to duty at the expense of the State of a large number of officers on furlough.†

Miscellaneous.

	£	
In 1884–85	17,800	Actuals.
,, 1885–86	18,900	,,
,, 1886–87	39,100	,,
,, 1887–88	30,300	,,
,, 1888–89	27,000	,,
,, 1889–90	19,500	,,
,, 1890–91	18,000	,,
,, 1891–92	21,400	,,
,, 1892–93	18,000	Estimate.

28. There must necessarily be fluctuations in the expenditure under this head owing to the charges being of a miscellaneous nature. The increase in 1886–87 was due to a payment of 3,921*l.* for gratuities for service in the expedition to Egypt in 1882, and to additional payments of 16,148*l.* for the purchase of stallions. The account of 1887–88 includes the expenses of native officers who attended the Queen's Jubilee, and Burma field allowances to the Naval Brigade. The decrease in 1889–90 was due to the purchase cost of stallions having ceased to be a military charge. The expenditure includes, however, an exceptional payment of 2,512*l.* on account of the portion payable by India of the reward to Lieutenant-Colonel Scott, R.E., in lieu of Royalty on Ordnance Telescopic Sights. The increase in 1891–92 occurs mainly in the pay and allowances of military officers on special duty. Reduced provision has been made in 1892–93 owing to anticipated savings in the pay and expenses of military officers studying the Russian language.*

Stores for India.

	£	
In 1884–85	462,400	Actuals.
,, 1885–86	929,700	,,
,, 1886–87	487,300	,,
,, 1887–88	658,500	,,
,, 1888–89	523,700	,,
,, 1889–90	508,200	,,
,, 1890–91	1,019,000	,,
,, 1891–92	1,109,100	,,
,, 1892–93	1,050,100	Estimate.

29. The expenditure depends on the demands made by India which vary each year. The large increase in 1885–86 was due to unforeseen demands for ordnance, commissariat, and clothing stores to replace stock depleted. The large increase in 1890–91–92 occurred in ordnance stores, and was mainly due to expenditure on the new artillery guns, magazine rifles, and new equipments. The estimate for 1892–93, however, makes reduced provision for clothing and ordnance stores as compared with the actual expenditure in the previous year, and there is a further falling off in 1893–94. The payments under this head have also increased on account of new machinery for Ordnance Factories to enable them to manufacture cordite and the new ammunition; also in consequence of the necessity for increased stock of Martini-Henry ammunition required as a consequence of the Native Army being armed with this weapon and it not being possible at present to manufacture it all in India.†

Non-effective Services.

Retired Pay, &c., of British Forces on account of Service in India.

	£	
In 1884–85	831,000	Actuals.
,, 1885–86	125,800	,,
,, 1886–87	136,200	,,
,, 1887–88	194,900	,,
,, 1888–89	243,400	,,
,, 1889–90	296,900	,,
,, 1890–91	333,000	,,
,, 1891–92	360,200	,,
,, 1892–93	389,100	Estimate.

30. Up to 1884–85 the payments to the Imperial Government were based on the capitalized value, calculated at 4 per cent. interest, of the amount of pensions granted in each year. Thereafter, orders were

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	£
* In 1892–93	244,700
,, 1884–85	354,200
Decrease	109,500

	£
† In 1892–93	9,600
1884–85	4,300
Increase	5,300

	£
* In 1892–93	18,000
,, 1884–85	17,800
Increase	200

	£
† In 1892–93	1,050,100
,, 1884–85	462,400
Increase	587,700

issued to spread over 10 or 12 years, the capitalized value of pensions granted, interest being calculated at 3 per cent. only. The expenditure continues to rise each successive year under the new arrangement alluded to for the adjustment of non-effective charges. The accounts for later years include heavy payments of arrears due to the War Office, and awarded by Lord Northbrook's Commission; these arrears are not yet finally settled.*

Pay and Pensions of Non-effective and Retired Officers of the Indian Service.

	£	
In 1884–85	1,424,300	Actuals.
,, 1885–86	1,459,600	,,
,, 1886–87	1,532,600	,,
,, 1887–88	1,597,200	,,
,, 1888–89	1,636,900	,,
,, 1889–90	1,652,000	,,
,, 1890–91	1,657,300	,,
,, 1891–92	1,681,900	,,
,, 1892–93	1,700,000	Estimate.

31. The expenditure under this head depends on the number of officers transferred to the non-effective and retired lists. The maximum charge will not be reached until 1895.†

Miscellaneous Pensions, including those from Lord Clive's Fund, &c.

	£	
In 1884–85	99,300	Actuals.
,, 1885–86	101,100	,,
,, 1886–87	99,500	,,
,, 1887–88	96,700	,,
,, 1888–89	98,000	,,
,, 1889–90	92,800	,,
,, 1890–91	91,200	,,
,, 1891–92	91,600	,,
,, 1892–93	91,000	Estimate.

32. The tendency of several of the classes of pensions included under this head is to diminish.‡

Indian Service Family Pensions.

	£	
In 1884–85	5,700	Actuals.
,, 1885–86	6,800	,,
,, 1886–87	8,300	,,
,, 1887–88	9,200	,,
,, 1888–89	10,900	,,
,, 1889–90	12,000	,,
,, 1890–91	14,100	,,
,, 1891–92	15,400	,,
,, 1892–93	17,000	Estimate.

33. The charges increase from year to year, and depend on the number of subscribers. The payments are met from subscriptions realised.§

	£
* In 1892–93	389,100
,, 1884–85	831,000
Decrease	441,900

	£
† In 1892–93	1,700,000
,, 1884–85	1,424,300
Increase	275,700

	£
‡ In 1892–93	91,000
,, 1884–85	99,300
Decrease	8,300

	£
§ In 1892–93	17,000
,, 1884–85	5,700
Increase	11,300

34. Summarising we get the following results—

	1884-85.	1892-93.	+	−
	NUMBERS.			
European officers	5,114	5,162	48	—
British troops, rank and file	59,372	70,525	11,153	—
Native troops, rank and file, and Native officers	124,388	143,099	18,711	—
In India.	GROSS EXPENDITURE.			
Grant 1, Army and Garrison Staff	Rx. 485,100	Rx. 517,900	Rx. 32,800	Rx. —
„ 2, Administrative Staff	185,900	195,700	9,800	—
„ 3, Regimental Pay, Allowances and Charges	6,170,400	7,324,000	1,153,600	—
„ 4, Commissariat Establishments, Supplies, and Services	2,202,400	3,279,000*	1,076,600	—
„ 5, Remount and Veterinary Establishments, Supplies, and Services	158,800	260,700	101,900	—
„ 6, Clothing Establishments, Supplies, and Services	139,300	236,100	96,800	—
„ 7, Barrack Establishments, Supplies, and Services	190,100	217,500	27,400	—
„ 8. Administration of Martial Law	28,400	42,200	13,800	—
„ 9, Medical Establishments, Services, and Supplies	550,200	686,900	136,700	—
„ 10, Ordnance Establishments, Services, and Supplies	496,600	798,700	302,100	—
„ 11, Ecclesiastical	28,200	28,300	100	—
„ 12, Education	40,900	46,000	5,100	—
„ 13, Sea Transport Charges	56,000	57,300	1,300	—
„ 14, Miscellaneous Services	401,400†	225,200†	—	176,200
„ 15, Volunteer Corps	68,100	166,600	98,500	—
Total Effective Services	11,201,800	14,082,100	3,056,500	176,200
Grant 16, Rewards for Military Services	7,800	11,600	3,800	—
„ 17, Military Pensions to Europeans	20,800	135,700	114,900	—
„ 18, Military Pensions to Natives	727,900	691,500	—	36,400
„ 19, Widows' Pensions and Compassionate Allowances	20,400	26,400	6,000	—
„ 20, Departmental Pensions	44,900	59,400	14,500	—
Total Non-Effective Services	821,800	924,600	139,200	36,400
Total extra Expenditure in India for Effective Services in 1892-3 over 1884-5	—	—	2,880,300‡	—
Total extra Expenditure in India for Non-effective Services in 1892-3 over 1884-5	—	—	102,800	—
Total excess in India	—	—	2,983,100	—
In England.				
War Office Charges for British Forces serving in India	£ 611,300	£ 860,000	£ 248,700	£ —
Furlough allowances of Officers of the Indian Service	164,100	215,000	50,900	—
Indian Troop Service	354,200	244,700	—	109,500
Passages of Officers and troops otherwise than in troopships	4,300	9,600	5,300	—
Miscellaneous	18,500	18,000	—	500
Stores for India	462,400	1,050,100	587,700	—
Total Effective Services	1,614,800	2,397,400	892,600	110,000

* To this must be added about Rx. 150,000 extra cost of feed of men and animals; the provision in 1892-93 has been under estimated to about this extent, as shown by actual expenditure to date; and Rx. 78,500 for special Commissariat Transport arrangements in Cashmere.

† Exclusive of Rx. 264,000 for field operations sanctioned since estimates were approved.

‡ Exclusive of expenditure for field operations sanctioned since the estimates were approved, for which extra grants, amounting to Rx. 264,000, have been given; also exclusive of about Rx. 150,000 under-estimated on account of cost of feed of men and animals, and Rx. 78,500 in connection with special transport and supply arrangements in Gilgit.

	1884–85.	1892–93.	+	—
	Rx.	Rx.	Rx.	Rx.
Retired Pay, &c., of British Forces on account of service in India	831,000	389,100	—	441,900
Pay and Pensions of Non-effective and Retired Officers of the Indian Service	1,424,300	1,700,000	275,700	—
Miscellaneous Pensions, including those from Lord Clive's Fund, &c.	99,300	91,000	—	8,300
Indian Service Family Pensions	5,700	17,000	11,300	—
Total Non-effective Services	2,360,300	2,197,100	287,000	450,200
Total extra Expenditure in England for *Effective Services* in 1892–3 over 1884–5	—	—	782,600	—
Total extra Expenditure in England for *Non-effectives Services* in 1892–3 over 1884–5	—	—	−163,200	—
Total excess in England	—	—	+619,400	—
Total excess in India and England, exclusive of exchange	—	—	+3,602,500	—

35. Speaking generally the increase in expenditure is due to—

(*a.*) Augmentation of the British and Native armies, and reorganisation of some units.

(*b.*) Fall in the rate of sterling exchange for the pay of British troops and payment of pensions, &c., from 1s. 8*d.* to 1*r.* 4¼*d.*, about Rx. 390,000.

(*c.*) Increased cost of Army and administrative staff, due to the occupation of Upper Burma and Beluchistan, and the augmentation of the Army.

(*d.*) Increased annual cost of requirements of troops, owing to augmentation of strength, and their being armed with improved weapons, resulting in—

(1.) Increased commissariat supplies.

(2.) Increased purchases of horses, and consequent depôt expenses.

(3.) Increased clothing supplies. The increase here is also due to getting more materials in India instead of England.

(4.) Increased barrack supplies.

(5.) Increased medical supplies. The increase here is also due to getting more materials in India instead of England.

(6.) Increased supervision at, and outturn from, ordnance factories, depôts and arsenals. The scale of annual practice ammunition had to be increased in 1891 on account of the Magazine rifles and the Native Army being armed with the Martini-Henry rifles, and additional ammunition issued on payment at less than actual cost price (1890). There has also been increased employment of skilled artizans for charge of ordnance in coast defences. Ammunition and equipments have been issued to troops of Native States at less than cost price, as to the Indian Army.

(*e.*) The maintenace of a much larger number of transport animals, carts and gear, and increased establishments for their care; to secure celerity in mobilisation of the army in an emergency.

(*f.*) The gradual and regular increase of the volunteer forces.

(*g.*) More rewards for military services, due to field operations.

(*h.*) The working of the new pension rules for the Native Army issued in 1886.

The increase in England is due to—

(*i.*) The payment to the War Office of an increased annual charge, and arrear charges, on account of the effective and non-effective services of British troops in India, determined by Lord Northbrook's Commission; the former due partly to increased numbers and partly to revised system of assessing payments.

(*j.*) Larger annual charge for furlough allowances of officers of the Indian service, due to the operation of the Staff Corps Leave Rules of 1886.

(*k.*) Increased number of passages to and from England of officers and troops otherwise than in Indian troopships.

(*l.*) Cost of the supply of new pattern field and other guns and small-arms, and demands for stocks of ammunition for the same, pending completion of arrangements for manufacture in India. Also cost of new machinery for ordnance factories to enable them to meet increased or improved outturn.

(*m.*) Increased cost of retired pay and pensions of officers of the Indian Army, under rules issued previous to 1884–85, the maximum charge for which will not be reached until 1895.

36. The expenditure on "Military Works," ordinary, as furnished by the Accountant-General, Public Works Department, is as follows:—

Year.	In India.	In England.	Exchange.	Totals.
	Rx.	£	Rx.	Rx.
1884–85	* 943,344	5,071	1,232	949,647
1885–86	960,415	6,469	2,036	968,920
1886–87	1,059,013	1,908	717	1,061,638
1887–88	1,222,763	6,546	2,751	1,232,060
1888–89	1,092,979	10,392	4,835	1,108,206
1889–90	1,118,756	13,603	6,104	1,138,463
1890–91	1,190,117	23,033	7,526	1,220,676
1891–92	1,199,627	10,382	4,509	1,214,518
1892–93 (Budget)	1,126,200	38,400	19,200	1,183,800
Total	9,913,214	115,804	48,910	10,077,928

37. The expenditure on "Special Defences," as furnished by the same officer, is as follows:—

Year.	In India.	In England.	Exchange.	Totals.
	Rx.	£	Rx.	Rx.
Up to 1886–87 charged to 44, Military Works.	150,409	—	—	150,409
From 1886–87 to 1891–92.	1,899,614	1,029,428	428,362	3,357,404
1892–93 (Budget)	270,900	229,100	114,500	614,500
Total	2,170,514	1,258,528	542,862	†3,971,904

38. The expenditure on "Strategic Railways," also furnished by the Accountant-General, Public Works Department, is as follows:—

	Rx.
1884–85	689,394
1885–86	2,998,772
1886–87	3,237,094
1887–88	771,745
1888–89	1,176,579
1889–90	936,693
1890–91	547,695
1891–92	464,240
1892–93 (Budget)	757,800
Total	11,580,012

HURLOCK PRITCHARD, Colonel,
Accountant-General,
Military Department.

Calcutta,
The 8th March 1893.

* Exclusive of Rx. 1,985, on account of Provincial Military Works, Burmah, for head-quarters for volunteer artillery.

† Exclusive of amount charged to Ordinary Military Works up to 1886–87. This amount, Rx. 150,409, must, however, be taken into account in arriving at the balance of the forecast estimate available for further expenditure.

STATEMENT A.

STATEMENT showing the AUTHORISED NUMBER of BRITISH OFFICERS, and BRITISH and NATIVE TROOPS in INDIA, from 1884–85 to 1892–93.

Year.	Total for India.		
	European Officers with British and Native Troops.	British Troops.	Native Troops* (including Native Officers).
1884–85 - - -	5,114	59,372	124,388
1885–86 - - -	5,027	59,371	124,388
1886–87 - - -	5,228	70,034	132,611
1887–88 - - -	5,270	70,010	143,449
1888–89 - - -	5,279	70,015	143,642
1889–90 - - -	5,168	69,995	143,642
1890–91 - - -	5,103	69,986	143,129
1891–92 - - -	5,133	69,949	143,162
1892–93 - - -	5,162	70,525	143,099
Number in 1892–93 + more — less than number in 1884–85.	+ 48	+ 11,153	+ 18,711

* As borne on the estimates. The Hyderabad Contingent and the Merwara Battalion are not included.

STATEMENT B.

STATEMENT showing (in round numbers) under GRANT HEAD of SERVICES, the *actual* MILITARY EXPENDITURE in INDIA for the YEARS 1884–85 to 1891–92, and ESTIMATED FIGURES for 1892–93.

	Grants and Services.	Actuals, 1884–85.	Actuals, 1885–86.	Actuals, 1886–87.	Actuals, 1887–88.	Actuals, 1888–89.	Actuals, 1889–90.	Actuals, 1890–91.	Actuals, 1891–92.	Estimated 1892–93.
	Effective.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1	Army and Garrison Staff - -	485,100	481,300	503,900	514,200	488,100	481,300	484,700	498,100	517,900
2	Administrative Staff - - -	185,900	183,700	188,300	191,100	193,100	193,900	192,100	191,900	195,700
3	Regimental Pay Allowances and Charges.	6,170,400	6,477,200	6,869,700	7,184,200	7,227,700	7,227,600	7,212,700	7,081,500	7,324,000
4	Commissariat Establishments, Supplies and Services.	2,202,400	2,180,600	3,630,500	3,847,000	3,289,700	3,109,700	3,068,500	3,681,000	3,279,000
5	Remount and Veterinary Establishments, Supplies and Services.	158,800	228,100	248,600	233,500	224,100	252,800	213,500	295,800	260,700
6	Clothing Establishments, Supplies and Services.	139,300	94,000	143,000	179,800	196,800	193,600	235,500	247,100	236,100
7	Barrack Establishments, Supplies and Services.	190,100	194,500	237,900	231,500	226,200	214,900	229,700	240,100	217,500
8	Administration of Martial Law -	28,400	28,100	27,500	28,400	41,000	38,900	37,900	38,000	42,200
9	Medical Establishments, Services and Supplies.	550,200	563,100	624,000	639,400	612,200	618,300	627,700	682,800	686,900
10	Ordnance Establishments, Stores, and Camp Equipage.	496,600	582,700	450,100	493,100	576,500	631,700	716,000	724,300	798,700
11	Ecclesiastical - - -	28,200	28,100	28,800	30,800	29,200	30,600	27,400	28,300	28,300
12	Education - - - - -	40,900	39,000	36,200	37,300	44,100	43,400	44,500	44,200	46,000
13	Sea Transport Charges - -	56,000	46,300	63,700	58,100	67,100	54,800	64,500	66,300	57,300
14	Miscellaneous Services - -	401,400	3,202,900	620,700	468,300	554,000	603,600	525,300	896,400	225,200
14A	Mobilisation - - -	—	—	—	—	—	209,700	—	—	—
15	Volunteer Corps - - -	68,100	84,700	98,300	107,300	115,100	131,200	135,500	145,600	166,600
	Unadjusted expenditure - -	—	—	—	—	48,000	1,000	21,700	– 61,100	—
	Total Effective -	11,201,800	14,414,300	13,771,200	14,244,000	13,932,900	14,037,000	13,837,200	14,800,300	14,082,100
	Non-Effective.									
16	Rewards for Military Services -	7,800	7,400	6,800	7,900	8,200	8,500	15,200	13,700	11,600
17	Military Pensions to Europeans -	20,800	35,500	112,500	126,600	119,200	147,900	140,600	113,700	135,700
18	Military Pensions to Natives - -	727,900	721,800	654,500	648,800	673,800	667,900	721,000	722,400	691,500
19	Widows' Pensions and Compassionate Allowances.	20,400	20,500	21,300	23,100	23,100	25,600	26,900	30,700	26,400
20	Departmental Pensions - -	44,900	47,600	54,200	54,500	55,400	57,200	58,300	60,300	59,400
	Total Non-Effective -	821,800	832,800	849,300	860,900	879,700	907,100	962,000	940,800	924,600
	Total Expenditure in India -	12,023,600	15,247,100	14,620,500	15,104,900	14,812,600	14,944,100	14,799,200	15,741,100	15,006,700
	*Total Expenditure in England	3,974,400	3,689,400	3,564,200	3,741,000	3,746,200	3,957,700	4,440,100	4,559,500	4,594,500
	†Total Expenditure in India and England.	15,998,000	18,936,500	18,184,700	18,845,900	18,558,800	18,901,800	19,239,300	20,300,600	19,601,200

* The figures in this line are £ sterling.

† These figures are exclusive of exchange.

STATEMENT C.

STATEMENT showing (in round numbers) the actual MILITARY CHARGES in ENGLAND for the ARMY in INDIA, for the Years 1884–85 to 1891–92, and estimated Figures for 1892–93.

Heads of Service.	Actuals, 1884–85.	Actuals, 1885–86.	Actuals, 1886–87.	Actuals, 1887–88.	Actuals, 1888–89.	Actuals, 1889–90.	Actuals, 1890–91.	Actuals, 1891–92.	Estimated, 1892–93.
Effective.	£	£	£	£	£	£	£	£	£
Home charges of British Forces serving in India.	611,300	614,800	785,000	734,800	781,600	948,600	873,500	796,800	860,000
Furlough Allowances of Officers of the Indian Service.	164,100	100,500	173,600	189,200	203,700	205,200	188,900	221,300	215,000
Indian Troop Service - -	354,200	311,600	295,200	217,800	210,100	219,000	238,500	254,900	244,700
Passage of Officers and troops otherwise than in troop-ships.	4,300	20,600	6,400	11,700	10,900	3,500	6,600	6,900	9,600
Miscellaneous - - -	17,800	18,900	39,100	30,300	27,000	19,500	18,000	21,400	18,000
Stores for India - - -	462,400	929,700	487,300	658,500	523,700	508,200	1,019,100	1,109,100	1,050,100
Total Effective -	1,614,100	1,996,100	1,786,600	1,843,000	1,757,000	1,904,000	2,344,500	2,410,400	2,397,400
Non-Effective.									
Retired Pay, &c., of British Forces on account of service in India.	831,000	125,800	136,200	194,900	243,400	296,900	333,000	360,200	389,100
Pay and Pensions of Non-effective and Retired Officers of the Indian Service.	1,424,300	1,459,600	1,533,600	1,597,200	1,636,900	1,652,000	1,657,300	1,681,900	1,700,000
Miscellaneous Pensions, including those from Lord Clive's Fund, &c.	99,300	101,100	99,500	96,700	98,000	92,800	91,200	91,600	91,000
Indian Service Family Pensions -	5,700	6,800	8,300	9,200	10,900	12,000	14,100	15,400	17,000
Total Non-Effective -	2,360,300	1,693,300	1,777,600	1,898,000	1,989,200	2,053,700	2,095,600	2,149,100	2,197,100
Total -	3,974,400	3,689,400	3,564,200	3,741,000	3,746,200	3,957,700	4,440,100	4,559,500	4,594,500

NOTE.—The exchange on these figures is not shown.

Brief note on the increase in Military Expenditure in India since 1887–88.

The accompanying statement compares the gross figures in the military accounts and estimates, respectively, for the years 1887–88 and 1892–93. Deducting minuses from pluses, the net results are—

Increased expenditure in	India -	Rx. 417,300
	England -	£ 1,270,800
Total increase exclusive of exchange		Rx. 1,688,100

The increase in India is mainly due to—

(*a.*) Fall in the rate of sterling exchange for the pay of British troops and payment of pensions, &c., from 1*s.* 5½*d.* to 1*s.* 4⅛*d.*, about Rx. 110,000.

(*b.*) Increased annual cost of requirements of troops owing to augmentation of strength, and their being armed with improved weapons, orders for which issued before 1887–88, resulting in—

(1.) Increased purchases of horses and consequent depôt expenses.

(2.) Increased clothing supplies. The increase here is also due to getting more materials in India instead of England.

(3.) Increased medical supplies. The increase here is also due to getting more materials in India instead of England.

(4.) Increased supervision at, and outturn from, ordnance factories, depôts, and arsenals. The scale of annual practice ammunition had to be increased in 1891, and additional ammunition issued on payment at less than actual cost price (1890). There has also been increased employment of skilled artizans for charge of ordnance in coast defences. Ammunition and equipments have been issued to troops of Native States at less than cost price.

(5.) Improved musketry instruction.

(*c.*) The maintenance of a larger number of transport animals, carts and gear, and increased establishments for their care: to secure celerity in mobilisation of the army in an emergency.

(*d.*) The gradual and regular increase of the volunteer forces.

(*e.*) More rewards for military servies, due to field operations.

(*f.*) The working of the new pension rules for the Native Army issued in 1886.

The increase in England is due to—

(*g.*) The payment to the War Office of an increased annual charge and arrear charges on account of the effective and non-effective services of British troops in India, determined by Lord Northbrook's Commission.

(*h.*) Larger annual charge for furlough allowances of officers of the Indian service, due to the operation of the Staff Corps Leave Rules of 1886.

(*i.*) Additional cost of the Indian Troopship Service.

(*j.*) Cost of the supply of new pattern field and other guns and small arms demanded in years previous to 1887–88, but not then supplied or paid for, and demands for stocks of ammunition for the same, pending completion of arrangements for manufacture in India. Also cost of new machinery for ordnance factories to enable them to meet increased or improved outturn.

(*k.*) Increased cost of retired pay and pensions of officers of the Indian Army, under rules issued previous to 1887–88, the maximum charge for which will not be reached until 1895.

Comparison of figures of Military Expenditure, 1887–88 *and* 1892–93.

	Numbers.			
	1887–88.	1892–93.		
European officers	5,270	5,162		
British troops, rank and file	70,010	70,525		
Native troops, rank and file, and Native officers	143,449	143,099		
In India.	**Gross Expenditure.**			
	Actuals.	Revised Estimate.	+	−
	Rx.	Rx.	Rx.	Rx.
Grant 1, Army and Garrison Staff	514,200	506,400	—	7,800
„ 2, Administrative Staff	191,100	193,200	2,100	—
„ 3, Regimental Pay and Allowances	7,184,200	7,285,600	101,400	—
„ 4, Commissariat	3,847,000	3,540,500	—	306,500
„ 5, Remount Department	233,500	276,600	43,100	—
„ 6, Clothing Services	179,800	263,600	83,800	—
„ 7, Barrack Establishments, &c.	231,500	223,000	—	8,500
„ 8, Martial Law	28,400	40,700	12,300	—
„ 9, Medical Establishments and Services	639,400	681,000	41,600	—
„ 10, Ordnance Establishments and Services	493,100	808,200	315,100	—
„ 11, Ecclesiastical	30,800	28,300	—	2,500
„ 12, Education	37,300	45,600	8,300	—
„ 13, Sea Transport charges	58,100	59,000	900	—
„ 14, Miscellaneous Services, Expeditions, &c.	468,300	456,800	—	11,500
„ 15, Volunteers	107,300	164,500	57,200	—
„ 16, Rewards, Military Services	7,900	13,300	5,400	—
„ 17, Military Pensions, Europeans	126,600	130,400	3,800	—
„ 18, „ „ Natives	648,800	718,900	70,100	—
„ 19, Widows' pensions	23,100	25,900	2,800	—
„ 20, Departmental pensions	54,500	60,700	6,200	—
Totals	15,104,900	15,522,200	754,100	336,800
Net excess expenditure *in India*	—	—	+417,300	—
In England.				
	£	£	£	£
War Office charges for British troops	734,800	1,070,500	335,700	—
Furlough allowances, officers, Indian service	189,900	257,000	67,100	—
Indian Troop Service	217,800	241,000	23,200	—
Passage of officers and troops	11,700	7,700	—	4,000
Miscellaneous	30,300	20,300	—	10,000
Stores	658,500	1,038,800	380,300	—
War Office charges, retired pay, &c., British troops	194,900	399,000	204,100	—
Retired pay and pensions, officers, Indian service	1,597,200	1,880,000	282,800	—
Miscellaneous pensions	96,700	91,000	—	5,700
Indian Military Service Family Pensions	9,200	17,000	7,800	—
Totals	3,741,000	5,022,300	1,301,000	19,700
Net excess expenditure *in England*	—	—	+1,281,300	—

Calcutta, 8th March 1893.

HURLOCK PRITCHARD, Col.,
Accountant-General, Military Department.

No. 36.

EXTRACT from DESPATCH to INDIA, dated August 10, 1893, No. 158 (Financial).

Owing, therefore, to the high state of the cash balances on the 1st of April 1892, they have admitted of reduction to the extent of Rx. 6,794,000; and, with some little aid from the deposits, &c., you have been enabled (according to the Estimates) to meet a deficit of Rx. 2,677,000 in the Revenue, and also to provide funds for capital outlay to the extent of Rx. 4,647,100 beyond the debt incurred for such purposes. Bearing in mind the fact that the fall in exchange has added to your burden during the two years no less than Rx. 6,450,000, and that, at the time you were preparing the Budget, proposals of a most important nature in regard to that subject were under the consideration of Her Majesty's Government, I had no hesitation in instructing your Excellency to show the expected deficit of Rx. 1,595,100 in the Financial Statement, taking no measures for meeting it by the imposition of taxation.

It would, indeed, have been useless to attempt to decide in what manner an equilibrium of the revenue and expenditure should be established, while the important question of an alteration of the monetary standard was under consideration. The report of the Committee appointed to advise Her Majesty's Government on the proposals made by your Excellency was forwarded to your Government in my Despatch dated the 2nd of June, No. 106; and the telegraphic correspondence which ensued resulted in the passing of an Act for the immediate suspension of the free coinage of silver. It is to be hoped that this measure, combined with the readiness to receive gold at your mints and in your treasuries at a ratio of 15 rupees to the English sovereign, will have the effect of checking the excessive fluctuations in the value of the rupee, and of enabling you to forecast with a nearer approach to accuracy the financial prospects of the year. It is not, however, possible at present to say what the rate of exchange is likely to prove during the remainder of this year. The discontinuance of the coinage of silver for the public was adopted with the view of preventing a further fall in exchange, rather than of leading to any immediate rise to a material extent; and the notifications issued respecting the reception of gold were intended, not to prescribe or maintain a rate of exchange of 1*s.* 4*d.* per rupee, but to prevent a serious disorganisation of trade by a violent rise to a yet higher point. It is obvious that, until the present superabundance of rupees due to the recent imports of silver is absorbed, and until a *bonâ fide* demand arises for the use of more rupees on

account of trade, the bills of the Secretary of State in Council are not likely to be competed for at even so high a rate as 1*s.* 4*d.* the rupee.

It is now, however, practicable to examine the position of your officers, as represented in the numerous memorials received, and to consider whether it is necessary to afford them further relief, and, if so, in what manner it can best be granted. Your Excellency's telegram of the 5th of March recommended that furlough allowances should be paid at the exchange of 1*s.* 6*d.* the rupee, with a minimum amount in sterling, and that officers not domiciled in India should be allowed to make remittances at the same rate, up to a limit of half their salary, and not exceeding 1,000*l.* a year. I fully recognise the hardship to which the European officers of your Government have been exposed through the fall in exchange, and their reasonable claim for protection in the future against such a contingency. Any proposal for an increase of the payments by the Government in England is, however, open to objection; and it appears to me that a better plan will be to give in India an exchange allowance to be added to the salary when necessary, leaving the officers to effect their remittances by private means. In my telegram of the 1st instant, I requested you to consider whether it might not be possible to satisfy the reasonable claims of the officers, without adding to the Home charges. If the plan which I have indicated should meet with the concurrence of your Government, I request you to consider whether it may not be accompanied by a discontinuance of the existing system of family remittances by military officers, to which your attention was drawn by Lord Cross in his despatch of the 19th of May 1892, No. 86. Since this paragraph was written, I have received your telegram of the 27th July, which is now under my consideration.

Any such scheme, however, for supplementing the allowances of your officers is impracticable, until means can be devised for meeting the cost; and it, therefore, becomes essential to consider whether there are any measures by which the existing expenditure can be reduced. The Army charges are those which naturally attract attention; and in the first instance, I have caused an examination to be made of the payments in this country, which may be divided into the following branches:—(1) Payments to the War Office for recruiting and depôt charges, &c., in respect of Her Majesty's British Forces serving in India; (2) Furlough Pay, Troop Service, and other Effective charges; (3) Stores; (4) Non-effective charges.

Owing to the irregular dates at which the awards of Lord Northbrook's Commission were made, it is not practicable to compare the charges for the various years, without re-casting them, as shown below:—

Years.	Award.			Amount paid during the Year.	Sum due to (−) or by (+) the War Office, according to the final award.
	General Charges.	Deferred Pay.	Total.		
	£	£	£	£	£
1879-80	471,000*	29,000	500,000	550,000	+ 50,000
1880-81	476,000*	44,000	520,000	450,000	− 20,000
1881-82	428,000	59,000	487,000	500,000	− 7,000
1882-83	416,971	97,714	514,685	507,000	− 14,685
1883-84	416,628	163,153	579,781	500,000	+ 94,466
1884-85	421,000	101,338	522,338	530,000	− 86,804
1885-86	648,799†	101,531	750,330	550,000	−287,134
1886-87	512,587	114,950	627,537	700,000	−214,671
1887-88	527,818	138,118	665,936	650,000	−230,607
1888-89	539,448	180,500	719,948	686,804	−263,751
1889-90	521,009	213,192	734,201	847,867	−150,085
1890-91	543,217‡	203,999	747,216	770,000	−127,301
1891-92	543,720‡	241,437	785,157	700,000	−212,458
1892-93 Estimate.	544,860‡	208,000	752,860	965,458	+ 140
1893-94	548,140‡	257,000	805,140	805,000	—

* Including 50,000*l.* for pay of colonels of cavalry and infantry, subsequently treated as a non-effective charge.

† Including special charge on account of augmentation of the Force in India.

‡ Capitation rate of 7*l.* 10*s.* on the Establishment in India.

It will be seen that the arrears which had accumulated for many years have now been settled. The general charges are undoubtedly heavier since the augmentation of the British force in India in 1884; and the claims preferred by the War Office, to which reference is made in Sir Thomas Seccombe's memorandum forwarded with Lord Cross's despatch of the 18th of August 1892, No. 152, show that, in the view of that Department, India is not paying her full proportion of those charges. Your Excellency is aware that the advances to the War Office are now being made at a rate of 7*l.* 10*s.* per man on the establishment in India; but no agreement has been finally made since the 31st of March 1892, and I am now considering whether it is practicable to obtain a reduction of the charges. The amount of deferred pay must vary with the conditions of recruiting in the past; but, on an average, it is probable that it will not exceed that of the last few years.

As regards the other effective charges, it is unnecessary to refer to years before the increase of the establishment in India was effected; and the table below is, therefore, arranged for the period from 1885–86 to 1893–94. There is a very material increase in the furlough pay, which is probably the result of the increase of the European force, combined with the more liberal regulations introduced in 1886; but the additional charge is in some degree counterbalanced by the more economical working of the Troop Service.

Years.	Furlough Pay.	Troop and Transport Service.	Other Effective Charges.	Total Effective Charges, excluding Advances to War Office.
	£	£	£	£
1885-86	156,791	332,225	27,410	516,426
1886-87	248,958	301,666	48,699	599,323
1887-88	263,520	229,480	41,512	534,512
1888-89	285,847	220,999	39,619	546,465
1889-90	295,618	222,483	29,854	547,955
1890-91	275,901	245,130	34,432	555,463
1891-92	305,023	261,796	34,555	601,374
1892-93 Estimate.	350,470	245,351	28,996	624,817
1893-94	313,000	246,200	31,500	590,700

There has undoubtedly been a very heavy increase in the cost of military stores supplied from this country in recent years. It has, however, been almost entirely in the class of ordnance stores, which for the most part must be obtained according to specified patterns, and cannot be procured in India. Now that the supply of the new rifles and guns is completed, I trust that the demands of your Government will be materially reduced. It is obvious that in this respect it is in India, and not in England, that we must look for the means of restricting the Home charges.

Years.	Clothing.	Medical.	Commissariat.	Ordnance and Miscellaneous.	Malt Liquor.	Total.
	£	£	£	£	£	£
1885-86	293,747	44,050	132,819	428,600	30,426	929,642
1886-87	239,676	18,507	19,164	143,227	16,703	487,277
1887-88	254,067	45,210	20,790	321,910	16,557	658,534
1888-89	252,176	34,052	21,163	200,247	16,052	523,690
1889-90	174,118	23,646	32,843	253,504	24,074	508,180
1890-91	216,145	29,299	39,524	720,814	13,248	1,019,030
1891-92	189,268	42,288	44,343	830,247	2,923	1,109,069
1892-93 Estimate.	234,408	50,479	42,549	569,968	17	897,416
1893-94	236,100	34,800	34,500	543,000	—	848,400

Over the non-effective charges there are no means of exercising control, except in so far as care can be taken in granting additional privileges which may increase expense in the future. The addition to the charge for British officers is the natural result of the change of system made in 1884, which resulted in an immediate reduction of 705,000*l.* a year, with the consequent gradual increase for many subsequent years. The burden of Indian officers' pensions on the revenues was very fully examined in the 12th Report of the Committee on Home Charges, which was forwarded to you in Lord Cross's Despatch dated the 4th of July 1889, No. 144.

Years.	British.	Indian Officers.	Widows and Families.	Non-commissioned Officers and Soldiers, and Miscellaneous.	Total.
	£	£	£	£	£
1886-87	136,227	1,533,553	82,335	25,450	1,777,565
1887-88	194,961	1,597,171	83,103	22,733	1,897,968
1888-89	243,444	1,636,886	88,003	20,884	1,989,247
1889-90	296,875	1,652,012	85,242	19,571	2,053,700
1890-91	333,043	1,657,270	87,589	17,730	2,095,632
1891-92	360,231	1,681,889	90,369	16,581	2,149,070
1892-93 Estimate.	398,920	1,881,172	93,243	14,765	2,388,100
1893-94	428,900	1,715,000	93,500	16,000	2,253,400

Whilst I shall be prepared to use every means in my power to obtain a diminution of the Home payments, it is to your Government that I must look for any important reduction being made in the Army charges; and I now proceed, with the assistance of the statements forwarded by you, to examine the expenditure in India. Deducting from the total effective charges the receipts and also the estimated amount by which the British soldiers' pay has been increased through the fall in exchange, I arrive at the figures shown in the last column of the table below. The charge in 1885-86 was abnormally increased by the payments for the Quetta force, which, as shown in paragraph 16 of your Accountant-General's analysis, exceeded two crores of rupees. For the next five years, however, from 1886-87 to 1890-91, the expenditure was fairly uniform, averaging Rx. 12,634,027; whereas, during the three years to which your present Financial Statement relates, the average is Rx. 13,445,096, showing an increase of more than Rx. 800,000 a year.

Years.	Total Effective Charges in India.	Deductions.		Balance.
		Receipts.	Increased Payment to British Soldiers for Exchange.	
	Rx.	Rx.	Rx.	Rx.
1885-86	14,414,290	838,810	224,300	13,351,180
1886-87	13,771,197	864,240	275,800	12,631,157
1887-88	14,243,976	931,027	436,900	12,876,049
1888-89	13,982,872	940,998	501,900	12,489,974
1889-90	14,037,013	826,804	632,300	12,577,909
1890-91	13,836,963	675,117	566,800	12,595,046
1891-92	14,800,287	653,700	386,800	13,759,787
1892-93 Estimate.	14,573,000	673,100	591,800	13,308,100
1893-94	14,750,200	651,000	831,800	13,267,400

Comparing 1890-91 with 1891-92, the latest year for which the expenditure is shown in the analysis, I find an increase of the net charge in 1891-92 amounting to Rx. 984,741, to which must be added the saving of Rx. 180,000 in the pay of the British troops owing to the rise in the rate of exchange, so that the real increase is about Rx. 1,165,000. The increase in the gross charges, which, according to the analysis, amounts to Rx. 1,143,100, is thus divided among the several grants:—

	Rx.
Commissariat	*612,500*
Miscellaneous Services	*371,100*
Remount and Veterinary Establishments	*82,300*
Medical Establishments	*55,100*
Regimental Pay and Allowances	*48,800*
Other heads	26,700
	Rx. 1,145,100

The explanation of the increase under the first two heads is, in the main, that special expenditure had to be incurred in 1891-92 in connexion with the operations in Manipur and the arrangements for mobilization; but, nevertheless, I find in the Estimates for 1892-93 and 1893-94 an increase of Rx. 713,000 and Rx. 672,000, respectively, over the net charges of 1890-91, showing that a comparatively small part of the augmentation has proved to be of a temporary character, or that other expenditure has been incurred in the later years.

In the Minute of Lieutenant-General Brackenbury a full explanation was given of the causes of the increase in the Budget of 1893-94 over that for 1892-93; and I readily admit that he showed the serious difficulty of at the last moment reducing the estimate. But I must point out that the Military Department is only one branch of your Government; that the various propositions for incurring further expenditure are only sanctioned with the understanding, either expressed or implied, that money can be found to meet it; and that it is impossible for the administration to be properly conducted, if the large spending Departments are allowed to carry into effect continual changes involving expenditure for which your Government in the Financial Department is unable to make provision, both immediately and in the future; for, when once such points are decided, it is scarcely possible to re-consider them at the last moment, after the arrangements for the year have arrived at such a point that they cannot be altered without serious inconvenience.

I desire, therefore, that you will cause a searching examination to be made of the military expenditure, under the various heads, with the view of ascertaining what retrenchment is practicable; and that, as far as possible, you will discourage proposals for additional outlay.

The same remarks apply, of course, to the civil expenditure, in a minor degree; but, as this is to a great extent under the control of the Provincial Governments, they have a direct interest in confining it within due bounds. It must, however, be remembered that expenditure authorised during the currency of an agreement, on the ground that the funds of the Provincial Government are adequate to meet it, will make it more difficult for the Imperial Government, in framing a new agreement, to claim its full share of the improvement which may have taken place; and, therefore, additional payments should only be sanctioned when really necessary, and not merely because the balances of the particular Provincial Government may be able to meet the expenditure at the moment.

No. 37.

DESPATCH to the GOVERNMENT OF INDIA, 8th February 1894, No. 24 (Financial).

I have considered in Council the letter from your predecessor's Government, dated the 1st of November 1893, No. 357, submitting the programme of expenditure upon railways and irrigation works for the year 1894-95.

2. Under the existing rules, the following is the amount of money at the disposal of your Government annually for the construction of public works:—

(1.) 350 lakhs of rupees charged outside the expenditure debited to revenue, and provided from the available cash balances, strengthened, if necessary, by a public loan.

(2.) Any surplus revenue, up to 150 lakhs a year, which can be allotted, either under the head of Famine Insurance, or under that of Construction of Railways charged against Revenue

in addition to that under Famine Insurance, or under Irrigation and Navigation.

(3.) An additional sum of 50 lakhs, whenever it can be without inconvenience supplied, for the construction and extension of railways through the agency of companies. Hitherto, however, no advantage has been taken of the permission to make such a grant.

3. The following table shows the manner in which the grants provided in your estimates, and the actual expenditure in the year, have been divided between loan funds and surplus revenue in recent years:—

Source from which provision has been made.	1889–90.		1890–91.		1891–92.		1892–93.		1893–94.
	Budget.	Account.	Budget.	Account.	Budget.	Account.	Budget.	Revised Estimate.	Budget.
Loan Funds.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
State Railways -	3,562,000	2,794,458	3,200,000	2,881,783	2,950,000	2,770,336	3,485,000	3,436,700	2,800,000
Irrigation - -	527,500	378,932	550,000	483,849	550,000	729,664	550,000	550,000	750,000
Total -	4,089,500	3,173,390	3,750,000	3,365,632	3,500,000	3,500,000	4,035,000	3,986,700	3,550,000
Revenue.									
State Railways :—									
Famine Grant -	—	—	—	—	975,000	484,795	1,011,700	993,900	1,054,300
Railway Revenue Account (for Indian Midland and Bengal - Nagpur lines).	—	462,009	432,800	482,351	457,000	231,681	293,300	366,300	340,200
Other Revenue -	10,200	4,974	4,800	*—4,812*	210,500	163,233	301,500	292,900	75,100
Total Railways	10,200	466,983	437,600	477,539	1,642,500	879,709	1,606,500	1,653,100	1,469,600
Irrigation -	80,000	71,457	65,000	74,392	65,000	77,931	65,000	63,000	65,000
Total -	90,200	538,440	502,600	551,931	1,707,500	957,640	1,671,500	1,716,100	1,534,600
All Sources.									
State Railways -	3,572,200	3,261,441	3,637,600	3,359,322	4,592,500	3,650,045	5,091,500	5,089,800	4,269,600
Irrigation - -	607,500	450,389	615,000	558,241	615,000	807,595	615,000	613,000	815,000
Total -	4,179,700	3,711,830	4,252,600	3,917,563	5,207,500	4,457,640	5,706,500	5,702,800	5,084,600

4. Various causes have led to an excess in the grant from loan funds in the Budgets for most of the years. In 1889–90 exceptional outlay was anticipated on the famine lines in Southern India. The Budget of 1890–91 was prepared under a misapprehension of the Secretary of State's instructions. In 1892–93 and 1893–94 special grants were made on account of the Rampur-Bareilly-Moradabad railway, for which the funds were being provided by the Rampur State, and the Jherria extension of the East Indian Railway.

5. The foregoing table shows that the Public Works Department is frequently unable to utilise a considerable portion of its grant. The amounts which have thus lapsed are as follows:—

	Rx.
In 1889-90 - - -	467,870
In 1890-91 - - - -	335,037
In 1891-92 - - -	749,860
In 1892-93 (estimate) -	3,700
Making in the four years a total lapse of- -	Rx. 1,556,467

Such lapses, in accordance with the general system of Budget grants and accounts, are not at the disposal of the Public Works Department unless again granted; and your Government is of opinion that this practice is unsuitable to works of the magnitude of those which you have to execute, that it hampers your efforts to fully utilise the funds which you are empowered to borrow annually, and that it leads to wasteful outlay. You, therefore, propose that, in addition to the fixed grant for public works not chargeable against revenue, you should be empowered to re-allot to the Public Works Department lapses of grants not chargeable against revenue which may occur at the close of the financial year.

6. This proposal appears to me to be based on a misconception of the orders which have been given on the subject of the re-allotment of lapsed grants. In my despatch dated the 7th of August 1884, No. 237, I said, in paragraph 39, that "there is no objection to the "expenditure on public works of the surplus balances "which have actually accrued, nor of the savings of "previous years, and, subject always to the general "exigencies of the Government, I should prefer seeing "the money so laid out; but . . . the provision "of funds for public works must be subject, as in the "case of any other branch of the administration, to "financial considerations, and the fact that certain "funds may, under the regulations, be supplied for "productive public works gives no claim to the Public "Works Department to have that sum allotted to it "within the year, if, in the opinion of your Govern-"ment in the Financial Department, the state of the "finances will not permit of the expenditure." Similarly, in my despatch in the Railway Department, dated the 27th of November, 1884, No. 148, paragraph 10, I said that "lapses in previous years should only be "subsequently made good from the balances, if that is "practicable, without unduly reducing them." And once more, in a despatch of the 30th of April 1885, No. 112, I found it necessary to write, in the 7th paragraph, that "the Government of India, as a whole, "must be the judge from time to time how the avail-"able funds at its disposal shall be applied, subject to "the control of the Secretary of State, and with careful "regard for the general stability of your finances, the "demands of no one Department being allowed to have "undue weight."

7. To the same effect were the observations of Lord Randolph Churchill* and of Viscount Cross,† and I must adhere to those instructions. Surplus revenue may always be appropriated for public works under the head of Famine Insurance, or Construction of Railways, or Irrigation and Navigation, and lapsed

* Despatch to India, 27th August 1895, No. 239, p. 48.

† 10th February 1887, No. 58.

grants not chargeable to revenue may be again allotted, when it can be done without undue inconvenience, from the cash balances. But I cannot admit that the Public Works or any other Department has a claim to an appropriation of funds which are not at the disposal of the Government, and which can only be obtained by borrowing to a greater extent than is deemed prudent.

8. I now come to the further proposal of your Government, "that the grant for public works not "chargeable against revenue be for the present fixed "at Rs. 500 lakhs, less such amounts as may be spent "on protective railways or protective irrigation works "from the grant for Famine Relief and Insurance." The proposal is, however, subject to the reservation that no further liability is imposed on the revenues by the concession of guarantees to railway companies, and that the sum of Rs. 500 lakhs is to be held to include all money for capital expenditure on railways and irrigation works classed as Productive Public Works to be found by the Government of India.

9. This proposal is open to objection on more grounds than one. You have apparently arrived at the sum of 500 lakhs, by adding to the 350 lakhs authorised as a maximum for works constructed from loan funds by the direct agency of State officers, first, the 50 lakhs which Lord Cross* authorised, if it could be supplied without inconvenience, "to enable companies "to undertake new lines of railway and extensions," and, secondly, a sum of 100 lakhs which has been provided during each of the last three years from the Famine Grant, and which it appears to be assumed will always be available from revenue.

10. In regard to the former sum, it appears to me that the proposal would defeat the object which Lord Cross had in view. He desired, without unduly increasing the debt, to provide from the balances, if possible, sums which would be available to meet the urgent demands of railways constructed and worked by the agency of companies; while, under your proposal, this amount might have to be obtained by borrowing, and would not be reserved for the specific uses for which it was intended.

11. With reference to the allotment from the Famine Insurance Grant, I must point out that this allotment is available for such works only as are calculated to protect the country from famine, and cannot be applied to Productive Public Works unless they have also been sanctioned as protective. Moreover, this grant, though it has been adopted as a convenient one for purposes of account, is merely an allotment of surplus revenue, and cannot be reckoned upon with certainty. The result of your suggestion, therefore, would be that, in a year of difficulty, when there was no surplus revenue, and the whole of the funds at your disposal were needed to meet the calls of famine or some other exigency, the Public Works Department would have a claim that an exceptionally large loan should be raised to meet its requirements.

12. While on general grounds I am thus opposed to any extension of the limits within which funds are allotted for public works, I cannot refrain from expressing the surprise with which I have received your recommendations, at a time when the finances are in a critical condition, and it is quite impossible to form an opinion as to the amount that it would be necessary to borrow in 1894–95 in order to carry your programme into effect. Your remark, in paragraph 12, that you are unable, in the present financial position, to contemplate so large an outlay as I had anticipated,—by which I understand you to mean that you cannot at present allot any extra funds for the construction of railways through the agency of companies; but it appears to me that, in absorbing for general works the amount so suggested, and raising the total grant to 500 lakhs during the year, whether there be surplus revenue and abundant cash balances, or whether the money can only be found by having recourse to additional loans, your proposals are far in excess of any scheme which I had contemplated.

13. Finding myself, therefore, unable to sanction the forecast of expenditure in 1894–95 which your Government had placed before me, I requested you by a telegram† of the 9th of December, to send a revised forecast based on the existing rules. The further telegraphic correspondence which has resulted is also entered below* of this despatch. With reference to your message of the 18th of January, it is premature to determine what may be the best use to make of the accumulated cash balances; but I cannot, as at present advised, consent to an outlay not chargeable to revenue in excess of the usual amount authorised under existing rules; and I, therefore, sent to your Government the following message on the 30th of January:—"Your telegram of 5th" (should have been 18th) "January. "Capital expenditure. I await a further communi- "cation, with reduced forecast to be prepared under "existing rules."

* Despatch to India, 16th June 1892, No. 103 F., para. 13.

† *From Secretary of State to Viceroy, 9th December* 1893.

"Your Financial Despatch, No. 357, 1st November. Capital expenditure. At the present time it is quite impossible to approve increase in expenditure. Please send at your earliest convenience forecast for next year under existing rules."

No. 38.

EXTRACT from LETTER from the GOVERNMENT OF INDIA, March 28, 1894, No. 81 (Finance).

Lord Kimberley was quite correct in understanding that we did not see our way out of a deficit in 1894–95; but in his directions to us as to proposed measures for reduction of expenditure, he was only directing our attention to matters that were already under our anxious consideration.

We may here recount these measures in the shape which they ultimately took.

We ordered a reduction of 13 lakhs to be made in the grant for Imperial Public Works. That grant had already in November been reduced considerably below the amount of the grant for 1893–94, as part of the policy of economy which the difficulties of the position have obliged us to adopt for the last year or two. The further reduction of 13 lakhs was effected by the very stringent measure of postponing the commencement of nearly all new works which it was proposed to begin in 1894–95.

The second measure adopted was the reduction of the Military Works grant to one crore of rupees, being less by over 19 lakhs than the amount of the grant in 1893–94. Our Honourable Colleague General Brackenbury, while not in the circumstances resisting this reduction, desires that the remarks on the subject in a minute by him, which forms one of the enclosures of this despatch, may be forwarded with this despatch for your consideration.

The third measure adopted by us to reduce the deficit was the levy of contributions from Provincial Governments. We enclose a copy of the Resolution in which the Local Governments were asked to agree to make these contributions, and we refer to paragraphs 27 and 28 of the Financial Statement for an expression of our views on this step, to which we had recourse with the greatest reluctance. The total amount of the contributions ultimately taken was 40½ lakhs of rupees; the amounts taken from each Government are stated in paragraph 96 of the Financial Statement.

The fourth measure adopted was the temporary suspension of the portion of the Famine Grant which it is within our power to suspend, giving a reduction of expenditare of over 107½ lakhs of rupees. The questions connected with the Famine Grant have been so often discussed that we do not think it necessary to defend this step at length: the circumstances in 1894–95 are clearly such as to justify the step. We wish only to place on record our opinion that it should be the endeavour of the Government of India to restore the Famine Grant at as early a date as can be arranged.

We gave careful attention to the question of reducing the Army expenditure, but we could not avoid the conclusion that no mere reduction in the estimates would have any actual effect in reducing the outlay during the year 1894–95. That the Army Estimates have been drawn up with due regard to economy will

* *From Viceroy to Secretary of State, 3rd January*, 1894.

"Your telegram of 9th December last. Government of India desire to adhere to forecasts for next year B. and C., referred to in paragraphs 13 and 15 of our Financial Despatch, No. 357, 1st November last."

From Secretary of State to Viceroy, 5th January 1894.

"Your telegram of 3rd January. Capital expenditure. Tables B. and C. based on assumption that probable surplus of 118 lakhs will be available under Famine Insurance Grant. Do you expect this?"

From Viceroy to Secretary of State, 18th January 1894.

"Your telegram, 5th January. Capital expenditure programme was based on assumption that Famine Insurance Grant maintained. If that is reduced, the state of balances may render it advisable to avoid reduction of expenditure, by transferring East Coast Railway to 48. It is too early yet to forecast the estimate of the financial position during next financial year; but programme may have to be reduced and we are preparing modified programme to be ready for adoption, if necessary."

be evident from the fact that in the effective portion of the charges (net) if we omit the Rx. 390,100 which has been added to the charges by the operation of the exchange (see Financial Statement, paragraph 121)—there is, as compared with last year's estimates, a saving of 164,000*l.* less Rx. 74,600; that is, not far short of Rx. 200,000.

The question of the possible reduction of Army charges, however, continues to have our close attention. Although we have admitted the estimates for 1894–95 upon the basis just described, we propose to continue, apart from the question of Budget Estimates, our examination of some of the questions involved; and we believe that we have adopted measures which will ensure, with greater strictness than heretofore, that the expenditure be kept within the limit of the estimates.

Enclosure 1 in No. 38.

RESOLUTION of the GOVERNMENT OF INDIA, No. 1126 A., 1st March 1894.

The Local Governments are no doubt aware that by reason of the serious fall in the exchange value of the rupee during the past two years, the Government of India find themselves face to face with a serious deficit in their Revenue Estimates. This deficit forces the Governor General in Council to consider all possible measures of economy and to raise the question of increasing the revenue by new taxation.

2. The Government of India are constrained under these circumstances to search for relief from present embarrassment in economies within the region of the Provincial accounts as well as in the Imperial section, and to raise again the question of contributions from Provincial resources. The Governor General in Council admits most fully that every administrative consideration makes it advisable that the expenditure of the existing Provincial balances should be left in the hands of the Provincial Governments, and that even from the financial point of view it may be urged that only two years have passed since the assignments were revised, and that during these two years a portion of the burden of exchange has, under the orders for exchange compensation allowance, been thrown upon Provincial balances. But the imperious necessity for imposing new taxation obliges the Government of India first to exhaust all available methods of increasing their resources; and this necessity is the only justification they can put forward for so soon making a practical revision of "contracts" made only two years ago, and calling in balances which the Local Governments might legitimately claim as pledged to them for the purpose of administrative improvements.

3. The Government of India have examined the estimates sent in by the various Local Governments, with a view of determining what amounts these Governments might spare either out of their surplus balances over and above the prescribed minimum, or by reducing to a minimum their proposals for expenditure on new public works, or similarly possible economies. Without raising any question of the advisability of the expenditure which the several Local Governments will by these retrenchments be obliged to abandon, the Government of India, so far as they can judge from the figures before them, impose an equal burden upon the several Local Governments by taking the contributions in the following list; namely,—

	Rs.
Central Provinces	4,30,000
Burma	19,50,000
Assam	2,60,000
Bengal	2,00,000
North-Western Provinces	5,00,000
Madras	3,00,000
Bombay	5,60,000
Total	42,00,000

From the Government of the Punjab it is not deemed advisable to take any contribution.

4. In the estimates which have already been received these contributions will be entered by reducing the final balances of 31st March 1895 to the provincial minimum, and by reducing the public works grants. The Local Governments, however, will understand that this distribution of the entry in the Estimates is provisional only.

5. The Governor General in Council, before making these orders final, invites the Local Governments to submit for consideration any points they wish to urge with reference to their ability to meet the demand without drawing upon their prescribed minimum balances. His Excellency in Council is confident that, under the circumstances explained, the several Local Governments will use their best endeavour to meet the requirements of the general financial position; and although he is conscious that the promise can, under present circumstances, be of little value, he will, if during the currency of the present contract circumstances sufficiently improve, restore to the Provincial Governments the balances which he now, by enforcing a limitation of their normal expenditure, withdraws from them. It is especially requested that all replies may be in the hands of the Government of India by Wednesday, March 14th, at the latest.

Enclosure 2 in No. 38.

MINUTE by the Honourable Lieutenant-General BRACKENBURY, C.B., R.A., on the reduction of the grant for Military Works for all India and Burma to one crore of rupees.

The grant of a fixed sum for military works was the outcome of certain correspondence with the Secretary of State on the general principle of fixed grants, and orders fixing the grant at one crore of rupees issued in Finance Department Resolution No. 671, dated the 22nd May 1880.

We have nothing to show why the sum of one crore was fixed upon. That sum was 27·3 per cent. below the average allotments for, and 21·4 per cent. below the average expenditure on, military works during the previous five years, but it may be assumed that the reduction was due to the financial situation caused by the Afghan war. Lapses were to be re-granted "so far as financial exigencies allow"; as a matter of fact, lapses have not always been re-granted.

Year.	Grant.	Outlay.
	Rs.	Rs.
1874–75	1,23,97,974	1,18,59,260
1875–76	1,33,59,966	1,33,77,380
1876–77	1,25,89,429	1,20,30,220
1877–78	1,24,39,859	1,15,39,290
1878–99	1,28,67,298	1,19,05,280
	6,36,54,526	6,07,11,430
	1,27,30,905	1,21,42,286

2. On the issue of the orders fixing the grant at one crore, the Commander-in-Chief at once protested against the reduction representing the inadequacy of that sum for meeting the cost of military works services, and from time to time representations have been made to the Government of India on the subject. The case for an increased grant was last stated by the Quartermaster-General in 1891* in great detail, and supported by independent memoranda prepared in his own department and by the Director-General of Military Works; a strong case was made out, but no action was taken.

3. Since the crore was fixed in 1880, the burdens upon the military works grant have increased very appreciably under certain heads, while several heavy new charges have been thrown upon it.

Under the first description the following may be mentioned:—

(*a.*) Increase of 10,000 men (British troops) in 1886 to be provided with accommodation.

(*b.*) Extension of territory in Baluchistan and the annexation of Upper Burma, involving the

* Quartermaster-General's No. 58 F.C., dated 20th January 1891.

construction of new accommodation, and the organisation of new cantonments.

(*c.*) Imperative demands for cantonment sanitary works throughout India, especially water-supply and drainage works.

(*d.*) Increase in the cost of maintaining defence works owing to the construction of new works costing about two crores of rupees. (Though the cost of original construction has been provided from the Special Defences grant, the cost of maintenance falls on ordinary military works funds.)

The new charges fall chiefly under the following heads:—

(*e.*) Maintenance of military roads on the North-western frontier which were constructed from civil works funds. It has been found impossible to give much money for this service, and it is reported that, for want of adequate allotments, these expensive roads are falling into a state of serious disrepair.

(*f.*) Construction of certain new frontier roads (*e.g.*, the Dera Ismail Khan—Tank—Murtaza road).

(*g.*) Provision of accommodation for Native troops in certain rigorous climates where it had not previously been the practice to employ such troops (*e.g.*, Baluchistan and Upper Burma).

(*h.*) Sanitary improvements to the lines occupied by Native troops in India proper.

(*i.*) Grant of exchange compensation allowance.

4. The separate grant for Upper Burma was proposed by Sir George Chesney early in 1887, because it was found impossible to allot the large sums required for that country from the crore. The grant for 1887-88 was 30 lakhs, and 15 lakhs in subsequent years. The actual expenditure has been as stated below—

	Rs.
1886-87	7,39,501
1887-88	31,48,423
1888-89	15,70,350
1889-90	14,25,094
1890-91	14,15,234
1891-92	15,21,818
1892-93	16,93,764
1893-94	15,00,000 (Revised Estimate.)

5. The extreme importance of pushing on cantonment water-supply projects was pressed upon the attention of Government in 1890, and it was ordered in Council that, upon the understanding that a certain sum for these works is provided annually out of the crore, the Finance Department should contribute an extra grant equal to half such sum, subject to a maximum of three lakhs of rupees. The Military Department have proved the urgency of the matter, in their opinion, by earning the full extra grant in 1891-92, and in every year since.

6. Under present circumstances it is very difficult to find money for carrying on any considerable works such as the water supplies and the extensive works required at the various ordnance establishments which are increasing largely owing to the manufacture in India of munitions of war formerly obtained from England, though the former indirectly, and the latter directly, lead to savings in military expenditure.

7. An examination of the figures of past years shows hat there are certain recurring charges which must be met from year to year. The military buildings throughout the country have to be maintained, and various payments for rent and compensation in lieu of quarters have to be made, all under the head of repairs. The 30 lakhs usually allotted for the services is quite inadequate, and leads to heavy expenditure on renewals and "Special repairs," which appears under "Original works."

The establishments have to be paid, and the cost of the Barrack Department is about a fixed quantity.

Making allowance for tools and plant these charges absorb 62 or 63 lakhs of the grant at once, leaving about 40 lakhs for everything else—ordinary military works, ordnance works, commissariat works, and marine works.

8. Of the 41½ lakhs entered under original works in 1893-94, about 36 lakhs are at the disposal of the Military Works Department, and 5½ lakhs are allotted to the Local Administrations (Public Works Department). In addition to the total of the revised estimate a small sum may possibly remain in reserve (less than half a lakh).

Of the 36 lakhs available for original works in the Military Works Department it has been more or less obligatory to allot over 24 lakhs for the services noted below, leaving a sum of less than 12 lakhs available for all other original military works, new and in progress, for the accommodation of the troops, hospitals, &c.

	Rs.
Ordnance Works	4,00,000
Commissariat Works	2,00,000
Marine Works	1,85,000
Minor Works	4,65,000
Renewals	2,35,000
Water Supplies	9,30,000
	24,15,000

Of the 5½ lakhs being spent by the Public Works Department, about 2¾ lakhs are for the Dera Ismail Khan—Tank—Murtaza road, ¼ lakh for waterworks, and ¾ lakh for minor works. There thus remains about 1¾ lakhs for original military works, new and in progress, at all the stations in charge of the Public Works Department.

9. Under the circumstances stated above it, is my duty to represent that, in consequence of the reduction of the amount granted for all military works in India and Burma to one crore (a reduction of 19½ lakhs from what was granted last year), it will be impossible to find any money for the most urgent new works, some of the existing works, both roads and buildings, cannot be kept in proper repair, and the sanitary demands of the medical authorities cannot be complied with.

H. BRACKENBURY.

28th March 1894.

No. 39.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, June 21, 1894, No. 116 (Financial).

I have already referred to the reduction under Famine Relief and Insurance, which amounts to Rx. 1,083,407. I observe, in the proceedings of your Council, a disposition on the part of some of the members to consider this as inconsistent with the intentions of the Government at the time that the provision was first instituted; and the question is also discussed in some of the papers which accompanied your Excellency's Letter of the 21st of March, No. 71. The position of the Government in the matter was so fully explained by the Lieutenant-Governor of Bengal and Mr. Westland, that it is hardly necessary for me to add to their remarks. The object of the Famine Insurance was to provide annually a surplus of revenue, which, so far as it is not needed to meet the cost of relief during the year, may be from time to time expended in the manner best calculated, either by the prosecution of protective works or by the reduction or prevention of debt, to ward off the recurrence of famine, and, if a great emergency should arise through a severe scarcity, to enable the Government to supply the requisite funds without making a permanent addition to the public debt. It was estimated that it would be necessary in this manner to set apart Rx. 15,000,000 in the course of 10 years. Owing to the fortunate absence of a great famine, comparatively little has been required for absolute relief, and the bulk of the funds has been devoted to the construction of protective works, and, in a less degree, to the repayment of debt or the diminution of that which otherwise would have been incurred in the prosecution of railways. The following is a

summary of the sums thus laid out from 1881–82 to 1892–93 inclusive:—

	Rx.	Rx.
On Famine Relief		294,409
In the construction of Protective Irrigation Works		1,731,863
In the construction of Protective Railways:—		
Charged under Famine Insurance	5,482,943	
Charged under Railway Revenue Account	2,818,102	
		8,301,045
In reduction or avoidance of debt		5,327,299
		15,654,616

It is clear from these figures that the purposes for which the system was instituted have been attained; and there can be no doubt that, in consequence of the works on which some 10 crores of rupees have been spent, the country is much less likely to suffer from famine so extensive as in past years, while, if necessity should arise, a loan of five crores could be raised without the burden of debt having been increased. In view of the necessity for providing, if possible, such a surplus of revenue, it is desirable that it should be restored as soon as the financial condition permits it; but I should not have been prepared to sanction additional taxation for the sake of maintaining the system in the present year, while to enter the allotment for famine insurance in the estimate without making provision for it would have been a fiction that could not be permitted. In connexion with this subject, I desire to draw your Excellency's attention to the opinion expressed by Lord Randolph Churchill in the closing paragraphs of his Despatch of the 27th of August, 1885, No. 239, approving of the temporary diversion of the Famine Insurance grant in order to avoid fresh taxation; and also to the 12th paragraph of that written by Viscount Cross on the 12th of April, 1888, No. 98, suggesting that the provision for that purpose might be reduced to Rx. 1,000,000, the whole of which should be devoted to the reduction of debt or diminution of borrowing.

* * * *

Satisfactory as is the credit of the Government of India, both in India and in England, the financial position is certainly one which must for the present cause great anxiety. Comparing the accounts of 1892–93 with your Budget Estimate for the present year, I find the following changes in the last two years:—

Apart from charges of all kinds arising from Exchange—

	Rx.	Rx.
The net revenue from opium is worse by		2,248,268
Provincial Rates		175,390
Salt		86,037
		2,509,695
While Land is better by	632,960	
Stamps	93,751	
Customs	1,208,228	
Other heads	45,678	
		1,980,617
so that in the net revenue there is a deterioration of		529,078
Exchange is worse, on sterling payments	1,488,324	
Increase of the soldier's pay	164,300	
Compensation to officers	1,113,300	
	2,766,524	
but better on remittance accounts	130,314	
being, therefore, on all accounts, worse by		2,636,210
		3,165,288

	Rx.	Rx.
To meet this, the net Expenditure charged on the Revenue has been reduced as follows:—		
By the suspension of a portion of the Famine Insurance Grant		1,058,947
In Public Works:—		
Military	190,782	
Civil	194,530	
Construction of Railways	315,087	
Special Defence Works	246,955	
	947,354	
Railway Revenue Account	431,294	
Irrigation	95,129	
	526,423	
		1,473,777
In Army charges		460,468
In Interest		209,716
By increase of portion of expenditure defrayed from Provincial Balances		1,007,041
		4,209,949
from which must be deducted an increase of net charge under Mint	199,856	
and under all other heads	313,293	
		513,149
		3,696,800
Making a net improvement of		Rx. 531,512

Even this, however, has failed to provide an equilibrium between Revenue and Expenditure, while there is every prospect of the charges connected with exchange being much greater than was assumed in the Budget. There is, therefore, little chance of its being found possible soon to relax the strict limits which you have been obliged this year to enforce in regard to public works of various kinds; and it is with especial satisfaction that I have received the assurance given in the 13th paragraph of your Letter dated the 28th of March, No. 81, that the possible reduction of the Army charges is engaging your close attention.

No. 40.

DESPATCH to the GOVERNMENT OF INDIA, July 26, 1894, No. 144 (Financial).

At the close of the review of the Estimates of your Government for the current year, contained in my despatch, dated the 21st ultimo, No. 116, I referred to the fact that the deficiency of revenue therein shown was likely to be materially enhanced by the fall in exchange which had occurred since they were prepared, and to the consequent expectation that it would be impossible soon to relax the strict limits imposed on expenditure at present, especially in regard to Public Works.

2. At such a time it is essential to exercise the closest supervision over all proposals for an increase of establishments of any kind, since there is no income from which the charge can be met; and, even if the additional cost be defrayed from the accumulated balances in the current year, the difficulty of providing an equilibrium in the next Budget is enhanced.

3. While this observation refers primarily to the charges which directly affect the Imperial surplus or deficit, it must not be overlooked that it has also an important bearing on those which fall on the Provincial revenues; for, although the re-adjustment may be deferred till 1897, the growth of Provincial expenditure may seriously affect the power of your Government to

obtain an adequate share of the normal improvement in the revenues.

4. I have recently received from your Government several despatches proposing an increase of various establishments, for some of which, at any rate, so far as I am aware, no provision was made in the Budget, and for which there are, therefore, no funds at your Excellency's disposal.

5. I do not lose sight of the fact that strong arguments are brought forward for the proposals. But the financial condition of the country must be paramount; and, whatever the advantage of the reforms, they must be postponed if they can only be effected at the cost of adding sooner or later to the taxation of the country.

6. I am, therefore, obliged to inform your Excellency that, except in case of urgent necessity, I shall not feel myself justified in sanctioning any proposals for an increase of establishment, however desirable upon other grounds, until we arrive at a less unsatisfactory situation of the finances than that which exists at present.

No. 41.

DESPATCH to the GOVERNMENT OF INDIA, January 3, 1895, No. 4 (Financial).

The receipt of your Excellency's telegram, dated the 6th of December, enables me to reply to your letter of the 24th October, No. 271, regarding your forecast of capital expenditure on railways in the present and two following years.

2. I am dealing in the Public Works Department with the proposals relating to the several lines under construction or contemplated; and in the present despatch I confine myself to the financial aspect of the question.

3. The amount which your Excellency proposed to spend on railways (evidently including irrigation) is stated on page 7 of your letter (paragraph 9) as 520 lakhs in 1894–95, 540 lakhs in 1895–96, and 540 lakhs in 1896–97, making a total of 1,600 lakhs in the three years; but this you desire to increase by 35 lakhs in each of the coming years, that is, to 1,670 lakhs in all, if the amount spent this year from State funds on the Assam-Bengal Railway is recouped by the company. As was pointed out in the 11th paragraph of Lord Kimberley's despatch dated the 30th of April 1885, No. 112, the raising of the funds by the railway company implies a resort to a somewhat expensive form of borrowing. I proceed, however, to consider the proposal as dealing with 1,600 lakhs of outlay (excluding the 70 lakhs spent this year from State funds upon the Assam-Bengal line), of which it appears from Statement A. attached to your letter that you desire to allocate 1,095 lakhs to expenditure on railways by State Agency, 150 lakhs to open lines in the hands of companies, and 205 lakhs to irrigation works, while retaining 150 lakhs in reserve in case the whole of the Famine Grant should not be available in 1895–96 and 1896–97.

4. The amount of 1,600 lakhs is thus provided :—

	Lakhs.
(1.) In the current year's estimates -	400
(2.) Surplus cash balances - - -	800
(3.) Future accumulations outside the Revenue Account - - -	200
(4.) Famine Insurance Grant - -	200
	1,600

5. The whole of the 400 lakhs entered in the estimates for 1894–95 has to be met from sources outside the Revenue, as there was no surplus available for a grant under Famine Insurance. In the present state of the finances it appears to me very doubtful whether you can reasonably expect an available surplus of 100 lakhs under this head in 1895–96 or 1896–97; but the reservation of 150 lakhs as unallotted meets this contingency to a great extent. Your Excellency can form a better opinion than I am able to do, whether it is probable that the savings bank balances will sufficiently recover from the check they have recently received by the reduction of interest, to justify the expectation that 200 lakhs will be available from this source towards the completion of your forecast.

6. In regard to the estimate of 800 lakhs as available from the cash balances, I found, when I received your telegram of the 12th of October, that they amounted at the end of September to nearly 2,000 lakhs, or more by 800 than the amount usual at that time of year. I was not satisfied, however, that this amount could be properly considered as surplus, in view of the heavy drawings needed to defray the sterling disbursements in England. Owing to the exceptional state of the exchange when the Budget for 1894–95 was prepared, it was decided to draw bills on India for only 17,000,000*l*., although (excluding debt) the net disbursements were estimated at 18,548,500*l*. The exchange being calculated at 14 pence per rupee, this implied a drawing of only 2,914 instead of 3,178 lakhs of rupees.

It was evident that such a course could not be permitted in the future, unless borrowing in this country was to be allowed to defray the ordinary disbursements; and I accordingly found it necessary to inquire by telegram on what estimate of the payments for bills your Government founded its calculations. In my telegram of the 25th of October I mentioned a remittance of 19,000,000*l*., which allowed for some addition to the capital outlay on stores, and for the discharge of a small portion of the temporary debt. Excluding these, the net disbursements in the coming year are estimated at 18,075,000*l*., and the bills may be taken at 18,100,000*l*.; but it would hardly be safe now to calculate on an exchange above 13 pence per rupee, at which rate the bills would amount to 3,341 lakhs, or 427 lakhs in excess of the estimate for 1894–95.

8. Your Excellency's telegram of the 10th of November stated that the financial side of your proposals was in response to the inquiry put in the 24th paragraph of my despatch of the 21st of June last, No. 116, as to the use to which, after supplying funds for the prosecution of the Assam-Bengal Railway, the balances might be applied, in connection with which I referred to a proposed extension of the East Indian Railway. That passage, however, followed on the observation in the 23rd paragraph, that the primary object to which the accumulation of rupees in your treasuries should be devoted was the reduction of rent in this country; and, therefore, even while prepared, in the circumstances of the case, to waive any additional remittance for that purpose, I was not ready to give my approval to your policy, until assured that you were able to meet such drafts as would avoid any addition to the sterling debt.

9. Hence, in my telegram of the 4th of December, I inquired whether you could undertake to meet my drawings, so far as can now be foreseen, in 1895–96 and 1896-97, replenishing your balances, if needed, by the ordinary loans for public works; and, as your Excellency replied on the 6th of December that you agreed to this proposal, I accord my assent to the policy laid down in your letter as regards the State lines, subject to certain modifications regarding which I am communicating with your Government in the Public Works Department.

10. I am addressing you in a separate despatch regarding the provision of funds for the Assam-Bengal Railway.

No. 42.

EXTRACT from LETTER from the GOVERNMENT OF INDIA, February 20, 1895, No. 46 (Military).

In various financial despatches which we have received in the last two or three years, particular allusion has been made to the subject of military expenditure;

we also addressed your predecessor on this subject in the despatches quoted below,* and in paragraph 27 of your financial despatch No. 116 of the 21st June 1894, you stated that it was with especial satisfaction that you had received the assurance given in the 13th paragraph of our letter, No. 81, Financial, dated 28th March 1894, that the possible reduction of army charges was engaging our close attention.

Although the inquiries we have caused to be made on this subject are by no means complete, we think it desirable to lay before you certain conclusions at which we have arrived in respect to the more important causes which affect military expenditure; and in this connection we desire to invite your attention to the minute of our honourable colleague Lieutenant-General Brackenbury, which accompanied our despatch of 8th March 1893. In that minute (paragraph 6) our honourable colleague explained that reduction can only be made in the Military Budget Estimates by one of the following methods —

(*a.*)—Reducing the establishment of the Army.
(*b.*)—Reducing the pay of the Army.
(*c.*)—Reducing allowances.
(*d.*)—Reducing the authorised reserves of stores.
(*e.*)—Throwing the ordnance factories out of work.

and showed reasons against all these methods except the first, as to which he said it was for the Governor-General in Council and the Secretary of State to decide, after due consideration, whether any reduction of the Army is possible, and, if so, how that reduction can best be made.

Of the possible methods of effecting a reduction of military expenditure, we will first deal with the question of reducing the pay, or privileges in a monetary sense, of the troops. The pay of British troops serving in India is not fixed by the Government of this country; it is fixed in sterling by Her Majesty's Government, and India has to pay in its depreciated currency an increasing number of rupees according as the gold value of the rupee diminishes. Between 1884-85 and 1893-94 inclusive the additional number of rupees so paid has amounted to about Rs. 546,00,000, and while the pay of the British troops has thus increased under the influence of conditions beyond our control, everything connected with the equipment and material welfare of the British soldier has risen in cost. Moreover, nearly every alteration in organisation in the British Army, and changes connected with the interior economy of regiments and batteries have been productive of expenditure, and have necessarily been followed by corresponding charges in expenditure in India. Many of these changes, as detailed in the list annexed to our military Despatch, No. 70, dated 25th March 1890, have been made without the Government of India being consulted. A further list of such changes is under preparation, which shows that in the last 30 years the cost of these measures has amounted to 934,640*l.* and about Rs. 8,75,000.

As regards the pay and monetary privileges of the Native troops, we can hold out no hope of reducing military expenditure. We were obliged to increase the pay of the Native cavalry in 1890, and we have now been compelled to address Her Majesty's Government,† and propose a considerable increase to the pay of the dismounted branches of the Native Army, which has remained at the same figure for so many years. With respect to the privileges of Native troops, which may be assessed at a monetary value, there is no possibility of effecting any extraordinary reductions. Their clothing and equipment tend to increase, rather than to diminish in cost, in accordance with the tendency of the times; better material and arms must be paid for at a higher rate; while the special monetary privileges of the Native troops need to be handled with great discretion.

* * * *

Among these monetary privileges there is none which occupies a higher place on the list of military expenditure than that of the system known as compensation for dearness of provisions and forage. This system may be briefly described as paying the Native soldier a compensatory sum, varying at different times of the year and at different stations, when the aggregate cost of the rations which he purchases for himself exceeds Rs. 3-8-0 per mensem, calculated on a regular scale for such rations. A similar principle is carried out in the case of the daily food of the horse maintained by the sowar. The advantages and disadvantages of this system have been frequently discussed in our Military Department, and by the Commander-in-Chief and the heads of departments concerned. The rise in recent years has been very remarkable, and investigations have more than once been made to account for this rise more precisely than can be usually ascertained from ordinary reports. In September 1894 we gave orders for the assembly of a Committee at Rawal Pindi on the 1st October 1894, to consider the conditions at present attending the payment of compensation for dearness of provisions and forage, and the system of voucher and check in auditing claims to such compensation. The report of the Committee is forwarded herewith. It is now under consideration, but it will need to be very carefully gone into, although as at present advised we consider that if the recommendations of the Committee are carried out, they will make for economy. In connection with this subject we may mention that a separate investigation is being made in order to ascertain how far the rise in the cost of compensation is due to the increase in the strength of the Army, and how much is due to rise in the prices of the articles upon which compensation is calculated. We believe that these investigations will tend to reduce expenditure on this great item of compensation, but we cannot look for any large reduction in this direction.

It may be said that, granting it is impossible to reduce the pay of British and Native troops, it may be possible to reduce the pay of officers serving in India with those troops, or to reduce the pay and number of commands and staff appointments. With regard to the first point, we must state our conviction that no such reduction is possible. The purchasing value of the rupee has declined within recent years, wages have risen, and the officers both of the British and Native armies are, when they are without private means, pushed hard to make both ends meet; while there is reason to fear that in the Native Army this result is less frequently attained than formerly, at all events among the junior officers, and we have recently been obliged to add to our military expenditure by giving, with the sanction of Her Majesty's Government, an additional allowance as compensation for loss by exchange, which alleviates, but does not remove, the difficulties under which these classes of Her Majesty's servants now labour.

On the second point, whether it is possible to reduce the number of commands and staff appointments, or the pay of these, we have on the latter part of the question already addressed you in our Despatch, No. 28, dated 30th January 1895, and we have shown that we do not think it possible to reduce the pay of the commands and appointments under discussion. With regard to the possibility of a reduction in the number of commands and staff appointments, we have only to say that this subject has been dealt with from time to time within the last thirty years and so recently as 1886, that a large number of reductions has been made, and that looking to the strength of the army, and the vastness of the area over which it is spread, the number of commands and staff appointments is exceedingly small, and cannot be reduced, in any material degree, without seriously injuring the efficiency of the Army. We have maintained a consistent policy of reducing superfluous commands and staff appointments, but but although some slight economy may be effected here and there, no large saving can be looked for in this direction.

* * * *

The third point is whether it is possible to reduce the reserves of stores or to diminish their cost. This question is investigated periodically, and within recent years considerable economy has been effected by the limitation of reserves, by the disposal of obsolete stores, and by the reduction of the number of sources of supply. In the Ordnance Department, for example, which occupies a high place in military expenditure, no less than 30 arsenals, magazines, and depôts have been abolished or reduced to a lower *status* during the last thirty-four years. We have lately given orders to close altogether the Madras Gunpowder Factory, which will allow us to use the building for the purposes of the arsenal at Fort St. George, thus obviating considerable expenditure for buildings. Certain economies by con-

* No. 177, *Military*, dated 2nd November 1892. No. 39, *Military*, dated 8th March 1893. No. 63, *Military*, dated 5th April 1893.
† Despatch No. 23, dated 23rd January 1895.

centration of establishments are still possible, but only to a limited extent. Moreover, in such a vast area as India we cannot run the risk of too greatly restricting the sources of supply of the munitions of war. In the Medical Department the store depôts have been reduced from fifteen to four within the last thirty years; and generally speaking we have effected large savings by the reduction of redundant stores and the transference from one part of India to another, now that communications have so much improved, of stores which are surplus in one place but which may be deficient in another.

On the other hand, it must be recollected that the army of India is thousands of miles distant from its base in England, and that our policy, which has been completely supported by Her Majesty's Government, has been to enlarge our manufacturing resources in this country, thereby necessarily increasing Indian military expenditure, although a corresponding reduction should take place in the home expenditure. It may be said that if this policy is effective, there is no reason why the total charges for war matériel should so greatly increase, but the answer to this is obvious, and is given in our honourable colleague's minute which we have quoted. Everything connected with war matériel now costs more than it did, and, speaking in a general way, larger supplies have to be obtained. So long as military science progresses, so long will the cost of matériel increase, and add to our military expenditure. It must also be remembered that considerable military expenditure has been incurred within recent years, with the full sanction of Her Majesty's Government, for the preparation of the Army for mobilisation, and that for purposes of mobilisation we have had to incur expenditure on the provision and maintenance of large stocks or ordnance, commissariat, and medical supplies, which are held in readiness for the equipment of the body of troops detailed for the field army. The arrangements for the whole field army are not yet completed, and if we are to be in a state of readiness, whether for internal or external operations, a certain amount of further expenditure will be necessary, while the ordinary reserves of stores will probably have to be increased rather than diminished. Any reduction in expenditure made by not supplying our factories with the necessary material for their work would, as stated by our honourable colleague in paragraph 11 of his minute above quoted, be suicidal.

We are pushing our inquiries into the expenditure of the commissariat and medical departments, and will report the result hereafter. Before we pass to the question of the possibility of reducing the Army, we desire to point out that in addition to the items of increase we have specified, much more has now to be spent on the conservancy and sanitary arrangements of cantonments, and the native troops require to be better hutted. All these matters are constantly pressed upon us by the Army Sanitary Commission at home, whose reports are forwarded by the Secretary of State for our consideration. In miscellaneous expenditure it is appropriate to mention that grass for the mounted services, which was formerly obtained free, has now to be paid for, in some shape or other, the price of horses has had to be raised, while a very considerable increase in expenditure has been incurred by the development of the volunteer movement in India, resulting in the enrolment of a force whose strength approximates nearly 30,000. Under military works we have now to provide for the maintenance of the land and sea defences, and the time is approaching when many of the barracks built 30 years ago will need large renewals or even reconstruction.

We now come to the point whether it is possible to reduce the strength of the Army in this country. As to the reduction of the number of British troops, we do not imagine that it is necessary to discuss this question. The strength of the British Army in this country was increased with the full approval of Her Majesty's Government, conveyed in Lord Randolph Churchill's Despatch, No. 275, dated 29th October 1885, and we are unanimously of opinion that the question does not admit of being re-opened; on the other hand, if our finances permitted, we should be glad to see an increase of the number of British troops in this country. That, however, under present circumstances is out of the question. In regard to the possible reduction of native troops in any material degree, we must call to mind that the increase to the Army which took place in 1886–87 was carried out after full discussion between the Government of India and Her Majesty's Government, and that the latter approved the increase, together with the augmentation of the British troops, in order to place the Army in India on such a footing as would enable it to secure its position and its responsibilities; and stated that, however much it might be regretted that circumstances rendered so large an addition to our permanent expenditure an imperative necessity, it was, in the altered condition of affairs, inevitable.

Since that date we have from time to time considered our position in respect to the strength of the Native Army. In 1888, in the Marquess of Dufferin and Ava's farewell minute of the 8th December, he raised the question whether it was necessary to maintain the Native Army at its present strength, when the reserve shall have approached completion, and the proposals regarding the employment of a portion of the armies of Native states have taken practical effect. He understood that when these two measures were carried out there would be an additional force of native soldiers equivalent to about 50,000 or 60,000 men, and he considered that this question should receive thorough discussion and investigation before the above numbers had been added to the Army.

At the present time the reserve of the Native Army, which is limited to about 23,478 men, numbers only 13,329, its increase is slow, and it is questionable whether under present rules it can ever reach the maximum number, seeing that it has taken no root in the Madras Army, the number of reservists in that army being quite insignificant. The number of Imperial Service troops is about 18,000, and, as we have elsewhere stated, we do not contemplate any material addition to the strength of those troops, so that the strength of the two forces combined is not likely, at all events for some years to come, to reach more than 32,000 to 40,000 men.

In 1891 we forwarded with our Despatch, No. 80, dated 13th May 1891, a Minute on the Indian Army and Military Administration, by the Honourable Lieutenant-General Sir George Chesney, K.C.B., then Military Member of the Council of the Governor-General, and we specially invite attention to paragraphs 9 to 21 of that Minute (enclosure 3), which dealt with the peace establishment of the India Army, its reserve, and the mode of augmenting the peace army in case of war. As Sir George Chesney pointed out, the increase to the Army sanctioned in 1885 was discounted by the occupation and subsequent annexation of Upper Burma. This absorbed three battalions of British infantry and some artillery, while 15 regiments of Native infantry were at the date Sir George Chesney wrote, quartered in Burma, against four stationed there before the annexation; and it was consequently calculated that in India proper the total increase had only been 6,500 British troops and 7,000 native troops. Since the date of his Minute we have somewhat reduced the garrison of Burma, so that some additional troops are rendered available for Indian garrisons, but we do not contemplate that any material reduction of the garrison of Burma can be made for some time to come, or that in this way a very considerable increase can be made to the garrison of India proper. We specially commend to the consideration of Her Majesty's Government the remarks which Sir George Chesney made in paragraph 15 of that Minute, in which he draws attention to the great increase in our military responsibilities caused not only by that annexation but by other circumstances, such as the necessary strengthening of the garrison of Baluchistan and of the Zhob Valley.

Considering the great areas of the countries held by the British and native troops of India and the vast population which they are intended to control, we are convinced that it would not be possible under present conditions to reduce the strength of the Native Army. Lord Roberts, indeed, in his farewell minute of 1st April 1893,* maintained that we could not reduce a single battalion. But in consideration of our financial exigencies, and that by the withdrawal of a native infantry battalion from Burma, one might be spared from the garrison of Madras, we have recommended the reduction of the Madras Army by one battalion, in our Despatch, No. 193, dated 24th October, 1894, thus carrying out the policy which we laid before your predecessor in 1893, that opportunity might be taken to retrench the least efficient portion of the Native Army

* Enclosure of Despatch, No. 78, *Military*, dated 10th May 1893.

by replacing the regiments reduced by other troops, or not, just as the circumstances of the time may require. We have also recommended a reduction of some 416 men in the Bombay Army, to meet the cost of an improved organisation for messing by companies which will increase efficiency.

* * * *

Minor campaigns and expeditions have been frequent of late years, and have largely added to military expenditure. It is hardly necessary, we hope, to assure Her Majesty's Government that it is our earnest desire to restrict such sources of expenditure as much as possible; military expeditions cannot be undertaken without the full consent of the Secretary of State, and the argument that the increase to the Army sanctioned in 1885 has largely conduced to these operations being entered upon, would imply that the Government of India and Her Majesty's Government are unable to resist the temptation of using an efficient instrument. An examination of the facts of each expedition during the last 10 years will show that such an argument need not be treated seriously.

We have purposely abstained from dealing, in this despatch, with the increase of the home military charges; we have treated this subject in the despatches quoted below,* and do not desire at the present time to add to our remarks in this connection. A reference to the papers we enclose will show that we have declined to receive proposals involving increased military expenditure, unless it can be clearly demonstrated that the increases are of primary importance in improving the efficiency of the Army; and we have been compelled to reject or postpone many of these; we have not only investigated in our military department the causes leading to increased military expenditure, but have instructed heads of the great spending departments to examine their expenditure in the most searching way, with a view of ascertaining what retrenchment is practicable, and to discourage proposals for additional outlay. We cannot reduce the Army, and have no hope of effecting any material reduction of its expenditure; all that we can do is to endeavour to restrict the increase of the cost of the Army within the narrowest limits compatible with the maintenance of the peace and security of the Indian empire.

No. 43.

DESPATCH to the GOVERNMENT OF INDIA, 23rd May 1895, No. 57 (Military).

I have received and considered in Council your Excellency's Despatch, No. 46, of 20th February 1895, in which you state certain conclusions at which you have arrived in respect to the possible methods of reducing the Military Budget Estimates, and to the more important causes which affect military expenditure.

2. It is no doubt impossible to effect any important reduction in the estimates without resorting to one or more of the methods detailed in your despatch, that is, by reducing the strength of the Army or the connected establishments, or their pay and allowances, or by curtailing the authorised supply and reserves of stores. I see no reason to differ from your opinion, that no material relief can be expected, for the present at any rate, from any of these methods.

3. It is also true that, apart from the increase due to the additions made to the Army in 1885, and to the loss by exchange, a considerable increase of military expenditure in India has been unavoidable, owing to the necessity for improving the condition of the soldier, the progress of military science and consequent introduction of new and more costly armament and equipments, the arrangements for mobilisation, and a general rise in the price of food, labour, and material. It is, therefore, all the more necessary, if the military expenditure is to be kept within any reasonable limits, that some means should be found, not only of checking its growth, but also of effecting considerable reduction. The means by which this can be effected were indicated in paragraph 31 of my Financial Despatch, No. 158, of 10th August 1893, and are more fully detailed in paragraph 17 of your present despatch and its enclosures, that is, by a searching examination of military expenditure under the various heads, with the view of ascertaining what retrenchment is practicable. In this direction there is, I think, a wide field for economy, as the increase of expenditure under various heads appears to be larger than can be accounted for by the causes above mentioned.

4. Your Government have impressed on his Excellency the Commander-in-Chief, and on the heads of Departments, the absolute necessity for the utmost economy in the services under their control, and that they must recognise more fully their individual responsibility for economical administration and the need for that close acquaintance with the financial positions of their Departments, which can only be obtained by minute personal scrutiny. There is, I fear, good ground for your belief that heads of Departments are too apt to consider that such functions belong rather to the officers of the Accounts Department than to themselves. The instructions issued by your Government on this subject, and with a view to discourage proposals for additional outlay, are all that could be desired.

5. I would only suggest that your inquiries should be pushed still further. Not only the important items mentioned in those instructions, but every head of expenditure under every grant, in which reductions may appear to be feasible, should be closely scrutinised. There is a constant tendency to increase in trifling items, which, taken separately, escape much notice, but in the aggregate amount to a considerable sum, and it is only by a close study of details, and a constant re-examination of all sources of expenditure, that this tendency can be counteracted. No practicable saving, however small, should be rejected.

6. I should be glad to learn the result of the investigations which your Government have ordered.

No. 44.

EXTRACT from DESPATCH to the GOVERNMENT OF INDIA, July 18th 1895, No. 113 (Financial).

It was with much satisfaction that I perceived that, in spite of the great addition to the expenditure resulting from the fall in exchange, your Excellency had been able to provide a small surplus of revenue in the Budget. It is evident, however, that, apart from the cost of the military operations which it became necessary to undertake immediately after the Estimates had been framed, the utmost economy is needed to meet any further depreciation of the rupee * * *. In a further despatch, dated the 23rd of May, No. 57 (Military), the importance of a detailed examination of the Army charges was also impressed on your Government, in order to ascertain what savings can be effected in that branch of the expenditure. It is clear that the necessity which your Excellency recognised last year for strict vigilance in all directions involving a charge on the revenues remains in full force.

I have, &c.
(Signed) GEORGE HAMILTON.

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* No. 70, *Military*, dated 25th March 1890. No. 243, *Financial*, dated 1st August 1893. No. 343, *Financial*, dated 25th October 1893. No. 144, *Financial*, dated 5th June 1894.

APPENDIX No. 14.

LAW and JUSTICE and POLICE CHARGES in INDIA in 1861-62, 1875-76, and 1893-94.

Handed in by Mr. Stephen Jacob, C.S.I.

(With reference to Questions 4027-8.)

In question 4207-8 I was asked to give the figures for law and justice and police charges for some earlier year, such as 1860, for comparison with the figures of the later years.

In 1860-61 the law and justice and police charges were not shown separately, but in 1861-62 they were separated. I have therefore taken out the figures for that year, and give them in the appended table, together with the figures for 1875-76 and 1893-94. I give the details by Provinces, no further subdivision is possible, as in that year the charges were given with very few details, and even such classification, as was attempted, was not uniform for all the Provinces.

I stated before that I could give no assurance that the figures for the earlier year covered the same ground as those for the later years, and I must repeat that statement here. I can say with certainty that some charges shown in the accounts in 1875-76 were excluded in 1861-62, as, for instance, cattle pound charges under the head of police; also the accounts of 1861-62 included charges for the Straits Settlements, which did not form a part of British India in 1875-76. But generally the details given in the earlier year are not such as admit of any fair comparison between its figures and those of later years. The Commission having, however, expressed a desire to have the figures, I give them for whatever they are worth.

(Signed) STEPHEN JACOB.

April 10th, 1896.

Provinces.	Law and Justice.						Police.		
	Courts.			Jails.					
	1861-62.	1875-76.	1893-94.	1861-62.	1875-76.	1893-94.	1861-62.	1875-76.	1893-94.
India - -	22,951	11,024	37,376	53,776	121,294	134,115	53,903	18,688	58,384
Central Provinces -	19,962	69,031	84,722	4,839	45,468	53,080	56,319	120,914	149,382
Lower Burma -	36,444	82,572	127,102	19,856	56,380	82,527	68,744	148,149	286,300
Assam - -	488,465	50,419	57,982	113,671	12,224	7,898	377,382	59,247	133,237
Bengal - -		681,836	881,953		170,728	207,548		439,204	585,839
N.-W. P. and Oude	320,293	387,135	497,812	81,767	131,534	143,540	576,550	612,675	699,221
Punjab - -	131,387	194,183	319,442	44,506	100,799	92,196	336,094	267,831	386,325
Madras - -	296,017	366,056	452,718	39,255	107,703	105,712	333,332	396,120	437,129
Bombay - -	242,432	432,266	450,893	35,596	80,044	66,189	360,839	410,512	534,686
Total -	1,557,951	2,274,522	2,910,000	393,266	826,174	892,805	2,163,163	2,473,340	3,270,503
Upper Burma -	—	—	86,090	—	—	31,248	—	—	648,190
Total -	1,557,951	2,274,522	2,996,090	393,266	826,174	924,053	2,163,163	2,473,340	3,918,693

APPENDIX No. 15.

ABSTRACT STATEMENT of the NUMBERS (per Establishment) of the EUROPEAN AND NATIVE ARMIES (exclusive of Native Artificers and Followers) in INDIA.

Handed in by Sir Edwin Collen, K.C.I.E.

(With reference to Questions 4846–55.)

1875–76 to 1895–96.

		1875-76.	1876-77.	1877-78.	1878-79.	1879-80.	1880-81.	1881-82.	1882-83.	1883-84.	1884-85.	1885-86.
European Army	European officers	2,986	2,954	2,961	2,914	2,901	2,873	2,839	2,549	2,487	2,471	2,473
	„ N.C.O. and men	60,224	60,201	60,190	60,156	60,138	60,095	60,092	59,262	59,334	59,218	59,206
	Total European Army	63,210	63,155	63,151	63,070	63,039	62,968	62,931	61,811	62,821	61,689	61,679
Native Army	European officers	388	1,431	1,433	1,432	1,433	1,436	1,438	1,435	1,404	1,402	1,404
	„ N.C.O. and men		208	208	185	191	205	205	196	197	154	165
	Native officers	123,479	2,812	2,812	2,755	2,755	2,752	2,756	2,756	2,415	2,416	2,416
	„ N.C.O. and men		120,672	120,793	120,499	120,599	121,695	123,138	123,000	122,003	121,972	121,972
	Total Native Army	123,867	125,123	125,246	124,871	124,978	126,088	127,537	127,387	126,019	125,944	125,957
Miscellaneous officers		3,010	1,830	1,751	1,656	1,481	1,541	1,489	1,260	1,244	1,241	1,150
Grand Total		190,087	190,108	190,148	189,597	189,498	190,597	191,957	190,458	189,084	188,874	188,786

(*continued.*)

		1886-87.	1887-88.	1888-89.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.
European Army	European officers	2,642	2,584	2,576	2,596	2,565	2,589	2,593	2,569	2,556	2,547
	„ N.C.O. and men	69,862	69,856	69,860	69,848	69,843	69,848	70,439	70,511	70,563	70,562
	Total European Army	72,504	72,440	72,436	72,444	72,408	72,437	73,032	73,080	73,119	73,109
Native Army	European officers	1,508	1,574	1,574	1,574	1,576	1,576	1,570	1,578	1,580	1,580
	„ N.C.O. and men	172	154	155	147	143	101	86	88	87	87
	Native officers	2,634	2,756	2,759	2,759	2,760	2,760	2,758	2,757	2,761	2,759
	„ N.C.O. and men	129,977	140,693	140,883	140,883	140,369	140,402	140,341	141,213	141,310	141,257
	Total Native Army	134,291	145,177	145,371	145,363	144,848	144,839	144,755	145,636	145,738	145,683
Miscellaneous officers		1,078	1,112	1,129	998	962	968	999	901	921	916
Grand Total		207,873	218,729	218,936	218,805	218,218	218,244	218,786	219,617	219,778	219,708

APPENDIX No. 16.

NUMBER OF JUDICIAL OFFICERS IN INDIA.

Handed in by Mr. Stephen Jacob, C.S.I.

(With reference to Question 4553.)

In question 4553 I was asked to give the number of munsifs, subordinate judges, civil and sessions judges, and high court judges, and of the various grades of magistrates, in all India, and in a later question I was asked to state how many of each class were Europeans and how many Natives.

I append a table which gives the above information for the whole of India; this table has been compiled from the Civil Lists of the various Provinces. As regards the number of Natives, the table may be taken as giving a minimum, for the only guide has been the name of the officer, and it is certain that some officers with European names are natives of India. Speaking generally, it may be said that all the subordinate judges and munsifs are natives of India.

(Signed) STEPHEN JACOB.

April 10th, 1896.

Judicial Officers.	Europeans.	Natives.	Total.
Chief Justices, Puisne Judges, and Judicial Commissioners, &c.	36	7	43
District and Sessions Judges	121	5	126
Joint and Assistant Judges in Bombay.	7	1	8
Judges, Small Cause Courts	9	18	27
Subordinate Judges (including Subordinate Judges of First Class only in Bombay and Sind).	9	125	134
Munsifs (including Subordinate Judges of Second Class in Bombay and Sind).	6	713	719
Magistrates and Collectors and Deputy Commissioners.	232	8	240
Presidency Magistrates	3	3	6
Joint Magistrates and Deputy Collectors and Assistant Commissioners.	425	42	467
Cantonment Magistrates	49	—	49
Deputy Magistrates and Extra Assistant Commissioners.	94	673	767
Subordinate Deputy Magistrates, Tahsildars, Mamlatdars, and Myooks.	30	1,353	1,383
	1,021	2,948	3,969

APPENDIX No. 17.

POLICE FORCE in 1875–76 and Present Time.

Handed in by Mr. Stephen Jacob, C.S.I.

(With reference to Questions 4724 and 4735.)

In question No. 4724 I was asked to prepare a table comparing the police force in 1875–76 with that now employed. The particulars of the police force in 1875–76, as given in the accounts, do not admit of any detailed comparison with the present police force, and I have accordingly made the comparison between the force in 1876–77 for which full particulars are available, and that provided for in the Estimates of 1895–96.

The appended table gives the figures for the various classes of officers in the district police forces of each province at these two periods, and the increase in the later period when compared with the earlier. It does not give details as regards the military police and other special police, because the classification in the various provinces differs, and no general comparison is possible.

I was also asked in a later question (4735) to give, if possible, details as to the nationality of the officers in the various grades of police. It may be assumed that all the members of the police force up to the grade of deputy-inspector, sub-inspector, or chief constable are natives of India, including in that term Eurasians and Europeans born and domiciled in India. In the higher grades the following is the distribution between Europeans and natives of India, but it must be borne in mind that some of the Europeans, especially in the inspector class, are domiciled in, and therefore technically natives of, India.

——	Europeans.	Natives of India.	Total.
District Superintendents -	227	3	230
Assistant District Superintendents.	192	19	211
Inspectors, 1st and 2nd grades.	152	380	460
Inspectors, lower grades -	Details not available.		565

It may be noted that in these grades of the Police Department, Europeans and natives receive the same rates of pay.

(Signed) STEPHEN JACOB.

April 10th, 1896.

DISTRICT POLICE FORCE, 1876–77 and 1895–96.

——	Province.	District Superintendents of Police.	Assistant District Superintendents of Police and Probationers.	Inspectors.	Deputy-Inspectors, Sub-Inspectors, and Chief Constables.	Sergeants or Head Constables.	Constables.		Mounted Police.	Total Force.
							European.	Native.		
1876–77 -	Ajmere - -	1	—	4	13	67	—	326	40	451
	Central Provinces	19	2	55	183	851	7	5,762	264	7,143
	Lower Burma -	12	7	9	42	89	—	5,610	—	5,769
	Assam - -	5	6	25	87	345	—	2,887	—	3,355
	Bengal - -	43	34	213	701	2,357	3	15,525	60	18,936
	N.-W. Provinces and Oude.	44	9	182	684	3,287	7	16,954	698	21,865
	Punjab - -	29	22	48	470	1,872	—	11,569	905	14,915
	Madras - -	20	20	471	—	2,502	54	16,965	—	20,032
	Bombay -	21	5	45	280	2,493	9	13,516	1,504	17,873
	Total -	194	105	1,052	2,460	13,863	80	89,114	3,471	110,339
1895–96 -	Ajmere - -	1	—	3	13	67	—	324	40	448
	Coorg - -	—	—	1	6	28	—	191	—	226
	Baluchistan -	—	3	2	21	177	—	684	130	1,017
	Bangalore -	1	—	4	2	65	—	248	—	320
	Central Provinces	18	13	36	154	1,159	5	6,584	102	8,071
	Lower Burma -	20	28	75	170	642	—	5,508	—	6,443
	Assam - -	7	5	21	61	263	—	1,941	—	2,298
	Bengal - -	43	27	154	1,129	2,141	4	17,742	20	21,260
	N.-W. Provinces and Oude.	46	25	162	713	3,585	8	17,821	412	22,772
	Punjab - -	31	33	49	554	1,981	—	11,460	343	14,451
	Madras - -	25	33	399	—	2,594	43	17,832	—	20,926
	Bombay -	22	14	60	277	3,240	6	13,942	1,293	18,854
	Total -	214	181	966	3,100	15,942	66	94.277	2,340	117,086
	Upper Burma -	16	30	59	159	380	—	5,898	—	6,542
	Grand Total -	230	211	1,025	3,259	16,322	66	100,175	2,340	123,628
Increase 1895–96 over 1876–77.	Ajmere -	—	—	−1	—	—	—	−2	—	−3
	Coorg - -	—	—	1	6	28	—	191	—	226
	Baluchistan -	—	3	2	21	177	—	684	130	1,017
	Bangalore -	1	—	4	2	65	—	248	—	320
	Central Provinces	−1	11	−19	−29	308	−2	822	−162	928
	Lower Burma -	8	21	66	128	553	—	−102	—	674
	Assam - -	2	−1	−4	−26	−82	—	−946	—	−1,057
	Bengal - -	—	−7	−59	428	−216	1	2,217	−40	2,324
	N.-W. Provinces and Oude.	2	16	−20	29	298	1	867	−286	907
	Punjab - -	2	11	1	84	109	—	−109	−562	−464
	Madras - -	5	13	−72	—	92	−11	867	—	894
	Bombay -	1	9	15	−3	747	−3	426	−211	981
	Total -	20	76	−86	640	2,079	−14	5,163	−1,131	6,747
	Upper Burma -	16	30	59	159	380	—	5,898	—	6,542
	Grand Total -	36	106	−27	799	2,459	−14	11,061	−1,131	13,289

APPENDIX No. 18.

GRANT 3.—REGIMENTAL PAY, ALLOWANCES, AND CHARGES, 1875–76 and 1893–94.

Handed in by Major-General Sir Edwin Collen, K.C.I.E.

(With reference to Questions 4995–7 and 5026.)

EUROPEAN ARMY.	1875–76.	1893–94.	Increase.	Decrease.
(1) IN INDIA.	Rx.	Rx.	Rx.	Rx.
Artillery	852,229	994,590	142,361	—
Cavalry	302,529	388,219	85,690	—
Engineers	7,158	8,127	969	—
Sub-Marine mining (see Grant 14).	—	15,035	15,035	—
Infantry	1,839,691	2,496,130	656,439	—
Invalid and veteran establishment.	27,697	6,566	—	21,131
Staff corps	92,856	17,469	—	75,387
General list, cavalry	17,925	1,598	—	16,327
General list, infantry	48,721	5,214	—	43,507
Unattached officers	2,597	269	—	2,328
General officers unemployed	7,974	3,997	—	3,977
Colonel's allowances	18,339	2,686	—	21,025
Recruiting rewards, &c. ("Bounty Money," 1875–6).	17,924	2,937	—	14,987
Kit money for recruits on enlistment.	—	587	587	—
Annual grant in aid of half-mounting.	—	819	819	—
Hutting money	607	1,175	568	—
Marching batta	603	712	109	—
Postage charges	—	4,688	4,030	—
Incidental charges of a regimental nature ("Miscellaneous," 1875–6).	8,656	7,907		
Purchase of books, &c.	—	91		
Total, European Army in India	3,245,506	3,953,444	707,938 (net increase).	
(2) IN ENGLAND.				
Payments to the Imperial Government on account of disbursements by the War Office in respect of Her Majesty's British Forces serving in India (+ "Recruiting charges and pay of colonels of cavalry and infantry," 1875–6).	320,000	739,820	419,820	—
Furlough allowances of officers of the Indian Service.	202,345	223,199	20,854	—
Ditto, officers of British regiments serving in India (+ "Pay of colonels commandant of artillery," 1875–6).	115,574	95,365	—	20,209
Advances to regiments proceeding to India.	13,107	4,352	—	8,755
Pay and allowance during voyage of regiments returning from India.	5,131	5,858	727	—
Outfit allowance to officers on promotion to commissioned rank.	—	550	550	—
Deferred pay issued to non-commissioned officers who took their discharge when on furlough.	—	280	280	—
Pay and allowances of 2nd lieutenants on appointment.	—	1,030	1,030	—
	656,157	1,070,454	414,297 (net increase).	
Exchange on charges in England	—	695,651	695,651	—
Total, European Army	3,901,663	5,719,549	1,817,886 (net increase).	

NATIVE ARMY.	1875–76.	1893–94.	Increase.	Decrease.
	Rx.	Rx.	Rx.	Rx.
Artillery	23,342	50,334	26,992	—
Body guard	14,618	13,895	—	723
Cavalry	944,546	1,262,036	317,490	—
Sappers and miners	104,670	120,699	16,029	—
Sub-Marine mining (see Grant 14).	—	2,907	2,907	—
Infantry	2,143,287	2,297,801	154,514	—
Recruiting depôts	—	6,885	6,885	—
Hutting money	11,909	22,207	10,298	—
Marching batta	6,706	4,320	—	2,386
Incidental charges of a regimental nature.	—	6,676	99,015	—
Kit money for recruits on enlistment.	—	40,080		
"Miscellaneous" (1875–6)	5,437	—		
Annual grant in aid of half-mounting.	—	53,767		
Postage charges	—	3,922		
Purchase of books and periodicals.	—	7		
RESERVE FORCES.				
Pay (including good conduct pay) of the men of the active reserve.	—	49,010	49,010	—
Pay (including good conduct pay) of the men of the garrison reserve.	—	501	501	—
Allowance for road expenses	—	1,135	1,135	—
Total, Native Army in India	3,254,515	3,936,182	681,667 (net increase).	

Total		1875–76.	1893–94.	
	INDIA	6,500,021	7,889,626	Net increase 1,389,605
	ENGLAND	656,157	1,070,454	414,297
	EXCHANGE	—	695,651	695,651
	GRAND TOTAL	7,156,178	9,655,731	

Total increase = 2,499,553

GRANT 4.—COMMISSARIAT ESTABLISHMENTS, SUPPLIES AND SERVICES, 1875–76 and 1893–94.

ESTABLISHMENT.	1875–76.	1893–94.	Increase.	Decrease.
	Rx.	Rx.	Rx.	Rx.
Supervising staff	—	38,083	38,083	—
Executive establishments	201,266	244,351	43,085	—
Subordinate establishment	157,823	173,815	15,992	—
Ambulance transport	—	46,222	46,222	—
Khedda establishment and charges	12,939	8,813	—	4,126
Cattle farm (Hissar)	—	3,259	3,259	—
Cattle depôt (Honsoor)	—	839	839	—
Agent for Government Consignments, Calcutta	—	1,527	—	1,527
Transport department	—	—	—	—
"Manufacturing establishment and charges," 1875–76	3,389	—	—	3,389
Total	375,417	513,855	Net increase 138,438	

Grant 4.—Commissariat Establishments, Supplies, and Services, 1875-76 and 1893-94—*continued.*

	1875-76.	1893-94.	Increase.	Decrease.
SUPPLIES.	Rx.	Rx.	Rx.	Rx.
Provisions for Europeans	546,002	731,690	185,688	—
Provisions for Natives	43,610	233,251	189,641	—
Compensation to Natives for dearness of provisions	19,421	273,702	254,281	—
Compensation to Native Cavalry for dearness of forage	2,472	31,943	29,471	—
Purchase of reserve stock	68,863	30,707	—	38,156
Malt liquor purchased locally	41,527	317,079	275,552	—
Rum ("and arrack," 1875-76)	28,737	9,265	—	19,472
Expenditure connected with dairy farms	—	1,599	1,599	—
Contingent expenses	8,985	119	—	8,866
Total	759,617	1,629,355	Net increase 869,738	
SERVICES.				
Feed of cattle	124,478	—	—	124,478
Hire of transport	156,165	60,689	—	95,476
Sea and inland water charges ("inland" only, 1875-76)	24,270	32,033	7,763	—
Railway charges	312,043	413,304	101,261	—
Charge in connexion with grass cultivation	—	61,966	61,966	—
Feed of horses, battery mules, yaboos, bullocks, and elephants ("feed of horses," 1875-76).	99,391	239,316	139,925	—
Purchase of battery bullocks and elephants ("Purchase of live stock, 1875-76).	18,594	26	—	18,568
Purchase and repair of gear for battery animals ("Cattle-gear, implements, and store-room furniture," 1875-76).	22,488	629	23,348	—
Implements, go-down furniture, and contingencies	—	45,207		
Regimental equipments and camp contingencies	6,391	11,782	5,391	—
Freight charges of stores from England	14,801	493	—	14,308
Miscellaneous	27,403	34,535	7,132	—
Khedda charges	—	2,741	2,741	—
Cattle farm (Hissar)	—	5,159	5,159	—
Cattle depôt (Honsoor)	—	1,111	1,111	—
Reserve of fodder	—	9,740	9,740	—
Freight charges of stores from port to port	—	—	—	—
Total	806,024	918,731	Net increase 112,707	
TRANSPORT BRANCH.				
Depôt and regimental:—				
Purchase of animals	—	28,757	340,814	—
Feed of animals	—	219,631		
Feed and keep of reserve mules with regiments and battalions.	—	3,479		
Permanent hired transport	—	17,265		
Purchase and repairs of gear, carts, and equipment	—	49,241		
Rents and repairs of buildings	—	252		
Miscellaneous (including clothing)	—	16,420		
Ambulance transport:—				
Purchase of animals	—	194		
Feed of animals	—	1,633		
Purchase and repair of doolies, gear, carts, and equipments.	—	3,571		
Miscellaneous (including clothing)	—	368		
Rent and repairs of buildings	—	3		
Permanent hired transport	—	—		
Total	—	340,814	Increase 340,814	
Total in India	1,941,058	3,402,755	Increase 1,461,697	
IN ENGLAND.				
Stores for India:—				
Commissariat	46,350	30,864	—	15,486
Malt liquor	271,760	—	—	271,760
Exchange on charges in England	—	20,057	20,057	—
	318,110	50,921	Decrease 267,189	
Total — India	1,941,058	3,402,755	Increase 1,461,697	
Total — England	318,110	30,864	Decrease 287,246	
Total — Exchange	—	20,057	Increase 20,057	
GRAND TOTAL	2,259,168	3,453,676	Increase 1,194,508	

GRANT 10.—ORDNANCE ESTABLISHMENTS, STORES, AND CAMP EQUIPAGE.

	1875–76.	1893–94.	Increase.	Decrease.
	Rx.	Rx.	Rx.	Rx.
Supervising staff ("Office of Inspector General," 1875–76)	24,282	36,347	12,065	—
Arsenals and depôts	144,334	187,289	42,955	—
Manufacturing establishments	118,550	194,752	76,202	—
Fort armaments (including harbour defences, Bombay) ("Harbour Defences," 1875–76).	904	11,427	10,523	—
Local supplies of stores for arsenals and depôts	96,962	142,035	45,073	—
„ „ for manufacturing establishments	74,137	166,602	92,465	—
Purchase of timber	15,697	—	—	15,697
Repair of harness and saddlery with corps	2,070	1,761	—	309
Freight charges of stores from England	6,603	7,747	1,144	—
„ „ from port to port	3,822	5,593	1,771	—
Gymnasia stores and apparatus	—	373	373	—
Army signalling stores and equipment	—	1,927	1,927	—
Expenditure for annual practice, field train and field telegraph stores, equipment of the corps of Sappers and Miners ("Battery Services," 1875–76).	7,272	8,436	1,164	—
Miscellaneous	10,990	23,443	12,453	—
Purchase and repairs of camp equipage	49,421	51,695	2,274	—
Purchase of line gear, &c.	—	21,700	21,700	—
Camp equipage department	10,124	—	—	10,124
Value and freight of coals from England	3,328	—	—	3,328
Provision of saddlery for native cavalry	2,062	—	—	2,062
Deduct value of stores supplied to other departments	—	— 31,053	—	31,053
Total in India	570,558	830,074	Net increase 259,516	
IN ENGLAND.				
Pay and expenses of military officers on special duty and under technical instruction, and of artificers on appointment to various Government factories in India, and other miscellaneous expenditure.	842	10,062	9,220	—
Freight from India of unserviceable military stores	668	—	—	668
Ordnance and miscellaneous stores for India	480,469	547,202	66,733	—
Total	481,979	557,264	Net increase 75,285	
Exchange on charges in England	—	362,147	362,147	—
Total — INDIA	570,558	830,074	259,516	—
Total — ENGLAND	481,979	557,264	75,285	—
Total — EXCHANGE	—	362,147	362,147	—
GRAND TOTAL	1,052,537	1,749,485	Net increase 696,948	

GRANT 6.—CLOTHING ESTABLISHMENT, SUPPLIES, AND SERVICES.

	1884–85.	1893–94.	Increase.	Decrease.
IN INDIA:	Rx.	Rx.	Rx.	Rx.
Superintending establishments	10,782	9,288	—	1,494
Manufacturing and store establishment	7,451	5,638	—	1,813
Clothing supplies and services, factories	73,581	115,910	42,329	—
" " regimental	9,709	24,996	15,287	—
Compensation in lieu of clothing	36,931	86,747	49,816	—
Allowance for wicker helmets	799	—	—	799
Total	139,253	242,579	Net increase 103,326.	
IN ENGLAND.				
Stores for India, clothing	233,959	200,699	Decrease 33,260	
Exchange on charges in England	56,850	130,427	73,577	—
Total — INDIA	139,253	242,579	103,326	—
Total — ENGLAND	233,959	200,699	—	33,260
Total — EXCHANGE	56,850	130,427	73,577	—
GRAND TOTAL	430,062	573,705	Net increase 143,643	

APPENDIX No. 19.

STATEMENT showing the SAVINGS proposed by the ARMY ORGANIZATION COMMISSION of 1879.

Paper handed in by Sir Edwin Collen.

(With reference to Q. 5171.)

	Rs.	Rs.	Rs.
Saving in British Army	—	36,42,000	
" Native Army	—	16,64,000	
" Divisional District Brigade and Station Commands and Staff.	—	9,38,000	
" Medical Department	—	31,00,000	
ARMY DEPARTMENTS:			
Saving in Transport Department	8,33,000		
" Clothing Department	5,000		
" Military Account Department	6,000		
" Remount and Veterinary Department	3,84,000		
	12,28,000		
Deduct— Increase in Ordnance Department	36,000		
Total saving in Army Departments	—	11,92,000	
Total	—	—	1,05,36,000
Deduct— Increase in Administrative and Superior Commands and Staff	—	—	2,11,000
Total net saving by proposals of Army Commission	—	—	1,03,25,000

APPENDIX No. 20.

I.

PRINCIPAL PROPOSALS of the ARMY ORGANISATION COMMISSION which have been carried out.
(Paper handed in by Sir Edwin Collen with reference to Q. 5171.)

Recommendations.	Result.	
I.—Defensible posts. Plans of places of refuge at out-stations to be drawn up and approved by the Defence Committee.	This is being gradually given effect to by the Government of India.	
II.—Limitation of tenure of appointment of Secretariat staff to five years.	Carried out - - - - -	To Secretary of State, No. 230, dated 24th June 1881. From Secretary of State, No. 382, dated 13th December 1883.
III.—All offices of Military Department and Army Head Quarters to be concentrated in one central building at Simla.	Given effect to, and most civil offices have been also so centralised.	
IV.—Reduction in establishment of horses in British Cavalry in India to 85 per cent. of rank and file. Assimilation of scale of syces in the three Presidencies.	Carried out - - - - -	To Secretary of State, No. 267, dated 30th October 1882, paragraph 4. From Secretary of State, No. 51, dated 31st January 1883, paragraph 4. From Secretary of State, No. 62, dated 8th February 1883. To Secretary of State, No. 128, dated 6th July 1883.
V.—Artillery. Number of horse batteries to be reduced from 15 to 10.	Ditto - - - - -	To Secretary of State, No. 141, dated 24th April 1881. From Secretary of State, No. 12, dated 5th January 1882.
VI.—Number of British mountain batteries to be raised from two to eight.	Proposal partially given effect to, there being now six mountain batteries, not eight.	To Secretary of State, No. 141, dated 24th April 1881. From Secretary of State, No. 12, dated 5th January 1881.
VII.—Strength of garrison batteries to be raised to 120 of all ranks.	Sanctioned.	
VIII.—Two mountain guns to be attached to the Assam regiment at Shillong.	Given effect to (Pro. A, May 1884, Nos. 108–11). Not referred to Secretary of State.	
IX.—Abolition of second line of artillery waggons, involving a reduction of 1,465 artillery bullocks; a certain proportion of these waggons being kept horsed instead, and the remainder in Ordnance charge.	Sanctioned (despatch from Secretary of State, No. 80, dated 2nd April 1885).	
X.—Arrangements in barracks. Cooking pots to be made in more convenient shape for transport.	Given effect to by Government of India. (Not referred to Secretary of State.)	
XI.—Mobilisation of the army for war	The steps recommended by the Commission have been recently all adopted by the Government of India, so far as they are applicable to the existing system (*see* clause 105, India Army Circulars, 1885, now undergoing revision).	
XII.—Number of regiments. Native Infantry and Cavalry for the Indian armies to be decreased in view of the increased strength proposed for each of such units.	Carried out (G. G. O. No. 210 of 1882).	To Secretary of State, No. 230, dated 24th June 1881. From Secretary of State, No. 49, dated 2nd February 1882.
XIII.—The number (two) of Pioneer regiments in India to be raised to eight, *i.e.*, six regiments to be reconstituted as pioneers.	Two sanctioned for Madras only (despatch from Secretary of State, No. 165, dated 3rd May 1885).	To Secretary of State, No. 39, dated 27th February 1883.
XIV.—Territorial recruiting Native armies to raise recruits within the limits assigned them.	Given effect to generally by the Government of India (*see* a Pro. A, September 1881, No. 1764).	
XV.—The Belgaum command to be transferred from the Bombay to the Madras Army.	Given effect to (despatch from Secretary of State, No. 99, dated 15th April 1885).	
XVI.—Madras Army. Proposals for improving its efficiency. Men to be better equipped and clothed. Battalions not to be left too long at isolated stations.	Is being carried out in Madras under the orders of that Government and the local Commander-in-Chief. (No despatch to Secretary of State).	
XVII.—Native Army Reserves -	A modification on the Commission's proposal was made by the Government of India to the Secretary of State, and has just been accepted.	To Secretary of State, No. 44, dated 17th March 1885. Telegram from Secretary of State, dated 7th July 1885.
XVIII.—Employment of military officers in civil service to cease. Officers choosing civil career to leave the army.	The promotion of such officers has been stopped beyond the rank of Lieutenant-Colonel (despatch No. 382 of 1883). No other action taken.	To Secretary of State, No. 230, dated 24th June 1881.
XIX.—Departments of the army—Commissariat. Amalgamation of three Commissariat Departments under one officer who was to have control of the whole unified system.	A Commissary General-in-Chief has been appointed with very limited powers in time of peace, but with increased authority in time of war. The Commissariat Department is in course of re-organisation on the lines sanctioned by the Secretary of State in despatch No. 75, dated 26th March 1885.	To Secretary of State, No. 292, dated 5th August 1881.

Recommendations.	Result.	
XX.—Transport Department. Its formation recommended, so as to be capable of placing a certain quota of troops in the field equipped with Government transport.	A Transport Department has been organised generally on the lines laid down (despatch from Secretary of State, No. 75, dated 26th March 1885).	To Secretary of State, No. 400, dated 29th October 1881.
XXI.—Ordnance Department. Amalgamation of the three presidential departments under one head. Local rank of Major-General to be given him, and several minor recommendations.	This Department has been generally reorganised on the lines suggested, so far as was possible, without the introduction of the army corps system.	To Secretary of State, No. 293, dated 5th August 1881. From Secretary of State, No. 337, dated 8th November 1883. To Secretary of State, No. 31, dated 26th February 1884. From Secretary of State, No. 130, dated 8th May 1885.
XXII.—Military Works and Barrack Departments. Design, construction, and maintenance of all military works to be entrusted to a separate Department of Military Works. Control of the Barrack Department to be under the Military Works Department.	The only portion of the scheme as yet carried out is that of transferring the administration of the Military Works Department from the Public Works to the Military Department. Orders are still awaited regarding the formation of a Military Works Department for the whole of India. A decision on this subject has been promised by the Secretary of State (despatch No. 39, dated 12th February 1885), when the question of the status of officers of Royal Engineers in India has been settled. This is being considered in connexion with Lord Penzance's Committee.	To Secretary of State, No. 282, dated 29th July 1881, paragraphs 28–32. To Secretary of State, No. 345, dated 24th September 1881.
XXIII.—Defence Committee, composition of—laid down. Officers of the Committee to deal with all questions connected with barracks and fortifications.	Has been accepted, except that, instead of Chief of the Staff, the Adjutant and Quarter Master General are on the Committee; also the Director of Submarine Mines for Coast Defence questions. (No despatch to Secretary of State.)	
XXIV.—Remount Department. One Director for all India. One reserve depôt to be at Saharunpur and one at Oosoor, with a total reserve of about 800 horses.	Given effect to (despatch from Secretary of State, No. 283, dated 25th August 1881).	To Secretary of State, No. 200, dated 27th May 1881. To Secretary of State, No. 360, dated 1st October 1881.
XXV.—Veterinary Department. Veterinary requirements to be considered by stations instead of by corps and batteries. Veterinary colleges to be established.	The system is now under introduction (*see* despatch from Secretary of State, No. 89, dated 9th April 1885).	To Secretary of State, No. 940, dated 16th September 1881.
XXVI.—Lines of communication in India. Railway to Quetta, to Landi Kotal, and Kohat, &c.	Of these, the following have been given effect to:— Railway to Quetta is being constructed viâ the Harnai Valley; a temporary railway is also being made through the Bolan, and will be made permanent if the Secretary of State sanctions it. Line to Peshawar is complete, but its extension to Landi Kotal has been negatived. Line to Kohat from Rawalpindi has been laid as far as the Indus at Kushalgarh, but is not to be continued beyond. Line has been sanctioned from Lala Musa to Mianwali opposite Bannu; thence to Shere Shah opposite Mooltan, with a branch to the Indus opposite Dera Ghazi Khan. The construction of a good road from Dera Ghazi Khan to Kohat and Kushalgarh has been sanctioned; also a good road from Dera Ghazi Khan to Peshawar. Road from railway to Buxa is now in fair order. In Assam and Cachar much is being done to improve railway communications. Railway to Tounghoo is made. Road from Prome to Tounghoo is not yet made.	Despatch to Secretary of State, No. 112, of 1885.

II.

PRINCIPAL PROPOSALS of the ARMY ORGANISATION COMMISSION on which no Action has yet been taken.

Recommendations.	Result.
I.—Armies of Native States. General recommendations regarding.	Question of employing them has been considered by the Government of India, but no action has yet been taken of a definite kind.
II.—Convalescent depôts. Their retention undesirable. Men sent up from the plains to be attached to regiments and detachments in the hills.	Ditto ditto - *Nil.*
III.—Better classification of army business, office systems, returns and clerks to be considered by a committee.	Ditto ditto - *Nil*
IV.—Barrack accommodation to be reduced, as the hot season scale is unnecessary at stations where troops are always reduced during summer. Unnecessary expenditure is at present incurred by providing double accommodation.	Not carried out. Not proposed to the Secretary of State.
V.—More use to be made of hill stations for European troops owing to the extension of the railway system.	Ditto ditto.
VI.—Troopship system to be revised -	Ditto ditto.
VII.—Arrangements in barracks. Commanding officers to be allowed to arrange for repairs. Soldiers to be made to cook their own rations in hill stations and to build their own huts, and to maintain garrison roads.	Not carried out.
VIII.—Uniform and equipment. Certain changes were proposed, such as Norfolk jacket, with serge trousers and and gaiters, for infantry. Ditto, with cord trousers, and gaiters and ankle boots, for cavalry. Brown leather equipments. Black trousers to be done away with for infantry, &c.	Not carried out. No despatch to or from the Secretary of State on the subject, except as regards brown leather equipments (from Secretary of State, No. 210, dated 21st July 1884).
IX.—A proportion of native officers to be direct cadets of good family, who should undergo a preliminary training at a military school before joining a regiment.	Not carried out. Not yet proposed to the Secretary of State.
X.—Modifications in pension rules for native officers and soldiers now in the service, as well as a new system for those who might enlist hereafter.	Not carried out. Not proposed Secretary of State.
XI.—Native contingents to be kept as distinct local forces, and to be utilised as reserves for the British forces in India.	Ditto ditto.
XII.—Clothing department. Certain changes proposed in regard to reduction of staff salaries.	Not given effect to.
XIII.—Fixed depots to be maintained for native regiments near their recruiting grounds.	Not carried out. Depots only allowed when regiments take the field. (Pro. A, December 1883, Nos. 182-84.)
XIV.—Defects in clothing. Cloth a mistake for native troops. Coats and trousers too tight. White and yellow facings down the front of jacket to be removed. Uniforms of each army to be revised by a committee of officers.	No action yet taken, except trial of serge instead of cloth for coats. No despatch to Secretary of State.

III.

PRINCIPAL PROPOSALS of the ARMY COMMISSION on which the GOVERNMENT of INDIA have either suggested MODIFICATIONS to the SECRETARY of STATE or urged compliance with the ORIGINAL RECOMMENDATIONS, but neither of which have been accepted by HER MAJESTY'S GOVERNMENT.

Recommendations.	Result.	
I.—Abolition of the presidential system of administration.	Not carried out - - -	To Secretary of State, No. 85, dated 28th February 1881. From Secretary of State, No. 203, dated 16th June 1881.
II.—The Punjab Frontier Force to be placed under the orders of the Commander-in-Chief.	Ditto - - - - -	To Secretary of State, No. 282, dated 29th July 1881. To Secretary of State, No. 401, dated 29th October 1881. From Secretary of State, No. 243, dated 26th July 1883. To Secretary of State, No. 200, dated 15th October 1883. From Secretary of State, No. 76, dated 13th March 1884.

Recommendations.	Result.	
III.—Distribution and allotment of garrisons involving the abolition of certain stations.	Ditto - - - -	To Secretary of State, No. 141, dated 24th April 1881. To Secretary of State, No. 230, dated 24th June 1881. From Secretary of State, No. 49, dated 2nd February 1882. From Secretary of State, No. 243, dated 26th July 1883.
IV.—Redistribution of the Army into more convenient district commands than they are at present.	Ditto - - - -	As shown opposite Nos. II. and III.
V.—Revised classification of commands throughout the Army generally, involving changes in staff allowances and a saving in expenditure.	Ditto - - - -	To Secretary of State, No. 274, dated 22nd July 1881. To Secretary of State, No. 282, dated 29th July 1881. From Secretary of State, No. 243, dated 26th July 1883. To Secretary of State, No. 200, dated 15th October 1883. From Secretary of State, No. 76, dated 13th March 1884.
VI.—Formation of the Army in time of war into Indian brigades and divisions, the composition of which was to be clearly defined, so that troops might be more readily available for service.	Ditto - - -	See Despatch from Secretary of State, No. 243, dated 26th July 1883, paragraph 48.
VII.—Alteration of the relative positions of the Government of India and the Commander-in-Chief, so as to coincide with those of the Secretary of State for War and Commander-in-Chief in England.	Ditto - - -	To Secretary of State, No. 85, dated 28th February 1881. From Secretary of State, No. 203, dated 16th June 1881. From Secretary of State, No. 243, dated 26th July 1883. To Secretary of State, No. 200, dated 15th October 1883. From Secretary of State, No. 76, dated 13th March 1884.
VIII.—Military Department to be reorganized as a War Department for the whole of the Indian Army. Secretary to have the rank of Major General.	Not carried out, except as regards rank of Major-General, which has just been sanctioned.	To Secretary of State, No. 336, dated 9th September 1881. From Secretary of State, No. 243, dated 26th July 1883.
IX.—Composition and staff pay of the Commander-in-Chief's staff, and that of the head-quarters staff generally, including that of the War Department, to be altered on lines laid down by the Commission.	Not carried - - - - -	To Secretary of State, No. 274, dated 22nd July 1881. To Secretary of State, No. 282, dated 29th July 1881.
X.—Proposals for the general and garrison staff of the Indian armies, showing how their present method of selection and composition could be much improved.	Ditto -	To Secretary of State, No. 283, dated 29th July 1881. From Secretary of State, No. 243, dated 26th July 1883.
XI.—Reductions suggested in the total number of officers in the head-quarters of the Army and the Indian Army staff generally from 209 to 136.	Ditto - -	To Secretary of State, No. 208, dated 27th October 1884. To Secretary of State, No. 108, dated 3rd July 1885.
XII.—Sappers and miners. Four instead of three corps recommended and several minor recommendations in regard to their better organization and equipment.	Proposals have been recently sent home to the Secretary of State, differing somewhat from the Army Commission's proposals. (Despatch No. 66, dated 4th May 1885.) The minor recommendations are being given effect to.	
XIII.—Proposals for the better organization of the British Army in India. Reciprocity of action between England and India in this matter strongly urged.	Not carried out - - -	To Secretary of State, No. 141, dated 24th April 1881. From Secretary of State, No. 12, dated 5th January 1882.
XIV.—Proposals to make British regiments serving in India cheaper without loss of efficiency.	Ditto - - - -	To Secretary of State, No. 60, dated 16th March 1882. From Secretary of State, No. 239, date 13th July 1882.
XV.—Proposal to increase the strength of the British cavalry in India by the addition of a fourth squadron.	Not carried out. (Recommended recently by the Government of India in telegrams of 9th and 31st April 1885.)	
XVI.—Infantry regiments to be raised to a total strength of 1,044 non-commissioned officers and men.	Not carried out. (A very analogous proposal made by the Government of India in telegrams of 9th and 21st April 1885.)	As opposite Nos. XV. and XVI.
XVII.—European garrison of India, exclusive of artillery, to consist of six cavalry regiments and 48 infantry battalions.	Not carried out - - - -	
XVIII.—Artillery drivers to be all natives, except those for the guns and limbers. European establishment to be thereby not reduced.	Not carried out. The proposal was not put to the Secretary of State (Pro. A., January 1885, Nos. 1574–75).	
XIX.—Injury done to the Army in India by the introduction of the short service system to be promptly remedied, in view to the increase of efficiency and the interests of the Indian taxpayer being considered.	Not carried out. Referred to in connexion with the grant of bounties to men extending their service in India. (Despatch to Secretary of State, Nos. 15, dated 5th February 1884, and 215, dated 3rd November 1884.)	

Recommendations.	Result.	
XX.—Re-organization of the Native Army. Increased establishment in officers for cavalry and infantry as proposed by the Commission.	Not carried out - - - -	To Secretary of State, No. 280, dated 24th June 1881. From Secretary of State, No. 49, dated 2nd February 1882. From Secretary of State, No. 243, dated 26th July 1883. From Secretary of State, No. 382, dated 13th December 1883.
XXI.—Native Army. Fourth squadron to be added to the native cavalry.	Recently again recommended to the Secretary of State (despatch No. 63, dated 4th May 1885). Not yet sanctioned.	
XXII.—Strength of native infantry regiments to be raised.	The Government of India recommended that the strength of native infantry regiments be raised from 712 to 832. This was agreed to, and again consequent on recent war preparations have recommended the strength to be 1,000 of all ranks provisionally (despatch No. 63, dated 4th May 1885).	To Secretary of State, No. 230, dated 24th June 1881. From Secretary of State, No. 49, dated 2nd February 1882. To Secretary of State, No. 63, dated 4th May 1885.
XXIII.—Good conduct pay. Commission's proposals regarding rates of—	Not carried out. See despatch to Secretary of State, No. 230, June 1881, paragraph 14, and from Secretary of State, No. 49, dated 2nd February 1882, paragraph 24.	
XXIV.—Corps of Guides. Proposals regarding the constitution of the present regiment, as well as recommendations that three similar corps should be raised for service on the frontier.	Not carried out. (As regards the augmentation of the Corps of Guides, see despatch to Secretary of State, No. 144, dated 23rd June 1882, and from Secretary of State, No. 268, dated 31st August 1882.)	To Secretary of State, No. 230, dated 24th June 1881. From Secretary of State, No. 49, dated 2nd February 1882. From Secretary of State, No. 243, dated 26th July 1883. To Secretary of State, No. 200, dated 15th October 1883. From Secretary of State, No. 76, dated 13th March 1884.
XXV.—Madras Army. Officers to be younger and better regulated as to standing and rank.	Proposals of the Government of India in regard to a scheme for retirement of these officers, which would have resulted in improving the status of the officers concerned, negatived by Secretary of State (see despatch No. 14 of 1885).	To Secretary of State, No. 80, dated 7th May 1883. From Secretary of State, No. 246, dated 8th November 1883.
XXVI. Staff Corps system. Proposals to remedy defects in the formation of general list for each army, and minor proposals for the regulation of promotion and for overcoming defects which have been acknowledged.	Certain modified proposals made by the Government of India (despatch No. 5 of 1882) not accepted by Secretary of State (despatch No. 157 of 1882).	To Secretary of State, No. 230, dated 24th June 1881. To Secretary of State, No. 282, dated 29th July 1881. To Secretary of State, No. 401, dated 29th October 1881. From Secretary of State, No. 243, dated 26th July 1883.
XXVII.—Re-organization of the medical service generally in India, involving a total reduction of about 31 lakhs of rupees.	Proposals not generally carried out, as they hinge on the adoption of the army corps system, which was not given effect to. Several changes were, however, made, which effected a saving of between seven and eight lakhs per annum (see despatch to Secretary of State, No. 152, dated 15th August 1884).	To Secretary of State, No. 315, dated 26th August 1881. From Secretary of State, No. 86, dated 28th February 1883.
XXVIII.—Mititary Accounts Department. Revised establishment proposed and new duties laid down for officers concerned.	No changes of importance have been made as yet, nor have the Commission's proposals been given effect to.	To Secretary of State, No. 399, dated 29th October 1881. From Secretary of State, No. 243, dated 26th July 1883. From Secretary of State, No. 258, dated 9th August 1883.

APPENDIX No. 21.

STATEMENT of the important SAVINGS effected in the MILITARY DEPARTMENT from 1879-80 to 1885-86 (apart from the SAVINGS effected in consequence of the RECOMMENDATIONS of the ARMY ORGANIZATION COMMISSION of 1879).

(*Paper handed in by Sir Edwin Collen, see Q.* 5,172.)

Authority.	Year.	Items.	Approximate Savings per Annum.	Remarks.
			Rs.	
Pro. A., September 1881, Nos. 962-80.	1879-80	Reductions in the establishment of bullocks and their attendants and dooly-bearers at Karachi, Hyderabad, and Ahmedabad.	5,900	
	1879-80	Abolition of the military treasure chest at Dapoli.	4,300	
	1879-80	Reductions in the Medical Departments at Agra, Dinapore, and Simla.	8,300	
	1879-80	Reductions in clerical establishments in the Ordnance Department.	1,600	
Pro A., November 1879, Nos. 1610-13.	1879-80	Abolition of the Timber Agency, Futtehghur, as a separate establishment.	2,804	
Pro A., June 1879, Nos. 567-75 and 576-8.	1879-80	Abolition of the appointment of military storekeeper at Calcutta, and transfer of the duties to the Army Clothing Agency.	19,200	
Pro A., May 1881, Nos. 1259-71	1880-81	Abolition of the Northern District Brigade command in the Madras Presidency.	14,000	
Budget Report, 1882-83, No. 4041, dated 13th February 1882, paragraph 10.	1881-82	Reduction of 7 batteries of British artillery, being the difference between the number (86) of batteries before the Kabul War and the reduced number (77) provided in the Estimates, 1882-83.	13,50,000	The reductions were *completed* in 1881-82. The estimated saving includes all charges for pay, rations, clothing, &c., but not savings in Home charges.
Pro. A., September 1880, Nos. 1712-21.	1881-82	Salaries of the Commanders-in-Chief, Madras and Bombay, reduced from Rs. 70,000 to Rs. 66,000 a year.	8,000	Took effect from 1881-82, —*vide* Budget of that year.
Pro. A., November 1881, Nos. 77-8. Pro. A., August 1881, Nos. 1989-94.	1881-82	Abolition of the separate command of the Sind Frontier Force.	21,700	Exclusive of Military (S. C.) pay of the commandant, who held the appointment of political superintendent, Upper Sind Frontier.
Military Department No. 844-A-S, dated 3rd January 1881, Bengal Controller's Budget, 1882-83.	1881-82	Reduction of one Deputy Assistant Quartermaster-General.	9,300	
Despatch to Secretary of State No. 364, dated 1st October 1881—Pro. B., October 1881, No. 1078.	1881 and subsequent years.	Introduction of the open canteen system for the sale of malt liquor to British troops in India, by which the selling price was raised from 3 to 4 annas a quart, thus obviating a loss to the State.	10,00,000	The saving was estimated at the time at about 10 lakhs per annum, but is really more owing to the increased strength of British troops in India.
India Army Circular 147 of 1881 (for Bengal). Madras G. G. O. No. 133, dated 8th March 1882, from 1st April 1882. Bombay G. R. No. 1192, dated 3rd March 1882. Pro. A., August 1884, Nos. 1977-86.	1881-82 and 1882-83.	Introduction of the station hospital system for British troops and reduced establishment of medical officers in consequence.	6,60,000	Exclusive of indirect savings for camp equipage, transport of medicines, records, and equipments, reduced stocks of medicines, surgical instruments, &c.
India Army Circular No. 147 of 1882. Pro. A., October 1882, Nos. 751-66,	1882-83	Revised composition and distribution of siege trains in India, the number of guns being reduced by 45 pieces, with a corresponding reduction of 179 bullocks maintained for their transport.	21,000	The saving represents the cost of maintaining the bullocks.
Military Department No. 1231-M-W, dated 19th December 1882, and No. 937-M-W, dated 3rd October 1882.	1882-83	Cost of certain establishments for sudder bazaars to be borne by cantonment funds.	28,000	As per Budget Report, 1883-84.
Budget Report, 1882-83 and 1883-84. Military Department No. 1004-S-C, dated 18th August 1882, and No. 347-D, dated 16th February 1883.	1882-83 1883-84	Abolition of ordnance depôts at Belgaum, Mooltan, Peshawar, Nagpore, and Bangalore; conversion of second class arsenal, Mhow, into a second class depôt; reductions in the Gunpowder factory, Madras, and in ordnance depôt at St. Thomas' Mount; abolition of the corps of tent lascars, Madras, and other ordnance reductions.	1,25,000	
India Army Circular, No. 185 of 1882.	1882-83 to 1887-88	Reduction in the married establishment of British troops serving in India.	1,41,000	

Authority.	Year.	Items.	Approximate Savings per Annum.	Remarks.
			Rs.	
*Military Department No. 306-S-E, dated 15th November 1882, No. 894-E, dated 22nd March 1883, No. 68-S-E, dated 18th June 1883.	1883–84	Reduction in the charges for the Lawrence Military Asylum, Sanawar.	30,000	
India Army Circular No. 61 of June 1883.	1883–84	Abolition of Regimental Instructors and Sergeant Instructors of Musketry.	1,70,000	Saving shown in K.-W Pro. A., August 1883 Nos. 1501–18.
Military Department No. 608-F, dated 11th December 1884.	1883–84	Amalgamation of the offices of Examiners of Medical and Fund Accounts, Bengal and Madras.	9,000	
Budget Report, 1884–85 - -	1883–84	Reduction in the Non-commissioned Staff and minor establishments of garrisons, Madras.	8,000	
Pro. A, November 1884, Nos. 1087–90. Budget Report, 1885–86.	1884–85	Commands of Forts Michnee and Shubkuddur abolished.	4,000	
Military Department No. 117-S-D, dated 18th April 1884.	1884–85	Revision of the transport arrangements in Assam and substitution of light carts for coolies, &c.	65,000	
Budget Report, 1884–85 - -	1884–85	Abolition of the appointment of assistant examiner, fund accounts, Bengal.	9,000	
Madras Pro. No. 2600 of 31st May 1884.	1884–85	Reduced bazaar establishments in Burma	1,500	
Pro. A, March 1884, Nos. 56–58	1884–85	Depôt establishments of hired camels at Jacobabad abolished.	17,000	
Accounts Branch, Military Department notes ending 11th February 1886.	1884–85 and subsequent years.	Reduction in the charges for the transport of troops by railway owing to the introduction of the system of payment by seats instead of by the vehicle mileage rate.	3,50,000	Estimated saving.
*India Army Circular No. 83 of 1884. *Pro. A, February 1884, No. 2060, August 1884, Nos. 1006–19, January 1882, Nos. 1226–33. †Pro. A, August 1885, Nos. 1345–47. Pro. A, April 1885, Nos. 30–34	1884–85 and 1885–86	Reorganisation of the Apothecary* and Hospital† assistant classes of the sub-medical department in India.	20,000	
Budget Report, 1885–86, Military Department No. 792 S-A, dated 4th November 1884.	1885–86	Abolition of the Deesa Brigade of the Bombay army.	34,600	
India Army Circular No. 33 of 1885, Pro. A, March 1884, Nos. 2494–6, June 1885, Nos. 2274–7.	1885–86	Reconstruction of Royal Artillery Division and District Commands in India.	59,000	
Pro. A, August 1884, Nos. 1919–25.	1885–86	Reduction in the establishment and charges of the Lower Orphan School.	7,000	
Military Department No. 166-S-F, dated 7th April 1885, and No. 417-F, dated 22nd August 1885.	1885–86	Revision of the Presidency Pay Office, Bombay.	4,000	
Military Department No. 1228, dated 30th July 1879, approves of recommendation of Special Committee on Ordnance. Military Department No. 2181-S-D, dated 28th October 1886. India Army Circular, No. 167 of 1886.	1885–86	Revision of the established proportions of ordnance stores to be maintained in India and reduction of the quantities kept up.	4,65,000	The reduction in the Home Indent for 1887–88 was 34,884*l.*, which converted at 1*s.* 6*d.* the rupee amounts to Rs. 4,65,120.

STATEMENT of the important SAVINGS effected in the MILITARY DEPARTMENT from 1886–87 to 1895–96 (apart from the SAVINGS effected in consequence of the RECOMMENDATIONS of the FINANCE COMMITTEE of 1886).

Authority.	Year.	Items.	Approximate Savings per Annum.	Remarks.
			Rs.	
India Army Circular No. 62 of 1886.	1886–87	Abolition of the appointment of superintendent of Native Army Schools, Bengal, and of the Normal Training School at Umballa. Revised Educational Establishment for the Bengal Army.	17,500	
India Army Circular No. 125 of 1886—Pro. A., February 1886, Nos. 1214–7, and October, 1886, Nos. 131–5.	1886–87	Abolition of the appointment of superintendent, British Army Schools; Bengal; his duties being performed by the Director of Garrison Instruction in India.	6,000	
Military Department No. 798-C., of 19th June 1886, and Pro. B., February 1885, Nos. 1895–6.	1886–87	Abolition of tatties at the several stations in the Bengal Presidency.	11,258	

Authority.	Year.	Items.	Approximate Savings per Annum.	Remarks.
			Rs.	
Military Department No. 197-F., of 22nd March 1886.	1886-87	Revision of the office establishment of Examiner of Commissariat Accounts, Bombay.	5,000	
Military Department No. 853-C., of 24th June 1886—No. 1944 C., of 6th October 1886, No. 984-C., of 30th November 1886.	1886-87	Appointments of garrison surgeon at Fort William, Chunar, and Attock abolished.	20,700	
Pro. A., November 1886, Nos. 1877-85.	1886-87	Establishment of veterinary surgeons in India reduced to 48 officers, exclusive of officers for employment in Civil Department.	45,000	
Military Department No. 563-A., dated 5th March 1887.	1887-88	Reduction of one deputy judge advocate in the Madras Presidency.	16,000	
India Army Circular 34 of 1887, Military Budget Estimate 1887-88, page 7, Bengal.	1887-88	Revision of the artillery staff at army head-quarters, India.	34,000	
Military Department No. 719-B., of 13th July 1886, and India Army Circular 174 of 1886.	—	Abolition of bazaar sergeants prospectively.	15,000	In addition to this saving there were savings in the commissariat, clothing, and other departmental charges.
Military Department No. 2103-B., dated 31st December 1887.	1887-88	Command allowance for Fort Asseerghur reduced from Rs. 520 to Rs. 250 a month.	3,240	
Indian Army Circular 187 of 1886.	1887-88	Revision of the rules for the grant of rewards for passing examinations in Hindustani.	30,000	Estimated.
Military Department No. 2203-S.-C., dated 2nd November 1886. Indian Army Circular 182 of 1886 and Nos. 1169-70-C., of 20th May 1887.	1887-88	Reductions in the establishment of followers with native regiments.	55,700	Rs. Bengal - - 24,620. Madras - - 15,820. Bombay - - 15,260.
Military Department Nos. 2064 and 2065-S.-D., of 19th October 1885—Pro. A., April 1887, Nos. 63-6.	—	Madras gunpowder factory to be closed for work.	37,000	
Pro. A., December 1887, Nos. 821-7.	1887-88	Reduction of the junior lieutenant-colonel in British regiments of cavalry and infantry, and the grant of extra duty pay to the senior major.	4,34,162	
Pro. A., April 1889, Nos. 1120-5	1888-89	Extension of the Army Hospital Corps system to the Quetta district.	3,568	
Pro. A., April 1889, Nos. 1203-4	1889-90	Reduction in the pack bullocks of the transport depôt at Rangoon and half regimental transport at Thayetmyo and Tounghoo.	33,992	
Pro. B., March 1888, Nos. 1712-9	1889-90	Abolition of the appointment of station staff officer, Belgaum.	1,200	
Pro. A., November 1889, Nos. 419-20.	1889-90	Abolition of the commissariat agencies at Golaghat, Kohima and Manipur.	Not stated.	
Pro. A., April 1889, Nos. 673-76	1889-90	Closure of the Allahabad medical store depôt.	12,000	
Pro. A., February 1890, Nos. 9-10.	1889-90	Reductions in the bodyguard of His Excellency the Governor of Madras.	11,751	
Pro. A., August 1889, No. 1135 Pro. B., March 1890, No. 1201. Pro. A., August 1891, Nos. 1365-6.	1889-90 1890-91	Abolition of the lock hospitals at Cannanore, Wellington, and Delhi.	Not stated.	
Pro. A., March 1889, Nos. 2634-50. Pro. A., October 1890, Nos. 1260-83.	1890-91	Abolition of regimental paymasters -	1,33,000	
Pro. A., August 1890, Nos. 1590-9.	1891-92	Revision of the establishment of corps of sappers and miners and abolition of second-in-command.	3,000	
Pro. A., June 1891, Nos. 1455-7	1891-92	Revised scale of allowances for station conservancy for the British troops in Upper Burma.	5,520	
Pro. B., June 1891, Nos. 967-8 -	1891-92	Services of the Hospital Store-keepers in the native hospitals at Bangalore and Secunderabad dispensed with.	6,045	
Pro. A., March 1891, Nos. 1216-20.	1891-92	Re-organisation of the Aden troop and abolition of the Arab levy.	23,500	

Authority.	Year.	Items.	Approximate Savings per Annum.	Remarks.
			Rs.	
Pro. A., March 1890, Nos. 1451–1507. Pro. A., February 1892, Nos. 67–87.	1891–92	Re-organisation of the telegraph sections of the corps of sappers and miners in the three presidencies.	7,000	
Pro. A., November 1891, Nos. 1450–67.	1891–92	Reduction of one regiment of Madras cavalry and addition of one squadron to the remaining regiments.	90,000	
Pro. A. June 1891, Nos. 73–87 - Pro. A., December 1892, Nos. 2604–25.	1893–94	Troops to be charged for necessaries a cost price converted at the annua rate of ex hange instead of 2s. to the rupee; and bedding to be issued on a modified scale.	2,08,000	Approximate calculated with reference to rate of exchange in 1893–94.
Pro. B., August 1893, No. 950 -	1893–94	Abolition of the appointment of Station Staff Officer, Purandhur.	4,280	
Pro. B., July 1893, Nos. 552–62 -	1893–94	Abolition of Bernardmyo as a second-class station; command and reduction of status of station staff officer from third to fourth class.	1,800	
Pro. B., June 1893, Nos. 3278–81	1893–94	Deletion of Esmarch's bandage from the case of surgeon's instruments, and substitution of a field tourniquet, large, for tourniquet, cord, Esmarch's in the field surgical cavalry bag.	3,653	
Pro. B., June 1893, Nos. 751–2 -	1893–94	Withdrawal of warrant officer in charge of the Asirgarh Fortress and appointment in his place of a hospital assistant.	360	
M. W. Pro. A, July 1893, Nos. 147–51.	1893–94	Reductions in the stores kept up at the Aden arsenal with a view to the establishment at that place being also reduced.	Not known	
Pro. A., May 1893, Nos. 860–1 -	1893–94	Closing of the government flour mills at Aden, Karachi and Poona.	31,620	Initial saving in 1893–94, Rs. 38,062.
Pro. B., June 1893, Nos. 2760–1 Pro. B., August 1893, Nos. 674–5.	1893–94	Appointment of Mr. Turner, inspector of flour mills, Bombay, as chief engineer of condensers at Aden, and appointment made in place of Mr. J. Kennedy, late foreman, chief mechanical engineer, Gun Carriage Factory, Fatehgarh.	2,997	
Pro. B., October 1893, Nos. 463–4	1893–94	Deletion of certain articles from the scale of hospital supplies authorised in Appendix 41, Army Regulations, India, Vol. VI.	500	Approximate.
Pro. B., September 1893, Nos. 110–11. Pro. B., November 1893, Nos. 1157–8.	1893–94	Abolition of the cantonment hospitals at Attock, Murree and Quetta.	3,992	Approximate.
Pro. B., October 1893, Nos. 573–6	1893–94	Supply of water to troops at Allahabad by the municipality.	1,716	
Pro. B., December 1893, Nos. 2828–9.	1893–94	Revision of the permanent establishment of the Madras arsenal.	2,040	
Pro. A., March 1894, Nos. 2111–18.	1893–94	Withdrawal of a British Infantry Battalion from the Indian establishment, and increase of men to each of remaining battalions.	1,57,000	
Pro. A., March 1894, Nos. 1238–64.	1893–94	Abolition of the Myingyan district command.	20,000	
Pro. B., June 1894, Nos. 1330–1	1894–95	Adoption of the Karachi route for troops despatched from Bombay to Multan instead of sending them by rail from Bombay.	3,500	
Pro. B., August 1894, Nos. 1185–7.	1894–95	Closing of cantonment hospital, Fatehgarh - - -	Rs. 1,418	
Pro. B., August 1894, Nos. 1177–8.	1894–95	Closing of cantonment hospitals at Pachmarhi, Darjeeling, Barrackpore and Saugor, and conversion of Sudder dispensary at latter station into a cantonment hospital -	5,388	
Pro. B., August 1894, Nos. 1863–5.	1894–95	Abolition of cantonment hospital at Malapuram - -	2,216	
Pro. B., July 1894, Nos. 1585–8 -	1894–95	Abolition of cantonment hospital at Dinapore - -	104*	*Approximate.
			9,126	

Authority.	Year.	Items.	Approximate Savings per Annum.	Remarks.
			Rs.	
Pro. B., June 1894, Nos. 280–1 -	1894–95	Discontinuance of the annual grant sanctioned for the conservancy establishment at Chaman, Spinwana, and Shelabagh.	2,678	
Pro. B., May 1895, Nos. 3083–7 - (Notes printed).	1894–95	Abolition of the appointment of park sergeant at Mandalay.	1,080	
Pro. A., May 1894, Nos. 443–7 -	1894–95	Issue of Australian remounts to British Cavalry in the spring instead of in the autumn.	22,200	
Pro. A., October 1894, Nos. 795–9	1894–95	Abolition of the appointment of station staff officer at Bangalore.	1,800	
Pro. B., October 1894, Nos. 223–4	1894–95	Reduction of rewards for passing in Parvatiya from Rs. 360 to Rs. 180 and abolition of the reward for passing in Sanskrit.	2,360	Approximate.
Regr. No. 131 of 1889. Drill and instruction.	1894–95	Reduction of the number of native soldiers trained at Roorkee for intelligence and survey purposes to 10; and the number of Roorkee trained men drawing permanent allowances.	9,200	Eventual.
Pro. B., September 1894, Nos. 1359–64.	1894–95	Abolition of the appointment of European sergeant-major at Asirgarh.	1,464	
Pro. A., August 1894, Nos. 1440–41.	1894–95	Reorganisation of the godown, bakery, and butchery establishments.	5,718	
Pro. A., July 1894, Nos. 1701–3	1894–95	Reduction of the establishment of the store and shipping office at Calcutta.	1,284	
Pro. A., October 1894, Nos. 395–96	1894–95	Abolition of Ghi and Armebis from fort and mobilisation reserves.	26,800	Home estimates will also be reduced by the equivalent of Rs. 31,400.
Pro. B., October 1894, Nos. 331–34	1894–95	Reorganisation of the Medical Store Depôt at Madras, consequent on the introduction of the system of private supply of medicines to local fund and municipal hospitals.	7,652	
Pro. A., August 1894, Nos. 997–1000.	1894–95	Reduction of the staff pay of the commandant of the Poonamallee depôt.	1,200	Eventual.
Pro. A., August 1893, Nos. 2244–51. Pro. A., December 1894, Nos. 1084–99.	1894–95	Charges for ordnance stores, including ammunition issued to troops and others on payment to include loss by exchange.	Not estimated	The charges were previously based on the rate of 2*s* the rupee.
Pro. B., July 1894, Nos. 1358–59	1894–95	Assimilation of the rates of pay of army schoolmasters serving in India with those allowed in England.	1,200	Approximate.
Pro. A., June 1895, Nos. 1911–19	1894–95	Introduction of the command account system in the Bombay Commissariat Department.	1,620	Further savings are anticipated.
Pro. A., November 1894, Nos. 119–23.	1894–95	Abolition of the extra corporal authorised in each regiment of British cavalry and infantry to assist in pay duties.	30,082	
Pro. A., January 1895, Nos. 1871–77.	1894–95	Discontinuance of the command allowance authorised by Article 162, Army Regulations, India, Vol. I., to the officer commanding the head-quarters station of a district during the absence of the general officer on inspection or other duty.	6,000	Approximate.
Pro. B., December 1894, Nos. 1161–65.	1894–95	Abolition of the appointment of Deputy Assistant Adjutant General, Burma district.	4,800	
Pro. A., August 1894, Nos. 414–15.	1894–95	Discontinuance of Sindh batta to new enlistments in the 27th, 29th, and 30th Bombay infantry, except when serving in Sindh.	1,500	
Pro. A., January 1895, Nos. 489–500.	1894–95	Abolition of the normal school at Poona.	1,875	
Pro. A., January 1895, Nos. 1167–70.	1894–95	Revision of the establishment of the Lawrence Military Asylum at Sanawar.	2,484	
Register No. 191 of 1894—Distribution of Army.	1894–95	Closing of the Arkonam rest-camp -	2,585	
Pro. B., December 1894, Nos. 879–80.	1894–95	Reduction in the authorised complement of commissariat transport elephants in consequence of the reduction of the Assam garrison.	28,150	

Authority.	Year.	Items.	Approximate Savings per Annum.	Remarks.
			Rs.	
M.-D. No. 3541-D., dated 6th August 1894.	1894–95	Reduction in the number of civilian ordnance artificers at Hugli and Rangoon to one each.	5,000	Approximate.
Pro. B., November 1894, Nos. 1670–71.	1894–95	Change in the rate of staff salary to be allowed to non-commissioned officers in charge of rest-camps.	2,332	
Pro. B., October 1894, Nos. 1131–32.	1894–95	Reduction in the rate of compensation in lieu of helmets.	3,000	Approximate.
Pro. B., October 1894, Nos. 818–34.	1894–95	Revision of the office of the Superintendent, Family Payments and Pensions, Madras.	2,030	Eventual saving.
Pro. A., June 1894, Nos. 2705–14.	1894–95	Further reductions in the strength of the mounted infantry in Burma.	21,416	
Pro. A., November 1894, Nos. 1223–37.	1884–95	Withdrawal of a battalion of native infantry from the Chin Hills.	50,000	
Pro. A., November 1894, Nos. 1223–37.	1894–95	Withdrawal of a battalion of native infantry from Burma to Madras.	65,000	
Pro. B., January 1895, Nos. 2633–35.	1894–95	Abolition of the reserves of food supplies for troops at Fort Sandeman and Mir Ali Khel.	1,670	
Pro. B., May 1894, Nos. 1172–73	1894–95	Reductions in the native establishment of the Aden Arsenal.	1,776	
Pro. B., January 1895, Nos. 2839–40.	1894–95	Abandonment of the Vellore Cantonment and abolition of the appointment of the station staff officer.	2,753	
M.-W., Pro. B., March 1895, Nos. 33–34.	1894–95	Discontinuance of the use of thermantidotes in the barracks for the British troops at Peshawar.	1,681	
M.-D. No. 3070-A., dated 10th May 1894.	1894–95	Discontinuance of the purchase of Madras and Bombay Army Lists for official purposes after 1st April 1895.	6,958	
M.-D. Register No. 90 of 1895, Organisation.	1894–95	Reorganisation of the Erinpura and Deoli Irregular Cavalry.	43,656	
(Notes printed). Pro. B., April 1895, Nos. 1364–70 (Printed notes).	1894–95	Abolition of the Viceroy's and Commander-in-Chief's howdah-khana establishment.	972	
Pro. B., October 1894, Nos. 266–70	1894–95	Withdrawal of the command allowance of the Bangalore Rifle Volunteers.	2,400	Eventual.
Pro. B., December 1894, Nos. 819–20.	1894–95	Substitution of carpet cuttings for coir and cotton for stuffing hospital pillows.	1,200	Approximate.
Pro. A., June 1895, Nos. 1911–19	1895–96	Revision of establishment for the different commissariat offices in the Bombay command under the new command account system.	3,564	
M.-D. No. 2281-D., dated 17th May 1895.	1895–96	Abolition of commissariat carriage maintained at certain stations in the Bombay command and employment of army transport in its place.	12,776	
Pro. B., May 1895, Nos. 1126–27	1895–96	Closure of Cantonment Hospital at Dharamsala - Rs. 900		
Pro. B., May 1895, Nos. 1564 -	1895–96	Closure of Cantonment Hospital at Cannanore - Rs. 1,524		
			2,424	
Pro. B., June 1895, Nos. 477–80 -	1895–96	Reduction of pay of medical officers of the Commissariat-Transport Department serving in Kashmir.	2,700	
Pro. A., August 1895, No. 1682–91.	1895–96	Reorganisation of the Department of Military Education in India.	2,892	
M.-D. No. 3753-D., dated 5th August 1895.	1895–96	Abolition of the Ordnance Artificer Company, Madras, and provision of a more efficient establishment in its place.	9,339	

APPENDIX No. 22.

Handed in by Major-General Sir E. Collen, K.C.I.E.

(With reference to Question 5239.)

DETAILS of PAY and ALLOWANCES of COMBATANT OFFICERS, BRITISH SERVICE, in ENGLAND and INDIA, and the DIFFERENCES of their TOTALS.

STATEMENT exhibiting the Details of the *MONTHLY PAY and ALLOWANCES of COMBATANT OFFICERS, BRITISH SERVICE, as drawn in ENGLAND and in INDIA, together with the Difference between the Totals.

RANKS.	Pay and Allowances in England.						Pay and Allowances in India.						Diference between Columns 7 and 13.	
	Pay.	Servant's Allowance.	Lodging Money.	Command Allowance.	Total In English Money.	Total In Indian Currency at 1s. 10½d. the Rupee.	Pay.	Batta.	Tentage.	Gratuity.	Command Allowance.	Total.	Gain in India.	Loss in India.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
HORSE ARTILLERY.														
Colonel Commandant -	—	—	—	—	*1,082 0 0	*11,541 5 4	—	—	—	—	—	*11,023 11 0	—	*517 10 4
Colonel - - -	48 14 0	3 0 10½	6 1 9	4 11 3¾	62 7 11½	665 9 0	397 8 0	760 15 0	200 0 0	—	400 0 0	1,758 7 0	1,092 14 0	—
Lieutenant-Colonel -	40 14 2½	3 0 10½	6 1 9	—	49 16 10	531 10 4	278 4 0	608 12 0	150 0 0	—	—	1,037 0 0	505 5 8	—
Major - - -	27 7 10½	3 0 10½	4 11 3¾	2 5 8	—	373 5 10	232 13 4	456 9 0	120 0 0	—	30 0 0	839 6 4	466 0 6	—
Captain with higher Brevet rank.	27 7 10½	8 0 10½	4 11 3¾	—	35 0 0¾	373 5 10	179 6 4	182 10 0	75 0 0	36 0 0	—	473 0 4	99 10 6	—
Captain without higher Brevet rank.	24 7 0	1 10 5¼	3 8 5¾	—	29 5 11	312 7 10	179 6 4	182 10 0	75 0 0	36 0 0	—	473 0 4	160 8 6	—
Lieutenant after 10 years' service.	16 9 8¾	1 10 5¼	3 0 10½	—	21 1 0½	224 8 10	109 8 0	121 12 0	50 0 0	24 0 0	—	305 4 0	80 11 2	—
Lieutenant after 3 years' service.	14 19 3½	1 10 5¼	3 0 10½	—	19 10 7¼	208 5 2	109 8 0	121 12 0	50 0 0	24 0 0	—	305 4 0	96 14 10	—
Lieutenant on appointment	13 1 3 1/16	1 10 5¼	3 0 10½	—	17 12 6 13/16	188 0 7	97 5 4	91 5 0	50 0 0	12 0 0	—	250 10 4	62 9 9	—
ROYAL ARTILLERY.														
Colonel Commandant -	—	—	—	—	*994 0 0	*10,602 10 8	—	—	—	—	—	*11,023 11 0	*421 0 4	—
Colonel - - -	39 11 4½	3 0 10½	6 1 9	4 11 3¾	53 5 3¾	568 2 8	304 6 0	760 15 0	200 0 0	—	400 0 0	1,665 5 0	1,097 2 4	—
Lieutenant-Colonel -	27 7 10½	3 0 10½	4 11 3¾	2 5 8	36 10 6	389 9 7	243 8 0	608 12 0	150 0 0	—	—	1,002 4 0	612 10 5	—
Major - - -	22 1 4½	3 0 10½	3 8 5¾	—	—	316 8 10	182 10 0	456 9 0	120 0 0	—	30 0 0	789 3 0	472 10 2	—
Captain with higher Brevet rank.	19 15 8¼	1 10 5¼	3 8 5¾	—	24 14 7¼	263 12 7	182 10 0	182 10 0	75 0 0	36 0 0	—	417 7 8	153 11 1	—
Captain without higher Brevet rank.	16 14 9⅜	1 10 5¼	3 8 5¾	—	21 13 8¾	231 5 2	123 13 8	182 10 0	75 0 0	36 0 0	—	417 7 8	186 2 6	—
Lieutenant after 10 years' service.	11 18 5⅛	1 10 5¼	3 0 10½	—	16 9 8⅞	175 13 9	70 0 0	121 12 0	50 0 0	24 0 0	—	265 12 0	89 14 3	—
Lieutenant after 3 years' service.	10 7 11¾	1 10 5¼	3 0 10½	—	14 19 3½	159 9 11	70 0 0	121 12 0	50 0 0	24 0 0	—	265 12 0	106 2 1	—
Lieutenant on appointment	8 9 11¼	1 10 5¼	3 0 10½	—	13 1 3	139 5 4	60 0 0	91 5 0	50 0 0	12 0 0	—	213 5 0	73 15 8	—

Royal Engineers.																																
Colonel Commandant -		—			—			—		*990	0	0	*10,560	0	0		—		—		—		—		*11,023	11	0	*463	11	0		—
Colonel - - -	39	11	4¼	3	0	10½	6	1	9	—	48	14	0	519	7	6	304	6	0	760	15	0	200	0	0	—		—	1,265	5	0	745	13	6	—
Lieutenant-Colonel -	27	7	10½	3	0	10½	6	1	9	—	36	10	6	389	9	7	243	8	0	608	12	0	150	0	0	—		—	1,002	4	0	612	10	5	—
Major - - -	22	16	6¾	3	0	10½	4	11	3¾	—	30	8	9	324	10	8	182	10	0	456	9	0	120	0	0	—		—	759	3	0	434	8	4	—
Captain with higher Brevet rank.	19	15	8¼	1	10	5¼	3	8	5¾	—	24	14	7¼	263	12	7	123	13	8	182	10	0	75	0	0	36	0	0	417	7	0	153	11	1	—
Captain without higher Brevet rank.	16	14	9¾	1	10	5¼	3	8	5¾	—	21	13	8¾	231	5	2	123	13	8	182	10	0	75	0	0	36	0	0	417	7	0	186	2	6	—
Lieutenant after 10 years' service.	11	18	5⅛	1	10	5¼	3	0	10½	—	16	9	8⅞	175	13	9	70	0	0	121	12	0	50	0	0	24	0	0	265	12	0	89	14	3	—
Lieutenant after 3 years' service.	10	7	11¾	1	10	5¼	3	0	10½	—	14	19	3½	159	9	11	70	0	0	121	12	0	50	0	0	24	0	0	265	12	0	106	2	1	—
Lieutenant on appointment	8	9	11¼	1	10	5¼	3	0	10½	—	13	1	3	139	5	4	60	0	0	91	5	0	50	0	0	12	0	0	213	5	0	73	15	8	—
British Cavalry.																																
Colonel - - -		—			—			—		*1,350	0	0	*11,400	0	0		—		—		—		—		*12,395	4	0		—		*2,004	12	0
Lieutenant-Colonel -	35	0	0¾	3	0	10½	6	1	9	4	11	3¾	48	14	0	519	7	6	278	4	0	608	12	0	150	0	0	—	400	0	0	1,437	0	0	917	8	6	—
Major - - -	29	5	11¼	3	0	10½	4	11	3¾	—	36	18	1½	393	10	8	232	13	4	456	9	0	120	0	0	—		—	809	6	4	415	11	8	—
Captain with higher Brevet rank.	22	3	10½	1	10	5¼	3	8	5¾	—	27	2	9½	289	7	10	179	6	4	182	10	0	75	0	0	36	0	0	30	0	0	503	0	4	213	8	6	—
Captain without higher Brevet rank.	22	3	10½	1	10	5¼	3	8	5¾	—	27	2	9½	289	7	10	179	6	4	182	10	0	75	0	0	36	0	0	30	0	0	503	0	4	213	8	6	—
Lieutenant after 10 years' service.	13	13	11¼	1	10	5¼	3	0	10½	—	18	9	3	196	14	11	109	8	0	121	12	0	50	0	0	24	0	0	—			305	4	0	108	5	1	—
Lieutenant after 3 years' service.	13	13	11¼	1	10	5¼	3	0	10½	—	18	9	3	196	14	11	109	8	0	121	12	0	50	0	0	24	0	0	—			305	4	0	108	5	1	—
Lieutenant on appointment	12	3	6	1	10	5¼	3	0	10½	—	16	14	9¾	178	9	1	97	5	4	91	5	0	50	0	0	12	0	0	—			250	10	4	72	1	3	—
Sub-Lieutenant - -	7	19	9½	1	10	5¼	3	0	10½	—	12	10	1¼	133	6	2	97	5	4	91	5	0	50	0	0	12	0	0	—			250	10	4	117	4	2	—
British Infantry.																																
Colonel - - -		—			—			—		*1,000	0	0	*10,666	10	8		—		—		—		—		*11,023	11	0	*357	0	4		—
Lieutenant-Colonel -	25	17	5¼	3	0	10½	6	1	9	4	11	3¾	39	11	4½	422	1	1	243	8	0	668	12	0	150	0	0	—	400	0	0	1,402	4	0	980	2	11	—
Major - - -	24	7	0	3	0	10½	4	11	3¾	—	31	19	2¼	340	14	5	182	10	0	456	9	0	120	0	0	—		—	759	3	0	418	4	7	—
Captain with higher Brevet rank.	20	13	5¼	1	10	5¼	3	8	5¾	—	25	12	4¼	273	4	1	121	12	0	182	10	0	75	0	0	36	0	0	30	0	0	445	6	0	172	1	11	—
Captain without higher Brevet rank.	17	12	6¾	1	10	5¼	3	8	5¾	—	22	11	5¾	240	12	7	121	12	0	182	10	0	75	0	0	36	0	0	30	0	0	445	6	0	204	9	5	—
Lieutenant after 10 years' service.	11	8	3¼	1	10	5¼	3	0	10½	—	15	19	7	170	7	1	60	14	0	121	12	0	50	0	0	24	0	0	—			256	10	0	86	2	11	—
Lieutenant after 3 years' service.	9	17	10⅛	1	10	5¼	3	0	10½	—	14	8	1⅞	153	10	11	60	14	0	121	12	0	50	0	0	24	0	0	—			256	10	0	102	15	1	—
Lieutenant on appointment	7	19	9½	1	10	5¼	3	0	10½	—	12	10	1¼	133	6	2	49	7	5	91	5	0	50	0	0	12	0	0	—			202	12	5	69	6	3	—
Sub-Lieutenant - -	7	19	9½	1	10	5¼	3	0	10½	—	12	10	1¼	136	6	2	49	7	5	91	5	0	50	0	0	12	0	0	—			202	12	5	69	6	3	—

* Per annum for Colonels, Commandant of Artillery and Engineers, and Colonels of Cavalry and Infantry.

Military Department, Account Branch,
1873.

COMPARATIVE STATEMENT of the PAY and ALLOWANCES of EUROPEAN INFANTRY OFFICERS in ENGLAND and in INDIA.

GRADES.	IN ENGLAND.							IN INDIA.								Indian rates (14) exceed English rates (7) by	Indian rates, *minus* tentage (15) exceed English rates (7) by
	Per Diem.					At 1s. 10½d. per Diem.		Per mensem.						Total per annum.	Total per annum, *minus* tentage.		
	Pay.	Forage allowance.	Servants' allowance.	Lodging money.	Total.	Total per mensem.	Total per annum.	Pay proper.	Gratuity.	Full Batta.	Tentage.	Horse allowance.	Total.				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	s. d.	d.	s. d.	s. d.	£ s. d.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. . p.	Rs. a. p.
	£1,000 per annum.							The equivalent of £1,124 17s. 5d. at 2s. 0½d. the rupee.									
Colonel	—	—	—	—													
						*451 13 2¾	*5,421 14 9						*1,432 4 0	*17,187 0 0	*15,387 0 0	*11,765 1 3	*9,965 1 3
Lieutenant-Colonel	17 0	1 10	2 0	4 0	1 4 10	403 2 0½	4,837 8 6	(a)243 8 0	—	(g)608 12 0	(h)150 0 0	(i)30 0 0	1,032 4 0	12,387 0 0	10,587 0 0	7,549 7 6	5,749 7 6
Major	16 0	1 10	2 0	3 0	1 2 10	370 10 6¾	4,447 14 9	(b)182 10 0	—	(g)456 9 0	(h)120 0 0	(i)30 0 0	789 3 0	9,470 4 0	8,030 4 0	5,022 5 3	3,582 5 3
													*445 6 0	*5,344 8 0	*4,444 8 0	*2,454 15 6	*1,554 15 6
Captain	11 7	—	1 0	2 3	0 14 10	240 12 8½	2,889 8 6	(c)121 12 0	(f)36 0 0	(g)182 10 0	(h)75 0 0	—	415 6 0	4,984 8 0	4,084 8 0	2,094 15 6	1,194 15 6
Lieutenant	6 6	—	1 0	2 0	0 9 6	154 3 5$\frac{5}{12}$	1,850 9 5	(d)60 14 0	(f)24 0 0	(g)121 12 0	(h)50 0 0	—	256 10 0	3,079 8 0	2,479 8 0	1,228 14 7	628 14 7
Sub-Lieutenant	5 3	—	1 0	2 0	0 8 3	133 14 9½	1,607 1 6	(e)46 7 5	(f)12 0 0	(g)91 5 0	(h)50 0 0	—	202 12 5	2,433 5 0	1,833 5 0	826 3 6	226 3 6

* The amounts marked with asterisks for the Lieutenant-Colonel include 3s. a day in England and Rs. 400 a month in India as regimental command money.
Ditto ditto for the Captain in India, include Rs. 30 a month as company command money.

(a) The equivalent of Rs. 8 a day for any month, *i.e.*, $\frac{8 \times 365\frac{1}{4}}{12}$ or of £1 0 0 a day converted at 2s. 6d. the rupee. *See* Grace's Code, page 332.
(b) Ditto of „ 6 ditto ditto or of £0 15 0 ditto ditto ditto
(c) Ditto of „ 4 ditto ditto or of £0 10 0 ditto ditto ditto
(d) Ditto of „ 2 ditto ditto or of £0 5 0 ditto ditto ditto
(e) Ditto of „ 1·10 ditto ditto or of £0 4 0 ditto ditto ditto
(f) A donation to Captains and Subalterns only.
(g) Granted to cover the expenses incident to frequent change of quarters, and to compensate for the withdrawal of field allowances or double full batta.
(h) Granted to enable officers to provide their own camp equipage and carriage.
(i) For the purpose of providing and maintaining a charger.

MONTHLY PAY and ALLOWANCES of MEDICAL OFFICERS in INDIA.

	Unemployed Pay. (1.)	Difference between Columns (1) and (3), *see* Details below. (2.)	Grade Pay. (3.)
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Under 5 years' service	286 10 0	30 14 0	317 8 0
After 5 „	304 14 2	30 14 0	335 12 2
After 6 „	392 5 2	41 5 0	433 10 2
After 10 „	410 9 5	41 5 0	451 14 5
Surgeon-major	640 14 6	148 4 6	789 3 0
After 15 years' service	677 6 11	148 4 6	825 11 5
After 20 „	852 3 7	204 6 0	1,056 9 7
After 25 „	888 12 0	204 6 0	1,093 2 0

Details of above.

	Rs. a. p.		Rs. a. p.
Pay 10*s.* a day at 2*s.* 6*d.* = 4 rupees	121 12 0		121 12 0
Half batta as lieutenant	60 14 0	Full batta	121 12 0
House-rent	30 0 0		
Tentage	50 0 0	Tentage	50 0 0
Gratuity as Lieutenant	24 0 0	Gratuity	24 0 0
Total	286 10 0		317 8 0
Increased pay 11*s.* 6*d.* a day	140 0 2		140 0 2
Allowances as above	164 14 0		195 12 0
Total	304 14 2		335 12 2
Pay as above	140 0 2		140 0 2
Half batta as captain	91 5 0	Full batta	182 10 0
Gratuity as captain	36 0 0	Gratuity	36 0 0
House-rent	50 0 0		
Tentage	75 0 0	Tentage	75 0 0
Total	392 5 2		433 10 2
Increased pay 13*s.* a day	158 4 5		158 4 5
Allowances as above	252 5 0		293 10 0
Total	410 9 5		451 14 5
Pay 15*s.* a day	182 10 0		182 10 0
Half batta as major	228 4 6	Full batta	456 9 0
House-rent	80 0 0		
Horse allowance	30 0 0	Horse	30 0 0
Tentage	120 0 0	Tentage	120 0 0
Total	640 14 6		789 3 0
Pay 1*l.* 2*s.* a day	267 13 7		267 13 7
House-rent	100 0 0		
Half batta as lieutenant-colonel	304 6 0	Full batta	608 12 0
Horse allowance	30 0 0	Horse	30 0 0
Tentage	150 0 0	Tentage	150 0 0
Total	852 3 7		1,056 9 7

Administrative and Executive Medical Officers previous to 1864.

	Rs. a. p.
Superintending surgeon in field above Allahabad	1,600 0 0
Plus pay, batta, gratuity, and tentage of rank as surgeon, varied according to arm	415 6 0
Below Allahabad or	1,266 10 8
Not in the field	415 6 0

British Service — 7 Surgeons-General. 15 Deputy Surgeons-General. 801 officers.

India.—? 3 Surgeons-General. 5 Sanitary Commissioners. 15 Deputy Surgeons-General. 658 officers.

	Rs. a. p.
Surgeon used to get for a regiment	300 0 0
Assistant surgeon	165 0 0

and for British corps Rs. 25 per 100 Europeans, with pay of arm as lieutenant or captain.

Establishment, 1864	425
	243
	193
	861

EXTRACT from the BENGAL CODE of 1817, showing DETAILS of PAY and ALLOWANCES drawn by

TABLE No. 1.—CHAPTER XLI., BENGAL CODE, 1817, of PAY and ALLOWANCES to the OFFICERS of HIS

REGIMENTAL RANKS AND APPOINTMENTS.	His Majesty's Light Dragoons and the Honourable Company's Native Cavalry.														The Honourable		
	In Garrison or Cantonment.			In the Field.					Pay.		King's Officers. Difference between King's and Company's Pay.		In Garrison or Cantonment.				
	Batta.	Tent Allowance.	Established Allowance.	Batta.	Tent Allowance.	Established Allowance.	Gratuity.	Horse Allowance.	Company's Officers.	King's Officers.	Payable by the Company.	To be deducted from Batta or Gratuity.	Batta.	Tent Allowance.	Established Allowance.		
	Per Day.	Per Month.	Per Month.	Per Day.	Per Month.	Per Month.	Per Month.	Per Month.	Per Month.	Per Day.	Per Month.	Per Month.	Per Day.	Per Month.	Per Month.		
	Rs. a.	Rs. a.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs. a. p.	£ s. d.	Rs. a. p.	Rs. a. p.	Rs. a.	Rs. a.	Rs.		
Colonel when not a General Officer.	25 0	100 0	—	25	200	—	—	120	397 8 0	1 12 10	—	1 15 6	25 0	100 0	—		
* Lieutenant-Colonel	10 0	75 0	—	20	150	—	—	120	278 4 0	1 3 0	—	1 9 4	10 0	75 0	—		
* Major	7 8	60 0	—	15	120	—	—	120	232 13 4	0 19 3	—	1 6 0	7 8	60 0	—		
† Captain	3 0	37 8	—	6	75	—	36	90	179 6 4	0 14 7	1 15 6	—	3 0	37 8	—		
Captain Lieutentant	3 0	37 8	—	6	75	—	36	90	109 8 0	—	—	—	3 0	37 8	—		
Lieutenant	2 0	25 0	—	4	50	—	24	60	109 8 0	0 9 0	—	—	2 0	25 0	—		
Lieutenant holding another Commission.	2 0	25 0	—	4	50	—	24	60	109 8 0	—	—	—	—	—	—		
Cornet	1 8	25 0	—	3	50	—	12	60	97 5 4	0 8 0	—	—	—	—	—		
Lieutenant, Fire-worker	—	—	—	—	—	—	—	—	—	—	—	—	1 8	25 0	—		
Ensign	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Ensign holding another Commission.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
STAFF.																	
Surgeon	3 0	37 8	—	6	75	—	36	90	4 per day	0 11 4	—	16 3 6	3 0	37 8	—		
Veterinary Surgeon	2 0	25 0	—	4	50	—	24	60	—	0 8 0	—	—	—	—	—		
Assistant Surgeon	2 0	25 0	—	4	50	—	24	60	§ 3 per day	0 7 6	—	—	2 0	25 0	—		
Riding Master	0 8	17 8	—	1	35	—	—	30	62 0 0	—	—		—	—	—		
Quarter Master of King's Troops.	1 8	25 0	117	3	50	127	12	60	—	0 8 0	—	—	—	—	—		
Adjutant and Quarter Master of Artillery.	—	—	—	—	—	—	—	—	—	—	—	—	—	‡15 0	227		
Adjutant of European Infantry.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Adjutant of King's Troops.	—	15 0‡	165	—	30‡	165	—	—	—	0 10 0	—	—	—	—	—		
Adjutant of Engineers	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Adjutant of Native Corps	—	—	167	—	—	167	—	—	—	—	—	—	—	—	—		
Interpreter and Quarter Master of Corps.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Intepreter and Quarter Master of Native Cavalry.	—	—	147	—	—	187	—	—	—	—	—	—	—	—	—		
Quarter Master of European Infantry.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		

Additional pay of one rupee per day drawn by Captains, Lieutenants, and Subalterns, who were appointed prior to the 8th January 1796.—
of Native Corps in all situations.—Full Tent allowance to Officers of European corps, regulated by General Orders of the 23rd September
* The contingent allowance of Rs. 13 5-4 drawn by Lieutenant-Colonels and Majors of His Majesty's Troops, is to be deducted from
† The contingent allowances drawn by Captains of His Majesty's Troops are to be deducted
‡ Allowance for
§ This includes the additional allowances

OFFICERS of the EAST INDIA COMPANY'S SERVICE, and by OFFICERS OF HIS MAJESTY'S REGIMENTS.

MAJESTY'S REGIMENTS serving under the PRESIDENCY of BENGAL, and of the BENGAL ARMY.

Company's Artillery.						His Majesty's Regiments of Foot, and the Honourable Company's Corps of Engineers, and European and Native Infantry.									King's Officers.	
In the Field.						In Garrison or Cantonment.			In the Field.				Pay.		Difference between King's and Company's Pay.	
Batta.	Tent Allowance.	Established Allowance.	Gratuity.	Pay.		Batta.	Tent Allowance.	Established Allowance.	Batta.	Tent Allowance.	Established Allowance.	Gratuity.	Company's Officers.	King's Officers.	Payable by the Company.	To be deducted from Batta or Gratuity.
Per Day.	Per Month.	Per Month.	Per Month.	Per Month.	Per Day.	Per Day.	Per Month.	Per Month.	Per Day.	Per Month.	Per Month.	Per Month.	Per Day.	Per Day.	Per Month.	Per Month.
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs. a.	Rs. a.	Rs.	Rs.	Rs.	Rs.	Rs. a. p.	Rs. a.	£ s. d.	Rs. a. p.	Rs. a. p.
25	200	—	—	—	10	25 0	100 0	—	25	200	—	—	10 0	1 2 6	30 6 8	—
20	150	—	—	—	8	10 0	75 0	—	20	150	—	—	8 0	0 15 11	49 10 10	—
15	120	—	—	—	6	7 8	60 0	—	15	120	—	—	6 0	0 14 1	11 2 5	—
6	75	—	36	140	—	3 0	37 8	—	6	75	—	36 0 0	4 0	0 9 5	7 1 6	—
6	75	—	36	70	—	3 0	37 8	—	6	75	—	36 0 0	2 0	—	—	8 1 9
4	50	—	24	70	—	2 0	25 0	—	4	50	—	24 0 0	2 0	0 5 8	—	8 1 9
—	—	—	—	—	—	2 0	25 0	—	4	50	—	24 0 0	—	0 4 8	4 0 10	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3	50	—	12	60	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1 8	25 0	—	3	50	—	12 0 0	1 10	0 4 8	—	7 5 7
—	—	—	—	—	—	1 8	25 0	—	3	50	—	12 0 0	—	0 3 8	4 13 0	—
6	75	—	36	—	4	3 0	37 8	—	6	75	—	36 0 0	4 0	0 9 5	7 1 6	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4	50	—	24	—	§3	2 0	25 0	—	4	50	—	24 0	§3 0	0 7 6	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	2 0	25 0	55	4	50	95	15 14 3	—	0 5 8	—	—
—	‡30	227	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	‡15 0	227	—	‡30	227	—	—	—	—	—
—	—	—	—	—	—	—	‡15 0	165	—	‡30	165	—	—	0 8 0	—	—
—	—	—	—	—	—	—	—	137	—	—	167	—	—	—	—	—
—	—	—	—	—	—	—	—	212	—	—	212	—	—	—	—	—
—	—	—	—	—	—	—	—	222	—	—	252	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	‡15 0	117	—	‡30	157	—	—	—	—	—

Tent allowance is not allowed to the Chief Engineer, nor to the Adjutant of Engineers.—Full Tent allowance and full Batta drawn by Officers
1802. Full batta drawn by Officers of European Corps in all situations, except in the Garrisons of Fort William and Allahabad.
their difference of pay, where they are entitled to an allowance under that denomination, and, where they are not, from their Batta.
from the allowances severally made to them by the company for stationery and repairs of arms.
an Office tent.
of 1 rupee per day granted to Assistant Surgeons.

APPENDIX No. 23.

Handed in by Major-General Sir E. Collen, K.C.I.E.

(With reference to Question 5239.)

GOVERNMENT OF INDIA.

Accounts Branch, Military Department, Simla, 9th April 1894.

Comparative tables showing the pay and allowances of officers of all ranks from Second-Lieutenant to Lieutenant-Colonel of the following services at home and in India :—

Infantry of the Line.
Cavalry of the Line.
Royal Artillery (Field and Garrison).
Royal Engineers.

J. A. MILEY, Lieut.-Col.,
Accountant-General, Military Department.

A.

STATEMENT comparing the ENGLISH with the INDIAN Pay and Allowances (converted into sterling) of CAVALRY, ROYAL ARTILLERY (Garrison and Field) and INFANTRY OFFICERS.

(For details *see* Statements C. to H.)

Military Rank.	Cavalry.		Royal Artillery (Garrison).		Royal Artillery (Field).		Infantry.	
	English Pay and Allowances per annum as per Statement attached.	Indian Pay and Allowances per annum including Exchange Compensation Allowance.	English Pay and Allowances per annum as per Statement attached.	Indian Pay and Allowances per annum including Exchange Compensation Allowance.	English Pay and Allowances per annum as per Statement attached.	Indian Pay and Allowances per annum including Exchange Compensation Allowance.	English Pay and Allowances per annum as per Statement attached.	Indian Pay and Allowances per annum including Exchange Compensation Allowance.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
2nd Lieutenant -	165 10 3	255 19 6	182 5 0	212 9 3	145 15 0	201 15 9	139 13 3	170 1 6
Lieutenant - - -	279 1 6	301 15 9	205 1 2	256 9 0	168 11 2	245 15 6	162 9 6	215 4 9
Lieutenant, after seven years' service as such.	279 1 6	301 15 9	223 6 2	256 9 0	186 16 2	245 15 6	180 14 6	215 4 9
Captain - -	425 1 6	465 7 6	314 11 2	400 9 9	259 16 2	395 18 3	259 16 2	348 7 9
Captain having higher rank by brevet.	461 11 6	465 7 6	351 1 2	400 9 9	296 6 2	395 18 3	296 6 2	348 7 9
Major under two years' service as such.	482 12 3	625 7 9	476 10 7	718 7 3	412 13 0	682 10 6	368 11 0	537 10 9
Major after two years' service as such.	519 2 3	770 7 6	476 10 7	718 7 3	412 13 0	682 10 6	412 13 0	659 13 3
Lieutenant-Colonel -	667 2 9	961 5 9	606 6 0	947 7 9	515 1 0	863 10 3	515 1 0	863 10 3

B.

STATEMENT comparing the ENGLISH with the INDIAN PAY and ALLOWANCES (converted into sterling) of ROYAL ENGINEER OFFICERS.

(For details *see* Statements I. to N.)

Military Rank.	English Pay and Allowances per annum.	Indian Pay and Allowances, including Exchange Compensation Allowances drawn by Graded Officers employed in the Military Works Department, converted into Sterling.		
		Number in each Grade.	Departmental Grades or Position in Sappers and Miners usually held by each rank.	Amount for each.
	£ s. d.			£ s. d.
2nd Lieutenant	*242 19 10	—	Attached Officer	224 12 10
		1	Assistant Engineer, 2nd grade, on Staff and Military pay	346 13 4
		11	Assistant Engineers, 2nd grade, on Staff and Military pay	390 12 11¼
		40	Assistant Engineers, 1st grade, on Staff and Military pay	474 10 5¼
Lieutenant	*265 16 1	—	Executive Engineers, 4th grade, on Staff and Military pay	516 9 2½
		9	†Company Commanders, Sappers and Miners	424 7 11⅓
		22	†Company Officers, Sappers and Miners	316 16 9
		3	Adjutants, Sappers and Miners	432 11 8½
Lieutenant (after 7 years' service as such).	*284 1 1	—	As above.	
Captain	*393 11 1	4	Assistant Engineers, 1st grade, on Staff and Military pay	578 14 9
		7	Executive Engineers, 4th grade, on Staff and Military pay	657 5 3¼
		13	Executive Engineers, 3rd grade, on Staff and Military pay	741 2 9¼
			Average	736 5 2⅓
		2	Executive Engineers, 3rd grade, on consolidated pay	704 11 0
		3	Executive Engineers, 2nd grade, on Staff and Military pay	783 1 6¼
			Average	784 8 3½
		1	Executive Engineers, 2nd grade, on consolidated pay	788 8 6
		13	†Company Commanders, Sappers and Miners	565 0 1⅔
		1	Superintendent of Instruction, Sappers and Miners	573 7 10¾
Major	613 7 10½	2	Executive Engineers, 3rd grade, on Staff and Military pay	824 3 6¼
		9	Executive Engineers, 2nd grade, on Staff and Military pay	908 1 0¼
			Average	899 13 3½
		1	Executive Engineers, 2nd grade, on consolidated pay	824 3 6¼
		7	Executive Engineers, 1st grade, on Staff and Military pay	1,040 15 9
			Average	1,007 15 4
		4	Executive Engineers, 1st grade, on consolidated pay	949 19 9¼
		4	Superintendents of Park, Park and Train and Instruction, Sappers and Miners.	747 4 6
		2	Commandants, Sappers and Miners, Bengal and Madras	1,124 13 3
		1	Commandant, Sappers and Miners, Bombay	1,040 15 9
Lieutenant-Colonel.	898 5 10½	1	Executive Engineer, 2nd grade, on Staff and Military pay	959 2 2½
		1	Executive Engineer, 1st grade, on consolidated pay	1,001 0 11⅓
		1	Superintending Engineer, 3rd class, on Staff and Military pay.	1,336 10 11½
		1	Superintending Engineer, 2nd class, on consolidated pay	1,336 10 11½
			Average	1,403 2 6
		1	Superintending Engineer, 2nd class, on Staff and Military pay.	1,469 13 11¾
		3	Superintending Engineers, 1st class, on consolidated pay	1,546 4 8⅓
		1	Chief Engineer, 3rd class, an Staff and Military pay	1,679 7 8¾
Colonel on the Staff.	1,216 2 10½	1	Superintending Engineer, 3rd class, on Staff and Military pay.	1,336 10 11½
		1	Chief Engineer, 2nd class, on Staff and Military pay	1,847 2 8¾
		1	Chief Engineer, 1st class, on consolidated pay	2,301 2 2½

* These officers, if obliged to be mounted, draw in addition for the year—

	£ s. d.
For one extra servant	18 5 0
Forage allowance	48 13 4
Stabling allowance	
Stable lighting	2 10 8
	69 9 0

† These officers draw additional Staff pay in certain cases, *vide* Statements J. and K.

C.

Second Lieutenant.

Rate of Indian Pay and Allowances.

—	Cavalry.	Royal Artillery (Garrison).	Royal Artillery (Field).	Infantry.
Monthly rate of Indian pay and allowances.	250 10 4	213 5 0	213 5 0	202 12 5
Armament pay per mensem.	—	40 0 0	—	—
Horse allowance per mensem.	60 0 0	—	30 0 0	—
(*a*) Exchange compensation allowance on 1 and 2 above at 10 per cent.	25 1 0	25 5 3	21 5 3	20 4 5
Total monthly in Indian currency, Rs.	335 11 4	278 10 3	264 10 3	223 0 10
Total monthly in English currency at 1*s.* 3¼*d.* the rupee, £.	21 6 7½	17 14 1½	16 16 3¾	14 3 5½
Total yearly in English currency at 1*s.* 3¼*d.* the rupee, £.	255 19 6	212 9 3	201 15 9	170 1 6

Rate of English Pay and Allowances.

	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
Regimental pay per diem.	0 6 8	0 5 7	0 5 7	0 5 3
Armament pay per diem	—	0 2 0	—	—
(*b*) Lodging allowance per diem.	0 2 0	0 2 0	0 2 0	0 2 0
Servants' allowance per diem.	—	—	—	—
Forage allowance per diem.	—	—	—	—
Stable allowance per diem.	—	—	—	—
(*c*) Fuel and light allowance per diem.	0 0 4⅝	0 0 4⅝	0 0 4⅝	0 0 4⅝
Lighting stables per diem.	—	—	—	—
Total per diem -	0 9 0⅝	0 9 11⅝	0 7 11⅝	0 7 7⅝
Total for one month at 30 5/12 days per mensem.	13 15 10½	15 3 9	12 2 11	11 12 9½
Total for one year -	165 10 3	182 5 0	145 15 0	139 13 3

(*a*) The average rate for 1893–94 was 9·11 per cent. and the rate for the first quarter of 1894–95 is 12½ per cent. For purposes of this statement the rate of 10 per cent. has been taken.

(*b*) When public quarters are not available (paragraph 250, Allowance Regulations).

(*c*) Paragraphs 73 and 217, Allowances Regulations.

D.

Lieutenant.

Rate of Indian Pay and Allowances.

—	Cavalry.	Royal Artillery (Garrison).	Royal Artillery (Field).	Infantry.
Monthly rate of Indian pay and allowances.	305 4 0	265 12 0	265 12 0	256 10 0
Armament pay per mensem.	—	40 0 0	—	—
Horse allowance per mensem.	60 0 0	—	30 0 0	—
(*a*) Exchange compensation allowance at 10 per cent.	30 8 5	30 9 2	26 9 2	25 10 7
Total monthly in Indian currency, Rs.	395 12 5	336 5 2	322 5 2	282 4 7
Total monthly in English currency at 1*s.* 3¼*d.* the rupee, £.	25 2 11¾	21 7 5	20 9 7½	17 18 8¾
Total yearly in English currency at 1*s.* 3¼*d.* the rupee, £.	301 15 9	256 9 0	245 15 6	215 4 9

Rate of English Pay and Allowances.

	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
(*b*) Regimental pay per diem.	0 7 8	0 6 10	0 6 10	0 6 6
Armament pay per diem.	—	0 2 0	—	—
(*c*) Lodging allowance per diem.	0 2 0	0 2 0	0 2 0	0 2 0
(*d*) Servants' allowance per diem.	—	—	—	—
(*e*) Forage allowance per diem.	0 3 10	—	—	—
(*f*) Stable allowance per diem.	0 1 3	—	—	—
(*g*) Fuel and light allowance per diem.	0 0 4⅝	0 0 4⅝	0 0 4⅝	0 0 4⅝
(*h*) Lighting stables per diem.	0 0 1¾	—	—	—
Total per diem -	0 15 3½	0 11 2⅝	0 9 2⅛	0 8 10⅝
Total for one month at 30 5/12 days per month.	23 5 1½	17 1 9½	14 0 11½	13 10 9½
Total for one year	279 1 6	205 1 2	168 11 2	162 9 6

(*a*) The average rate for 1893–94 was 9·11 per cent. and the rate for the first quarter of 1894–95 is 12½ per cent. For purposes of this statement the rate of 10 per cent. has been taken.

(*b*) A lieutenant of artillery and infantry receives an additional shilling a day after seven years' service as such, or 18*l.* 5*s.* 0*d.* per annum.

(*c*) When public quarters are not available (paragraph 250, Allowance Regulations).

(*d*) Officers of cavalry, artillery, and infantry employed regimentally are not allowed servants' allowance (paragraph 493, Allowance Regulations).

(*e*) The horses of officers of mounted corps receive free supplies of forage, but the money allowance is taken here for purposes of comparison (paragraphs 109, 110, 149, Allowance Regulations).

(*f*) When public stables are not available (paragraph 273—A, Allowance Regulations).

(*g*) (Paragraphs 173 and 217, Allowance Regulations).

(*h*) (Paragraph 219, Allowance Regulations).

E.

Captain.

Rate of Indian Pay and Allowances.

—	Cavalry.	Royal Artillery (Garrison).	Royal Artillery (Field).	Infantry.
Monthly rate of pay and allowances.	473 0 4	417 7 8	417 7 8	415 6 0
Armament pay per mensem.	—	60 0 0	—	—
Horse allowance per mensem.	90 0 0	—	60 0 0	—
(*a*) Exchange compensation allowance on 1 and 2 above at 10 per cent.	47 4 10	47 12 0	41 12 0	41 8 7
Total monthly in Indian currency, Rs.	610 5 2	525 3 8	519 3 8	456 14 7
Total monthly in English currency at 1*s.* 3½*d.* the rupee, £.	38 15 7½	33 7 5½	32 19 10½	29 0 7½
Total yearly in English currency at 1*s.* 3½*d.* the rupee, £.	465 7 6	400 9 9	395 18 3	348 7 9

Rate of English Pay and Allowances.

	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
(*b*) Regimental pay per diem.	0 13 0	0 11 7	0 11 7	0 11 7
Armament pay per diem.	—	0 3 0	—	—
(*c*) Lodging allowance per diem.	0 2 3	0 2 3	0 2 3	0 2 3
(*d*) Servants' allowance per diem.	—	—	—	—
(*e*) Forage allowance per diem.	0 5 9	—	—	—
(*f*) Stable allowance per diem.	0 1 9	—	—	—
(*g*) Fuel and light allowance, average per diem.	0 0 4⅝	0 0 4⅝	0 0 4⅝	0 0 4⅝
(*h*) Lighting stables per diem.	0 0 1⅜	—	—	—
Total per diem -	1 3 3½	0 17 2½	0 14 2⅝	0 14 2⅝
Total for one month at 30$\frac{5}{12}$ days per month.	35 8 5½	26 4 3½	21 13 0½	21 13 0⅝
Total for one year -	425 1 6	314 11 2	259 16 2	259 16 2

(*a*) The average rate for 1893-94 was 9·11 per cent. and the rate for the first quarter of 1894-95 is 12$\frac{1}{12}$ per cent. For purposes of this statement the rate of 10 per cent. has been taken.

(*b*) Captains of cavalry, artillery, and infantry having higher rank by brevet receive two shillings a day additional pay, or 36*l.* 10*s.* 0*d.* per annum.

(*c*) When public quarters are not available (paragraph 250, Allowance Regulations, 1893).

(*d*) Officers of cavalry, artillery, and infantry employed regimentally are not allowed servants' allowance (paragraph 493, Allowance Regulations).

(*e*) The present average rate per horse in England is 1*s.* 11*d.* (Army Orders 9 of 1894). The horses of officers of mounted corps receive free supplies of forage, but the money allowance is taken here for purposes of comparison (paragraph 149, Allowance Regulations).

(*f*) When public stables are not available (paragraph 273—A, Allowance Regulations).

(*g*) Paragraphs 173 and 217, Allowance Regulations.

(*h*) Paragraph 219, Allowance Regulations.

F.

Major under Two Years' Service as such.

Rate of Indian Pay and Allowances.

—	Cavalry.	Royal Artillery (Garrison).	Royal Artillery (Field).	Infantry.
Monthly rate of Indian Pay and Allowances.	691 1 0	759 3 0	759 3 0	640 14 0
Armament pay per mensem.	—	70 0 0	—	—
Horse allowance per mensem.	60 0 0	30 0 0	60 0 0	—
(*a*) Exchange compensation allowance on 1 and 2 above 10 per cent.	69 1 8	82 14 8	75 14 8	64 1 5
Total monthly in Indian currency, Rs.	820 2 8	912 1 8	895 1 3	704 15 5
Total monthly in English currency at 1*s.* 3½*d.* the rupee, £.	52 2 3¾	59 17 3¾	56 17 6¾	44 15 10¾
Total yearly in English currency at 1*s.* 3*d.* the rupee, £.	625 7 9	718 7 3	682 10 6	537 10 9

Rate of English Pay and Allowances.

	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
Regimental pay per diem	0 15 0	0 16 0	0 16 0	0 13 7
Armament pay per diem	—	0 3 6	—	—
(*b*) Lodging allowance per diem.	0 3 0	0 3 0	0 3 0	0 3 0
(*c*) Servants' allowance per diem.	—	—	—	—
(*d*) Forage allowance per diem.	0 5 9	0 1 11	0 1 11	0 1 11
(*e*) Stable allowance per diem.	0 1 9	0 0 9	0 0 9	0 0 9
(*f*) Fuel and light allowance, average per diem.	0 0 9⅝	0 0 9⅝	0 0 9⅝	0 0 9⅝
(*g*) Lighting stables per diem.	0 0 1⅜	0 0 1⅜	0 0 1⅜	0 0 1⅜
Total per diem -	1 6 5½	1 6 1½	1 2 7½	1 0 2½
Total for one month at 30$\frac{5}{12}$ days per month.	40 4 4¾	39 14 2⅝	34 7 9	30 14 8
Total for one year -	482 12 3	476 10 7	412 13 0	368 11 0

(*a*) The average rate for 1893-94 was 9·11 per cent., and the rate for first quarter of 1894-95 is 12$\frac{1}{12}$ per cent. For purposes of this statement the rate of 10 per cent. has been taken.

(*b*) When public quarters are not available. (Paragraphs 250, Allowance Regulations, 1893).

(*c*) Officers of Cavalry, Artillery, and Infantry employed regimentally are not allowed servants' allowance (paragraph 493, Allowance Regulations).

(*d*) The horses of officers of mounted corps (Cavalry, Field, Artillery) receive free supplies of forage, but the money allowance is taken for purposes of comparison (paragraph 149, Allowance Regulations). The present average rate per horse in England of forage money is 1*s.* 11*d.* a day (Army Orders 9 of 1894).

(*e*) When public stables are not available (paragraphs 273—A, Allowance Regulations).

(*f*) Paragraphs 173 and 217, Allowance Regulations.

(*g*) Paragraph 219, Allowance Regulations.

G

Major after Two Years' Service as such.

Rate of Indian Pay and Allowances.

—	Cavalry.	Royal Artillery (Garrison).	Royal Artillery (Field).	Infantry.
Monthly rate of pay and Indian allowances.	809 6 4	759 3 0	759 3 0	759 3 0
Armament pay per mensem.	—	70 0 0	—	—
Horse allowance per mensem.	120 0 0	30 0 0	60 0 0	30 0 0
(*a*) Exchange compensation allowance on 1 and 2 above at 10 per cent.	80 15 0	82 14 8	75 14 8	75 14 8
Total monthly in Indian currency, Rs.	1,010 5 4	942 1 8	895 1 8	865 1 8
Total monthly in English currency at 1*s.* 3½*d.* the rupee, £.	64 3 11½	59 17 3¾	56 17 6½	54 19 5¼
Total yearly in English currency at 1*s.* 3½*d.* the rupee, £.	770 7 6	718 7 3	682 10 6	659 13 3

Rate of English Pay and Allowances.

	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
Regimental pay per diem	0 17 0	0 16 0	0 16 0	0 16 0
Armament pay per diem	—	0 3 6	—	—
(*b*) Lodging allowance per diem.	0 3 0	0 3 0	0 3 0	0 3 0
(*c*) Servants' allowance per diem.	—	—	—	—
(*d*) Forage allowance per diem.	0 5 9	0 1 11	0 1 11	0 1 11
(*e*) Stable allowance per diem.	0 1 9	0 0 9	0 0 9	0 0 9
(*f*) Fuel and light allowance, average per diem.	0 0 9⅓	0 0 9⅓	0 0 9⅓	0 0 9⅓
(*g*) Lighting stable per diem.	0 0 1⅓	0 0 1⅓	0 0 1⅓	0 0 1⅓
Total per diem -	1 8 5⅓	1 6 1⅓	1 2 7⅓	1 2 7⅓
Total for one month at 30$\frac{5}{12}$ days per month.	43 5 2⅔	39 14 2⅔	34 7 9	34 7 9
Total for one year - -	519 2 3	476 10 7	412 13 0	412 13 0

(*a*) The average rate for 1893-94 was 9·11 per cent., and the rate for the first quarter of 1894-95 is 12$\frac{1}{12}$ per cent. For purposes of this statement the rate of 10 per cent. has been taken.

(*b*) When public quarters are not available (paragraph 250, Allowance Regulations, 1893).

(*c*) Officers of Cavalry, Artillery, and Infantry employed regimentally are not allowed servants' allowance (paragraph 493, Allowance Regulations).

(*d*) The horses of officers of mounted corps receive free supplies of forage, but the money allowance is taken for purposes of comparison (paragraph 149, Allowance Regulations). The present average rate per horse in England of forage money is 1*s.* 11*d.* a day (Army Orders 9 of 1894).

(*e*) When public stables are not available (paragraph 273—A, Allowance Regulations).

(*f*) Paragraphs 173 and 217, Allowance Regulations.

(*g*) Paragraph 219, Allowance Regulations.

H.

Lieutenant-Colonel.

Rate of Indian Pay and Allowances.

—	Cavalry.	Royal Artillery (Garrison).	Royal Artillery (Field).	Infantry.
Monthly rate of Indian pay and allowances.	1,037 0 0	1,002 4 0	1,002 4 0	1,002 4 0
Armament pay per mensem.	—	100 0 0	—	—
Horse allowance per mensem.	120 0 0	30 0 0	30 0 0	30 0 0
(*a*) Exchange compensation allowance on 1 and 2 above at 10 per cent.	103 11 2	110 3 7	100 3 7	100 3 7
Total monthly in Indian currency, Rs.	1,260 11 2	1,242 7 7	1,132 7 7	1,132 7 7
Total monthly in English currency at 1*s.* 3½*d.* the rupee, £.	80 2 1½	78 18 11½	71 19 2¼	71 19 2¼
Total yearly in English currency at 1*s.* 3½*d.* the rupee, £.	961 5 9	947 7 9	863 10 3	863 10 3

Rate of English Pay and Allowances.

	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*
Regimental pay per diem.	1 1 6	0 18 0	0 18 0	0 18 0
Armament pay per diem.	—	5 0	—	—
(*b*) Lodging allowance per diem.	0 4 0	0 4 0	0 4 0	0 4 0
(*c*) Servants' allowance per diem.	—	—	—	—
(*d*) Forage allowance per diem.	0 7 8	0 3 10	0 3 10	0 3 10
(*e*) Stable allowance per diem.	0 2 3	0 1 3	0 1 3	0 1 3
(*f*) Fuel and light allowance, average per diem.	0 1 0	0 1 0	0 1 0	0 1 0
(*g*) Lighting stables per diem.	0 0 1⅔	0 0 1⅔	0 0 1⅔	0 0 1⅔
Total per diem -	1 16 6⅓	1 13 2⅔	1 8 2⅔	1 8 2⅔
Total for one month at 30$\frac{5}{12}$ days per month.	55 11 10⅓	50 10 6	42 18 5	42 18 5
Total for one year -	667 2 9	606 6 0	515 1 0	515 1 0

(*a*) The average rate for 1893-94 was 9·11 per cent. and the rate for the first quarter of 1894-95 is 12$\frac{1}{12}$ per cent. For purposes of this statement the rate of 10 per cent. has been taken.

(*b*) When public quarters are not available (paragraph 250, Allowance Regulations, 1893).

(*c*) Officers of Cavalry, Artillery, and Infantry employed regimentally are not allowed servants' allowance (paragraph 493, Allowance Regulations).

(*d*) The horses of officers of mounted corps receive free supplies of forage, but the money allowance is taken for purposes of comparison (paragraph 149, Allowance Regulations). The present average rate per horse in England of forage money is 1*s.* 11*d.* a day (Army Order 9 of 1894).

(*e*) When public stables are not available (paragraph 273—A, Allowance Regulations).

(*f*) Paragraphs 173 and 217, Allowance Regulations.

(*g*) Paragraph 219, Allowance Regulations.

I.

SECOND LIEUTENANT, R.E.

Statement of Pay and Allowances.

Rate of Indian Pay and Allowances.

Actual Number in each Grade.	Departmental Rank.	Monthly Rate of Indian Pay.	Yearly Rate of Indian Pay.	Yearly Indian Pay converted into sterling at 1*s.* 3¼*d.* per Rupee (Rate for 1894–95).	Exchange Compensation Allowance at 10 per cent.		Total of Yearly Pay and Exchange compensation Allowance in sterling.
					In Indian Currency.	In sterling converted at 1*s.* 3¼*d.* per Rupee (Rate for 1894–95).	
		Rs. a. p.	Rs. a. p.	£ *s.* *d.*	Rs. a. p.	£ *s.* *d.*	£ *s.* *d.*
(*a*)	Assistant Engineer, 2nd grade, on Staff and Military pay.	413 5 0	4,959 12 0	315 3 0	495 15 7	31 10 4	346 13 4
(*b*)	Attached Officer, Military pay and Sapper allowance.	213 5 0 (*c*)60 0 0	2,559 12 0 720 0 0	162 13 0¼ 45 15 0	255 9 7 --	16 4 9¾ —	224 12 10

(*a*) Only one attached officer, a 2nd Lieutenant, is holding temporary rank in this grade.
(*b*) The pay and allowances of attached officers are audited by Pay Examiners.
(*c*) Sapper allowance, on which exchange compensation allowance is not allowed.

Rate of English Pay and Allowances.

Particulars.	Amount.
	£ *s.* *d.*
Regimental pay	0 5 7
Engineer pay	0 4 0
Lodging allowance	0 2 0
Servants' allowance for one servant	0 1 0
Forage allowance	—
Stable allowance	—
Total per diem	0 12 7
Total per annum	229 12 11
Fuel and light per annum	7 6 11
Lighting stables per annum	—
Messing allowance per annum	6 0 0
Grand Total of English pay and allowances per annum	242 19 10

These officers, if obliged to be mounted, draw in addition for the year—

	£ *s.* *d.*
For one extra servant	18 5 0
Forage allowance	48 13 4
Stabling allowance	
Stable lighting	2 10 8
	£69 9 0

J.

LIEUTENANT OF ROYAL ENGINEERS.

Statement of Pay and Allowances.

Rate of Indian Pay and Allowances.

Actual Number in each Grade.	Departmental Rank.	Monthly Rate of Indian Pay.	Yearly Rate of Indian Pay.	Yearly Indian Pay, converted into sterling, at 1s. 3¼d. per Rupee (rate for 1894–95).	Exchange Compensation Allowance at 10 per cent.		Total of Yearly Pay and Exchange Compensation Allowance in sterling.
					In Indian Currency.	In sterling, converted at 1s. 3¼d. per Rupee (rate for 1894–95).	
		Rs. a. p.	Rs. a. p.	£ s. d.	Rs. a. p.	£ s. d.	£ s. d.
(a.)	Executive Engineer, 4th grade, on Staff, plus Military pay.	615 12 0	7,389 0 0	469 10 2¼	738 14 5	46 19 0	516 9 2¼
40	Assistant Engineers, 1st grade, on Staff, plus Military pay.	565 12 0	6,789 0 0	431 7 8¼	678 14 5	43 2 9	474 10 5¼
11	Assistant Engineers, 2nd grade, on Staff, plus Military pay.	465 12 0	5,589 0 0	355 2 8¼	558 14 5	35 10 3	390 12 11¼
9	*Company Commanders, Sappers and Miners.	505 12 0	6,069 0 0	385 12 8¼	606 14 5	38 11 3¼	424 7 11½
22	*Company Officers, Sappers and Miners.	377 12 0	4,533 0 0	288 0 8¼	453 4 10	28 16 0¾	316 16 9
3	Adjutants, Sappers and Miners	515 12 0	6,189 0 0	393 5 2¼	618 14 5	39 6 6¼	432 11 8½

(a.) 11 Lieutenants are holding temporary rank in this grade.

* Company Commanders and Company Officers of the Burma Company of Sappers and Miners draw an extra Staff Pay of Rs. 100 per mensem. This plus exchange compensation allowance amounts to Rs. 1,320, or £83. 17s. 6d. per annum.

An additional Staff pay of Rs. 50 per mensem is granted to the Subaltern Officer performing the duties of Quartermaster in each corps of Sappers and Miners. This sum, plus exchange compensation allowance, amounts to £41 18s. 9d. per annum.

Rate of English Pay and Allowances.

Particulars.	Amount.
	£ s. d.
Regimental pay	0 6 10
Engineer pay	0 4 0
Lodging allowance	0 2 0
Servants' allowance for one servant	0 1 0
Forage allowance	—
Stable allowance	—
Total per diem	0 13 10
Total per annum	252 9 2
Fuel and light per annum	7 6 11
Lighting stables per annum	—
Messing allowance per annum	6 0 0
Grand Total of English pay and allowances per annum	265 16 1
Add for Lieutenants over 7 years, 1s. per diem, *i.e.*, £18 5s. 0d. per annum	284 1 1

These officers, if obliged to be mounted, draw in addition for the year—

	£ s. d.
For one extra servant	18 5 0
Forage allowance	48 13 4
Stabling allowance	
Stable lighting	2 10 8
	£69 9 0

K.

Captain of Royal Engineers.

Statement of Pay and Allowances.

Rate of Indian Pay and Allowances.

Actual Number in each Grade.	Departmental Rank.	Monthly Rate of Indian Pay.	Yearly Rate of Indian Pay.	Yearly Indian Pay, converted into sterling, at 1*s.* 3¼*d.* per Rupee (Rate for 1894–95).	Exchange Compensation Allowance at 10 per cent.		Total of Yearly Pay and Exchange Compensation Allowance in sterling.
					In Indian Currency.	In sterling, converted at 1*s.* 3¼*d.* per Rupee (Rate for 1894–95).	
		Rs. a. p.	Rs. a. p.	£ *s.* *d.*	Rs. a. p.	£ *s.* *d.*	£ *s.* *d.*
1	Executive Engineer, 2nd grade, on consolidated pay.	940 0 0	11,280 0 0	716 15 0	1,128 0 0	71 13 6	788 8 6
	Average or mean - -	935 3 6	11,222 10 0	713 2 1	1,122 4 2	71 6 2½	784 8 3½
3	Executive Engineers, 2nd grade, on Staff and Military pay.	933 10 0	11,203 8 0	711 17 9¼	1,120 5 7	71 3 9	783 1 6¼
2	Executive Engineers, 3rd grade, on consolidated pay.	840 0 0	10,080 0 0	640 10 0	1,008 0 0	64 1 0	704 11 0
	Average or mean - -	877 12 11	10,533 11 0	669 6 6½	1,053 5 11	66 18 8	736 5 2½
13	Executive Engineers, 3rd grade, on Staff and Military pay.	883 10 0	10,683 8 0	673 15 3¼	1,060 5 7	67 7 6	741 2 9¼
7	Executive Engineers, 4th grade, on Staff and Military pay.	783 10 0	9,403 8 0	597 10 3¼	940 5 7	59 15 0	657 5 3¼
4	Assistant Engineers, 1st grade, on Staff and Military pay.	690 0 0	8,280 0 0	526 2 6	828 0 0	52 12 3	578 14 9
13	*Company Commanders, Sappers and Miners.	673 10 0	8,083 8 0	513 12 9½	808 6 5	51 7 4½	565 0 1¾
1	Superintendent of Instruction, Sappers and Miners.	683 10 0	8,203 8 0	521 5 3½	820 6 5	52 2 7¼	573 7 10¾

* Company Commanders of the Burma Company of Sappers and Miners draw an extra Staff pay of Rs. 100 per mensem. This plus exchange compensation allowance amounts to Rs. 1,320, or £83 17*s.* 6*d.* per annum.

Rate of English Pay and Allowances.

Particulars.	Amount.
	£ *s.* *d.*
Regimental Pay - - - - - - - - -	0 11 7
Engineer pay - - - - - - - -	0 6 0
Lodging allowance - - - - - - - -	0 2 3
Servants' allowance for one servant - - - - -	0 1 0
Forage allowance - - - - - -	—
Stable allowance - - - - - - -	—
Total per diem - -	1 0 10
Total per annum - -	380 4 2
Fuel and light per annum - - - - - -	7 6 11
Lighting stables per annum - - - - - -	—
Messing allowance - - - - - - - -	6 0 0
Grand Total of English pay and allowances per annum - -	393 11 1

These officers, if obliged to be mounted, draw in addition for the year—

	£ *s.* *d.*
For one extra servant - - - -	18 5 0
Forage allowance - - - - - - -	48 13 4
Stabling allowance - - - - - - -	
Stable lighting - - - - - - - -	2 10 8
	£69 9 0

L.

Major of Royal Engineers.

Statement of Pay and Allowances.

Rate of Indian Pay and Allowances.

Actual Number in each Grade.	Departmental Rank.	Monthly Rate of Indian Pay.	Yearly Rate of Indian Pay.	Yearly Indian Pay converted into sterling at 1s. 3¼d. per Rupee (Rate for 1894–95).	Exchange Compensation Allowance at 10 per cent.		Total of Yearly Pay and Exchange Compensation Allowance in sterling.
					In Indian Currency.	In sterling converted at 1s. 3¼d. per Rupee (Rate for 1894–95).	
		Rs. a. p.	Rs. a. p.	£ s. d.	Rs. a. p.	£ s. d.	£ s. d.
4	Executive Engineers, 1st grade, on consolidated pay.	1,132 10 0	13,591 8 0	863 12 6¼	1,359 2 5	86 7 3	949 19 9¼
	Average or mean - -	1,201 8 2	14,418 2 0	916 3 0¼	1,441 13 0	91 12 3¼	1,007 15 4
7	Executive Engineers, 1st grade, on Staff plus military pay.	1,240 14 0	14,890 8 0	946 3 4	1,489 0 9	94 12 4	1,040 15 9
1	Executive Engineer, 2nd grade, on consolidated pay.	982 10 0	11,791 8 0	749 5 0¼	1,179 2 5	74 18 6	824 3 6¼
	Average or mean - -	1,072 10 0	12,871 8 0	817 17 6¼	1,287 2 5	81 15 9	899 13 3¼
9	Executive Engineers, 2nd grade, on Staff plus military pay.	1,082 10 0	12,991 8 0	825 10 0¼	1,299 2 5	82 11 0	908 1 0¼
2	Executive Engineers, 3rd grade, on Staff plus military pay.	982 10 0	11,791 8 0	749 5 0¼	1,179 2 5	74 18 6	824 3 6¼
4	Superintendents of Park, Park and Train and Instruction, Sappers and Miners.	890 14 0	10,690 8 0	679 5 10¼	1,069 1 7	67 18 7¾	747 4 6
2	Commandants, Sappers and Miners, Bengal and Madras.	1,340 14 0	16,090 8 0	1,022 8 4¼	1,609 1 7	102 4 10¾	1,124 13 3
1	Commandant, Sappers and Miners, Bombay.	1,240 14 0	14,890 8 0	946 3 4¼	1,489 1 7	94 12 4¾	1,040 15 9

Rate of English Pay and Allowances.

Particulars.	Amount.
	£ s. d.
Regimental pay - - - - - -	0 16 0
Engineer pay - - - - - -	0 9 0
Lodging allowance - - - - - -	0 3 0
Servants' allowance for two servants - - - -	0 2 0
Forage allowance for one horse - - - - -	0 1 11
Stable allowance - - - - - -	0 0 9
Total per diem - - -	1 12 8
Total per annum - - -	596 3 4
Fuel and light per annum - - - - -	14 13 10½
Lighting stables per annum - - - - -	2 10 8
Messing allowance per annum - - - -	—
Grand Total of English pay and allowances per annum	613 7 10½

M.

LIEUTENANT-COLONEL, R.E.

(Of less than Five Years' Service as Lieutenant-Colonel.)

Statement of Pay and Allowances.

Rate of Indian Pay and Allowances.

Actual Number in each Grade.	Departmental Rank.	Monthly Rate of Indian Pay.	Yearly Rate of Indian Pay.	Yearly Indian Pay converted into sterling at 1*s.* 3¼*d.* per Rupee (Rate for 1894–95).	Exchange Compensation Allowance at 10 per cent.		Total of Yearly Pay and Exchange Compensation Allowance in sterling.
					In Indian Currency.	In sterling converted at 1*s.* 3¼*d.* per Rupee (rate for 1894–95).	
		Rs. a. p.	Rs. a. p.	£ *s.* *d.*	Rs. a. p.	£ *s.* *d.*	£ *s.* *d.*
1	Chief Engineer, 3rd class, on Staff plus military pay.	2,002 4 0	24,027 0 0	1,526 14 3¾	2,402 11 2	152 13 5	1,679 7 8¾
3	Superintending Engineers, 1st class, on consolidated pay.	1,843 8 0	22,122 0 0	1,405 13 4½	2,212 3 2	140 11 4	1,546 4 8½
1	Superintending Engineer, 2nd class, on Staff plus military pay.	1,752 4 0	21,027 0 0	1,336 1 9¾	2,102 11 2	133 12 2	1,469 13 11¾
	Average or mean - -	1,672 14 0	20,074 8 0	1,275 11 4	2,007 7 2	127 11 2	1,403 2 6
1	Superintending Engineer, 2nd class, on consolidated pay.	1,593 8 0	19,122 0 0	1,215 0 10½	1,912 3 2	121 10 1	1,336 10 11½
1	Superintending Engineer, 3rd class, on Staff plus military pay.	1,593 8 0	19,122 0 0	1,215 0 10½	1,912 3 2	121 10 1	1,336 10 11½
1	Executive Engineer, 1st grade, on consolidated pay.	1,193 8 0	14,322 0 0	910 0 10½	1,432 3 2	91 0 1	1,001 0 11½
1	Executive Engineer, 2nd grade, on Staff plus military pay.	1,143 8 0	13,722 0 0	871 18 4½	1,372 3 2	87 3 10	959 2 2½

Rate of English Pay and Allowances.

Particulars.	Amount.
	£ *s.* *d.*
Regimental pay - - - - - -	0 18 0
Engineer pay - - - - - -	0 14 0
Command pay* - - - - - -	0 3 0
Lodging allowance - - - - - -	0 4 0
Servants' allowance for two servants - - - -	0 2 0
Forage allowance for two horses, at 1*s.* 11*d.* per horse - - -	0 3 10
Stable allowance - - - - -	0 1 3
Total per diem - - -	2 6 1
Total per annum - - -	841 0 5
Fuel and light per annum - - - - -	18 4 9½
Lighting stables per annum - - - - -	2 10 8
Grand Total of English pay and allowances per annum -	861 15 10½
*In certain instances command pay is 5*s.* per diem, see paragraph 195 (*b*) of Pay and Promotion Warrant of 1893, thus increasing the above amount by 2*s.* per diem, or, per annum - - - - - -	36 10 0
Grand Total - - - -	898 5 10½

N.

LIEUTENANT-COLONEL, R.E.

(Re-employed after five years as Colonel on the Staff).

Statement of Pay and Allowances for 1893-94.

Rate of Indian Pay and Allowances.

Actual Number in each Grade.	Departmental Rank.	Monthly Rate of Indian Pay.	Yearly Rate of Indian Pay.	Yearly Indian Pay converted into sterling at 1*s.* 3¼*d.* per Rupee (Rate for 1894-95).	Exchange Compensation Allowance at 10 per cent.		Total of Yearly Pay and Exchange Compensation Allowance in Sterling.
					In Indian Currency.	In sterling converted at 1*s.* 3¼*d.* per Rupee (Rate for 1894-95).	
		Rs. a. p.	Rs. a. p.	£ *s.* *d.*	Rs. a. p.	£ *s.* *d.*	£ *s.* *d.*
1	Chief Engineer, 1st class, on consolidated pay.	2,743 8 0	32,922 0 2	2,091 18 4½	3,292 3 2	209 3 10	2,301 2 2½
1	Chief Engineer, 2nd class, on Staff plus Military pay.	2,202 4 0	26,427 0 0	1,679 4 3¾	2,642 11 2	167 18 5	1,847 2 8¾
1	Superintending Engineer, 3rd class, on Staff plus Military pay.	1,593 8 0	19,122 0 0	1,215 0 10½	1,912 3 2	121 10 1	1,336 10 11½

Rate of English Pay and Allowances.

Particulars.	Amount.
	£ *s.* *d.*
Regimental pay as Colonel on the Staff	2 0 0
Command pay	0 10 0
Lodging allowance	0 5 6
Servants' allowance for two servants	0 2 0
Forage allowance for three horses at 1*s.* 11*d.* per horse	0 5 9
Stable allowance	0 1 9
Total per diem	3 5 0
Total per annum	1,186 5 0
Fuel and light per annum	27 7 2½
Lighting stables per annum	2 10 8
Grand Total of English pay and allowance per annum	1,216 2 10½

O.

ROYAL ENGINEERS.

STATEMENT of PROBABLE SERVICE from DATE of FIRST COMMISSION to attain to the different DEPARTMENTAL GRADES, the NUMBER of YEARS' MILITARY SERVICE of SENIOR and JUNIOR in each GRADE, and the RATES of FURLOUGH, PAY ADMISSIBLE.

Particulars.	Number of Years from Date of First Commission to Date of Appointment to each Grade. (*a*)	Number of Years' Military Service of Senior and Junior Officer of each Grade on 31st December 1893.	Rates of Furlough Allowances per Annum.			Remarks.
			Staff Corps Rules.	Rules of 1868. (*d*)	British Rules.	
	Y. M.	Y. M.	£ *s.* *d.*	£ *s.* *d.*	£ *s.* *d.*	
2nd Lieutenant -	—	—	—	—	101 7 11	
On arrival in India - -	2 6	—	—	—	—	
Lieutenant - -	3 0	—	—	—	—	
Assistant Engineer, 2nd grade, temporary.	3 5	Senior - 4 8 Junior - 2 5	200 0 0	—	124 14 2	
				—	—	
Assistant Engineer, 2nd grade.	4 3	*Senior - 6 5 Junior - 4 5		—	124 14 2	* Has more than five years' service and would get 250*l.* furlough pay under Staff Corps Rules.
On completion of service for Indian pension of—	5 0	—	250 0 0	—	—	
Assistant Engineer, 1st grade.	7 0	Senior - 9 0 Junior - 5 10	—	—	142 19 2†	† On completing seven years' service.
Executive Engineer, 4th grade, temporary.	7 4	Senior - 8 5 Junior - 6 1	—			
(First Tour ends) - -	7 6	—	—	—	—	
Captain - -	9 3	—	—	—	—	
Executive Engineer, 4th grade (having eight years' service in India).	10 9	Senior - 10 11 Junior - 9 1	—	352 12 7	211 7 11	
Executive Engineer, 3rd grade.	13 1	‡Senior - 19 10 Junior - 10 10	—	397 12 7	—	‡ Has more than 15 years' service and his staff Corps furlough pay would be 300*l.*
On completion of service for Indian pension of—	15 0	—	300 0 0	—	—	
Executive Engineer, 2nd grade.	16 2	Senior - 19 4 Junior - 17 4	—	420 2 7	—	
(Third Tour ends and period for election for continuous service.)	17 6	—	—	—	—	
Major - - -	19 0	(At present 20)	—	—	—	
On completion of service for Indian pension of—	20 0	—	450 0 0	—	—	
Executive Engineer, 1st grade.	20 0	§Senior - 25 6 Junior - 22 0	—	558 7 10	292 0 0	§ Have more than 25 years' service and would get 600*l.* under Staff Corps Rules.
Superintending Engineer, 3rd class, temporary.	23 4	§Senior - 25 6 Junior - 23 1	—	603 7 10	—	
On completion of service for Indian pension of—	25 0	—	600 0 0	—	—	
Lieutenant-Colonel -	26 9	—	—	—	—	
Superintending Engineer, 3rd class.	25 0	‖Senior - 33 0 Junior - 26 8	—	(*b*)717 1 6		‖ Have more than 30 years' service and would get 700*l.* under Staff Corps Rules.
Superintendent Engineer, 2nd class.	25 11	‖Senior - 34 0 Junior - 26 5	—	(*b*)788 10 3		
Superintending Engineer, 1st class.	28 4	Senior - 28 9 Junior - 26 8	—	(*b*)811 0 3	(*c*)	
On completion of service of—	30 0	—	700 0 0	—		
Chief Engineer, 3rd class -	31 8	32 0	—	(*b*)901 0 3		
Chief Engineer, 2nd class -	32 6	36 7	—	(*b*)991 0 3		
Chief Engineer, 1st class -	32 9	33 7	—	(*b*)1,000 0 0		

(*a*) The figures in column 2 are the average periods of service in each grade of all the officers at present employed in the department.

(*b*) The rates of furlough pay under the 1868 Rules appearing against Lieutenant-Colonels apply only to the old Indian Engineers.

(*c*) No Lieutenant-Colonels save on the continuous service list and the late Indian Engineers, and therefore British leave rules do not apply to these officers.

(*d*) These figures in this column represent furlough allowances converted at the rate of exchange of 1*s.* 6*d.* the rupee.

OFFICE OF THE EXAMINER OF ACCOUNTS, MILITARY WORKS DEPARTMENT.

COMPARISON of PAY of ROYAL ENGINEER OFFICERS at HOME and in INDIA.

The method of arriving at the British rate may, perhaps, require some explanation. I assume that British pay may be fairly taken to include the money equivalents given in lieu of allowances, when the said allowances are not supplied in kind.

The references given are to the paragraphs of the Pay and Promotion Warrant of 1893, and, in the case of allowances, to the Allowance Regulations of 1893. In the case of certain allowances the money equivalent is not given in the latter volume, but it is stated that these allowances are issuable at contract rates of the various districts or thereabouts. I have, however, in these instances made use of the Allowance Regulations of 1891, which specify the allowances by districts, and for the purposes of comparison I have used those issuable in the south-eastern district, which is about a fair average between the highest and the lowest rates admissible in these cases.

The pay and allowances are as follow:—

1. Regimental pay of rank, and
2. Engineer pay. (*See* Pay and Promotion Warrant, paragraph 178.)
3. Servants' allowance for one servant, or if a mounted officer, for two. (*See* paragraphs 484, 495, Allowance Regulations.)
4. Lodging allowance according to rank if not provided with quarters. (Allowance Regulations, paragraph 252.)
5. *Fuel and Light.*—The money allowance in lieu of this is generally drawn instead of the allowance in kind. The year is divided into a winter and summer season of eight and four months respectively (*see* Allowances Regulation, paragraph 173), and the relative daily rates are given in paragraph 217, Regulations for 1893.
6. Messing allowance is admissible in the case of certain officers, *i.e.*, to all below the rank of major, and I am not quite sure whether it does not apply to this rank also (*see* paragraph 512, Allowance Regulations); but I have omitted the amount from the calculations of pay of majors.
7. When an officer who is required to be mounted is not provided with public stabling, he is entitled to a daily allowance in lieu thereof for each horse. (Allowance Regulations, paragraph 273–A.)
8. In such cases he is also entitled to an allowance for lighting the stable. (Allowance Regulations, paragraph 219.)
9. Forage allowance is also admissible to a mounted officer. The rate for the south-eastern district in 1891 has been taken, *i.e.*, 1*s.* 5*d.** per diem. (Paragraph 149 of Allowance Regulations, 1893.)
10. Although it is not a military allowance, I may note that a very large number of Royal Engineer officers of nearly all ranks (including sometimes senior lieutenants) are employed as inspectors under the Science and Art Department, South Kensington, to superintend examinations. For this work, which may be said to last about a month, they receive 1*l.* a day extra, so it may be held to add in many cases another 20*l.* or 30*l.* to their income.

It will be noted that very few 2nd Lieutenants are graded in Military Works Department. This is only what is to be expected, as they are promoted to the rank of lieutenant after three years' commissioned service, and rarely arrive in India until they have at least two and a half years' service. They are generally "attached" to Military Works until they reach the rank of lieutenant, drawing pay from Military Department until they are graded. The only emolument they receive from Military Works Department is sub-divisional allowance of Rs. 30 per mensem, when they are in actual and entire charge of a sub-division, *i.e.*, Rs. 360 per annum, or 22*l.* 2*s.* 6*d.*

H. CLARKE, Major, R.E.,
Examiner of Accounts, Military Works.
Simla, 7th February, 1896.

The rate of exchange adopted for these tables is that for the current official year, 1894–95, viz., 1*s.* 3$\frac{1}{4}$*d.* the rupee.

2. The average rate of exchange compensation for the year 1893–94 being 9·11 per cent., and the rate for the first quarter of 1894–95 12$\frac{14}{23}$ per cent., an all-round rate of 10 per cent. has been adopted in the preparation of these tables.

3. The rates of pay relating to the officers of the sappers and miners have been included.

J. A. MILEY, Lieut-Col.,
Accountant-General Military Department.
Simla, 9th April 1894.

* *Note by Accounts Branch.*—The rate for 1894 for the Western and Woolwich Districts, viz., 1*s.* 11*d.* per diem, has been taken and the Examiner's figures corrected accordingly.

APPENDIX No. 24.

Details of Charges for Military Pensions.

Paper handed in by Mr. Stephen Jacob.

(With reference to Questions 5520 and 10,401.)

	No.	Charge.	No.	Charge.	No.	Charge.	No.	Charge.	No.	Charge.	No.	Charge.
	1875-76.		1876-77.		1877-78.		1878-79.		1879-80.		1880-81.	
		£		£		£		£		£		£
Colonel's Allowances:												
Staff Corps	81	80,675	96	99,926	103	104,611	119	122,620	130	140,138	145	153,752
Cavalry	13	16,258	15	17,161	16	19,076	19	21,125	17	21,622	18	20,014
Infantry	98	103,741	99	106,396	99	107,130	99	103,666	94	99,303	91	95,220
Engineers	9	9,460	10	10,685	11	12,184	11	12,374	11	11,809	12	11,606
	201	210,134	220	234,168	229	243,001	248	259,785	252	272,872	266	280,592
Retired Pay:												
Staff Corps, Infantry, and Cavalry	1,399	403,499	1,445	445,564	1,453	481,073	1,484	523,421	1,509	537,111	1,538	583,207
Engineers	84	29,472	86	28,989	86	29,568	94	30,769	103	45,269	103	42,936
Artillery	255	88,673	254	88,200	245	85,487	264	87,159	275	114,725	275	119,327
New Regiments of Infantry and Cavalry.	72	16,718	78	17,534	80	18,711	85	21,548	93	25,562	82	19,922
Warrant Officers	64	3,874	76	5,145	70	4,673	113	8,019	117	8,407	113	9,305
Medical	418	126,683	433	135,521	435	139,103	444	144,933	449	145,854	447	154,192
Ecclesiastical	97	27,286	97	28,337	105	29,925	112	32,016	114	32,618	122	36,230
	2,590	906,339	2,689	983,488	2,703	1,031,541	2,844	1,107,650	2,912	1,182,418	2,946	1,245,711
Capitalised value of Annuities granted to officers on retirement.		75,775		123,006		83,982		98,224		141,732		78,908
Capitalised value of pensions of soldiers transferred from the Indian to the British Army.		—		90,089		100,000		—		44,224		—
Miscellaneous pensions, &c.		124,845		108,623*		114,695†		78,491†		89,168		83,060
		1,106,959		1,305,206		1,330,218		1,284,365		1,457,542		1,407,679

	1881-82.		1882-83.		1883-84.		1884-85.		1885-86.		1886-87.	
		£		£		£		£		£		£
Colonel's Allowances:												
Staff Corps	163	172,350	169	184,294	186	196,342	197	209,219	218	228,610	244	258,137
Cavalry	18	22,949	19	22,771	17	21,257	18	23,792	19	23,475	19	23,494
Infantry	95	102,477	94	103,465	98	102,255	99	105,361	104	103,161	111	115,412
Engineers	11	12,090	10	10,805	11	12,930	12	12,563	11	12,549	12	12,550
	287	309,866	292	321,335	312	332,784	326	350,935	352	367,795	386	409,593
Retired Pay:												
Staff Corps, Infantry, and Cavalry	1,553	605,565	1,591	637,758	1,564	647,055	1,549	642,176	1,539	643,793	1,594	649,511
Engineers	107	50,452	106	47,304	116	53,857	120	61,052	120	61,631	131	73,120
Artillery	273	115,340	278	121,811	276	124,839	277	126,588	290	134,687	295	140,452
New Regiments of Infantry and Cavalry.	83	23,480	83	24,604	83	24,673	86	26,919	82	26,739	82	27,382
Warrant Officers	120	7,801	194	11,687	218	15,118	230	15,544	219	17,216	232	18,066
Medical	453	155,687	465	158,752	451	159,268	454	162,850	454	168,347	467	175,612
Ecclesiastical	122	36,293	127	37,284	125	37,688	127	38,204	126	39,385	136	39,817
	2,998	1,304,484	3,136	1,360,535	3,145	1,395,282	3,169	1,424,268	3,182	1,459,593	3,323	1,533,553
Capitalised value of Annuities granted to officers on retirement.		59,566		7,969		—		—		—		—
Capitalised value of pensions of soldiers transferred from the Indian to the British Army.		—		—		—		—		—		—
Miscellaneous pensions, &c.		112,240‡		119,813‡		104,026		101,739		104,826		103,507
		1,476,290		1,488,317		1,499,308		1,526,007		1,564,419		1,637,060

	1887-88.		1888-89.		1889-90.		1890-91.		1893-94.	
		£		£		£		£		£
Colonel's Allowances:										
Staff Corps	263	275,386	286	299,686	303	315,834	297	322,272	364	381,947
Cavalry	21	24,117	22	25,559	23	24,593	23	25,197	23	25,575
Infantry	115	122,339	117	125,396	116	128,397	115	125,782	103	115,772
Engineers	11	12,549	11	12,561	11	12,223	11	10,561	11	12,374
	410	434,391	436	463,202	453	481,047	446	482,812	501	535,668
Retired Pay:										
Staff Corps, Infantry, and Cavalry	1,575	660,970	1,545	664,820	1,546	648,631	1,517	645,476	1,370	611,848
Engineers	142	82,700	147	85,127	147	86,814	156	93,653	180	116,548
Artillery	288	142,741	294	141,578	288	147,291	290	149,152	259	144,703
New Regiments of Infantry and Cavalry.	83	28,962	83	29,034	86	30,630	89	31,257	84	32,488
Warrant Officers	248	20,924	268	22,469	275	23,421	281	24,304	283	26,573
Medical	461	183,079	461	186,836	459	188,627	442	184,277	431	192,167
Ecclesiastical	147	43,404	148	43,819	152	45,551	154	46,339	151	46,433
	3,354	1,597,171	3,382	1,636,885	3,406	1,652,012	3,375	1,657,270	3,259	1,706,428
Capitalised value of Annuities granted to officers on retirement.		—		—		—		—		—
Capitalised value of pensions of soldiers transferred from the Indian to the British Army.		—		—		—		—		—
Miscellaneous pensions, &c.		100,965		102,706		96,181		98,036		100,059
		1,698,136		1,739,591		1,748,193		1,755,306		1,806,487

* The reduction in 1876-77 is partly consequent on the capitalisatio of a portion of these pensions, *see* previous item.
† The payments in 1877-78 and 1878-79 are together equal to those of two normal years, the variation is in the repayment of pensions issued in the Colonies.
‡ The increases in 1881-82 and 1882-83 are due to transfers of certain pensions from the civil head of "Superannuation, Retired, and Compassionate Allowances.

APPENDIX No. 25.

EAST INDIA IRRIGATION COMPANY.

Handed in by Mr. S. Jacob, with reference to Q. 9016.

DESPATCH from the GOVERNMENT OF INDIA. 16 July, 1867. No. 114.—Public Works.

IRRIGATION.

To the Right Honourable the Secretary of State for India.

SIR, Simla, 16 July 1867.

RECENT events in Cuttack have led us to reconsider the probable results that will follow if the prosecution of the irrigation works in that and the neighbouring districts continues in the hands of the East India Irrigation Company,

2. The Government of India for the last three or four years has, at various times in its correspondence with the Home Government, expressed its opinion that the State should undertake directly all irrigation works that it can practically manage, in preference to entrusting them to private companies. This conclusion has rested on the conviction that the interests involved in the application of water to the irrigation of the soil are so complicated that it becomes almost indispensable that the Government should exercise over companies entrusted with irrigation works a control little short of absolute. It would be exceedingly difficult so to frame any agreement between such a company and the Government as should at the same time effectually secure this control and satisfy the company, which has a right to look for ample returns on the capital invested by them; and it would be hardly less difficult to enforce the necessary control, even if the clauses of the agreements could be effectively framed.

3. We can say, without any hesitation, that almost every communication that has passed between our Government and the Government of Bengal, or the Agent of the East India Irrigation Company, relative to the affairs of this Company, has served to give practical confirmation to the conclusions which, as above explained, we had before adopted on a general consideration of the probabilities of the case. There is hardly any single question which has thus arisen for discussion which has not been complicated, and its difficulties sensibly increased, beyond what it otherwise need have been, owing to the intervention of the Company between the Government and the community occupying the districts in which the Company's operations are undertaken.

4. In making these remarks nothing is further from our wish than to imply that the Company's officers have taken up any position which they were not fairly entitled to take up, or which it was not reasonable to expect that they might take up, having regard to the relation which they occupy as representatives of the Company, and as being bound by their sense of duty to attend first to what they deemed to be the legitimate interests of the Company. Our contention is, that in the very nature of the agreement entered into between the Company and the Government, great difficulties must be and are engendered in all important questions that have to be dealt with in relation to the prosecution of the Company's works and the extension of irrigation to the country.

5. You are aware that, notwithstanding the strong opinions which we hold as to the inconvenience of the arrangement that has been entered into with the Company, it has been our earnest wish to do all in our power to facilitate the operations of the Company, and to act fully up to the spirit of any actual, or implied, engagements entered into with them in past years. If it be necessary to adduce any distinct proof of this disposition on the part of the Government of India, we would refer to our recent resolutions to entrust to this Company the execution of the Soane Canal project, and to make grants of money to aid in the construction of the works in Cuttack, the Company's funds having proved insufficient to secure their prosecution with that activity which, in the altered condition of this province, we deem so desirable. And we may assure Her Majesty's Government that it will continue to be our desire to act in this same manner so long as the present arrangements between the Government and the Company shall be maintained.

6. But the terrible calamity which has recently fallen on Orissa and Western Bengal has forced upon us the consideration of the question, whether we can any longer with propriety permit the existing arrangements to continue in force, if it be possible to induce the Company to give up their rights under their contract.

7. So far as any mere inconvenience to ourselves and our officers is concerned, though it is not without serious importance, yet it would not alone have led us to think of any such contingency as that which we have just spoken of. Had we, therefore, been disposed to think it likely that the further prosecution of the irrigation works undertaken by the Company, and their future practicable operation, would really go on in a manner which should be satisfactory to the country, we should have continued to do our best in giving effect to the agreement with the Company, without remonstrance or attempt to free ourselves from the burden it imposes upon us.

8. But in no respect can we look forward hopefully to the prospect before us if the contract is maintained. It is apparent that the financial means of the Company are not equal to the demands which the present necessities of the country so urgently require to be met. At the meeting of the shareholders of the Company in November last, the chairman stated that the Directors had found it necessary and expedient to reduce the amount of outlay on the works, with the object, as it is understood, of waiting to see what would be the financial results of the portion of the works already executed before extending them further. Nor, so far as we are able to judge, is there any reasonable prospect of the resources of the Company being enlarged in the present condition of the money market either in this country or in England. The shares of this Company have long been at a considerable discount, and it is pertinent to remark that the stock of the Madras Irrigation Company, though carrying a guarantee of five per cent. interest, is also at a small discount, plainly showing the disfavour in which such enterprises are now viewed in London. As to the future, the probable requirements of the Government of India for works of irrigation, and those of the guaranteed railways, will give the public the means of investing their money on terms more favourable than those offered by the East India Irrigation Company; and it may, we think, fairly be doubted, therefore, whether that class of investors which is disposed to place its funds in Indian securities will have any appreciable balance left for investment in an unsecured stock already at a discount, after the demands for subscription to Government and guaranteed stocks shall be fully met.

9. In further illustration of the difficulties with which the Company has to contend, we may mention the unwillingness of the people to take the water at present. It will probably require time, and a lowering of the price of water before this unwillingness will be overcome; and meanwhile the Company will not receive the profits which were looked for, nor obtain an adequate return for its outlay. This state of things may last for years, and the Company cannot apparently afford to wait for its returns. To the Government, on the other hand, the question of immediate return for the outlay is of less importance. Once assured that there is a reasonable prospect of an adequate return

eventually, the Government can afford to wait till the people learn to use and to value the water, and to pay for it accordingly. It is true that at the meeting of the shareholders in May last a disposition was shown to push on the works, but this was apparently only rendered practicable by the financial aid afforded by our Government.

10. We entirely disclaim the intention of making any reflection on the Company for the manner in which their operations have been hitherto carried out, or for the mode in which they have raised or applied their capital. It is incontestable that a large sum has been raised and spent, and it is even probable that had the Company not come forward, the Government would, up to the present time, have done much less than has been done towards the construction of irrigation works in Cuttack. But the position of the Government with relation to the execution of irrigation works has, within the last year, become entirely changed, and our business is no longer with the past but with the present, and the immediate future, and it is impossible for us to avoid the conclusion that, for the reasons we have above given, the means of the Company henceforth will not only be relatively far inferior to those of the Government, but absolutely insufficient for the real necessities of the country.

11. In truth this is already the case in a marked manner, and so far from the Company any longer being the medium by help of which funds are supplied to the State for these works, it is the Government which now supplies the Company, and a monthly subsidy of 20,000*l.* from the Government Treasury gives them the means of carrying out their undertaking with an energy in some degree commensurate with its true importance.

12. Having weighed these considerations and those arising from the complications already caused in adjusting the demands of water rate and land revenue, we have felt it to be our duty to suggest to you that a proposal should be made to the Company to give up the undertaking to the Government of India, the Company receiving in return full indemnification for all past outlay, and a fair compensation for future possible profits.

See Report lately made to H. M. Government, in the Revenue Department.

13. In considering the exact terms that may be offered to the Company, we are inclined to err on the side of liberality. It is very important that if the existing engagements are terminated, this shall be done in a manner that shall command good feeling towards the Government on the part of the shareholders and officers of the Company.

14. The Government of India is aware, on the one side, that a sensible portion of the capital of the Company has been appropriated to the payment of interest to the shareholders, that the existing stock is at a discount, and that the prospects of profits from the spread of irrigation are uncertain. On the other hand, they do not overlook that the shareholders have invested their capital in good faith, with the reasonable expectation of securing at least a fair return upon it, and with some prospect of that return being large; that the Company has thus far carried out its operations with all proper regard to its obligations; that there are in the service of the Company many persons who naturally and fairly have looked upon their offices as likely to be lasting, and to afford them a provision which, if not permanent, was at all events certain not to be soon stopped.

15. On the whole, therefore, we are inclined to suggest the following terms for your consideration:—

First. The whole paid-up capital of the Company to be converted at par either into five per cent. debentures of the Government of India, repayable at par in 60 years, or into terminable annuities, which we consider the preferable mode of conversion; or, if such an arrangement would prove more acceptable to the shareholders, we would propose to convert the capital partly in the one way and partly in the other.

Second. The whole of the cash balance, and of the liabilities and claims of the Company, to be transferred to the Secretary of State; the liabilities to be declared previous to the transfer, and accepted by an officer or officers of the Government after due scrutiny.

Third. The whole of the works and stores of the Company, and all their property, whether in England or India, to be transferred to the Secretary of State, with all papers and accounts connected with the undertaking.

Fourth. The Government of India to take into its service, provisionally, all persons now employed by the Company in India on the works or business of the Company, from the date of the transfer taking place, who may express their wish to enter the service of Government, and to declare, as early as possible afterwards, whom among them it does not wish to retain in its service. To all persons in permanent employ not retained in the service of the Government, a sum equal to six months' salary shall be paid as compensation to natives of India, and as affording to Europeans the means of returning to their homes. In the case of engagements for limited periods compensation will be allowed according to the merits of each case.

Fifth. The Government of India shall pay to the Company all their expenses connected with the Soane project, and 10 per cent. additional to cover interest.

Sixth. A further sum of 50,000*l.* shall be placed at the disposal of the Board of Directors of the Company, either in cash or in five per cent. debentures, or in terminable annuities, as above, as they prefer, to allot at its discretion as a bonus to the shareholders on the abandonment of the Orissa and Soane concessions, and as compensation to the officers of the Company, especially those in England, who lose their posts under these arrangements.

Seventh. The Company then shall relinquish entirely all its claims in respect both to the Orissa project and the Soane project.

16. We submit for your consideration that these terms will contain an equitable offer to the Company neither unduly onerous on the finances of India nor going beyond a reasonable compensation to the shareholders, while they are conceived in a due spirit of liberality and with an anxious desire to prevent any personal injury arising to the servants of the Company.

17. In ordinary cases it would be proper, before making such a proposal as we have now brought forward, to obtain an accurate, or at least an approximate, valuation of the works which the Company has constructed, and which the Government is to take over. In the present case, however, we attach so much importance to the early settlement of the matter, that we are disposed to forego making any conditions with the Company as to the value or state of the works. Any such conditions would probably lead to discussions and delay, and we prefer to run the risk of some overpayment for the works rather than continue longer the present unsatisfactory relations with the Company.

18. We may mention, however, that the works have been visited by Colonel Morton, R.E., an officer of great experience in irrigation works, and also by Colonel Nicolls, R.E., the Chief Engineer of Bengal. Both these officers, and also Mr. Crommelin, the Superintending Engineer in the service of the Government at Cuttack, agree in stating that the works are good. These statements have not been made on any critical examination nor in any official report, but we are satisfied that in a general way they are correct. In the same way we learn that in point of actual cost, that is, of the actual outlay upon the works themselves, they are cheap. So far, then, we have some grounds for believing that the Government would not pay any extravagent sum in taking over the works as proposed. But there is a further consideration as to the cost of the works in regard to which we are not satisfied. This is, the charges which they have to bear in addition to the actual cost of construction, owing to the other expenses of the Company, which must be regarded as charges upon the works if they are taken over, by accepting the Company's entire outlay of capital. We have no precise information on this point, but the general impression derived from their inspection by the engineers we have just named was that the works could have been constructed by the Government Public Works Department, including the cost of establishment and all other charges, for considerably less than the capital outlay of the Company. It is probable then, on the whole, that the works, if taken over in the manner we propose, will not in themselves be cheap to the Government. But this risk, as before said, we are prepared to accept, in consideration of the important advantages of getting rid of so unsatisfactory an agency for future constructions of this kind.

19. And, after all, the amount to be risked is not great, if compared with the object in view. By the last reports we possess, the entire amount of capital raised by the Company is 719,088*l.*; adding the 50,000*l.* we propose to give them as a bonus, the amount becomes 769,088*l.*, which, at five per cent., represents an annual

charge to the State of 38,454*l.*, or about four lakhs. This sum is susceptible of slight increase from the repayment of the expenses of the Company connected with the Soane project (for which, however, there will be a certain value received) and from outlay incurred by the Company since the date of the last returns. But allowing for this, the annual charge we are likely to incur (assuming that the capital and bonus are converted into debentures) will not exceed 45,000*l.*, or 4½ lakhs; and this, we have no doubt will eventually be more than covered by the profits of the irrigation, so that we expect the proposal we now make will in the end prove financially advantageous, as well as greatly beneficial in all other points of view.

20. We have been informed by telegraph that the Lieutenant Governor of Bengal concurs generally in the above proposals.

We have, &c.
(Signed) JOHN LAWRENCE.
W. R. MANSFIELD.
H. S. MAINE.
G. N. TAYLOR.
W. N. MASSEY.
H. M. DURAND.
G. U. YULE.

APPENDIX No. 26.

Paper handed in by Mr. Stephen Jacob.

(*See* Question 9615.)

STATEMENT of the COST of WORKING the MILITARY SECTION of the NORTH WESTERN RAILWAY.

Year.	Gross Earnings.*	Working Expenses.	Net Charge.
	Rs.	Rs.	Rs.
1889 - - -	37,39,305	40,29,049	2,89,744
1890 - - - -	36,23,318	40,11,762	3,88,444
1891 - - -	35,84,057	43,87,154	8,03,097
1892 - - - -	30,35,433	39,78,771	9,43,338
1893 - - -	31,57,859	37,52,349	5,94,490
1894 - - - -	33,30,562	40,94,801	7,64,239

Gross earnings from military traffic (included in column 2).

	Rs.		Rs.
1889 - - -	2,36,759	1892 - - -	2,71,636
1890 - - -	2,39,648	1893 - - -	3,58,289
1891 - - -	3,76,594	1894 - - -	2,78,942

APPENDIX No. 27.

Paper handed in by Mr. Jacob.

STATEMENT showing the NET CHARGE to GOVERNMENT on the RAILWAY REVENUE ACCOUNT for the years 1885–86, 1889–90, and 1893–94, distributed between COMMERCIAL, PROTECTIVE, and MILITARY RAILWAYS.

(*See* Question No. 9629.)

Class of Railway, &c.	1885–86.	1889–90.	1893–94.
	Rx.	Rx.	Rx.
Commercial* - -	206,415‖	501,324	51,259
Protective† - -	309,871	808,036	765,127
Military‡ - - -	95,272‖	389,928	612,269
Miscellaneous and unappropriated§ - -	120,155	153,313	106,848
Total - -	731,713	1,852,601	1,535,503

* Includes protective branches of the North-Western Railway, for which separate returns are not available.

† The following Lines are included as Protective:—
Bengal-Nagpore.
Indian Midland.
Southern Mahratta.
Tirhoot.
East Coast.
South Indian branches (except in 1893–4, when separate returns for the branches are not available).

‡ Military branches of the North-Western Railway.

§ Consists chiefly of Survey charges for lines not under construction, and of unappropriated charges for Stores.

‖ Only one section of the military lines was open in this year, separate returns for which are not available; that section is, therefore, included in the Commercial Lines for this year. The charge shown against Military railways in this year is for the interest on unopened sections.

APPENDIX No. 28.

Paper handed in by Mr. Stephen Jacob, C.S.I., with reference to Q. 9631a.

NET CHARGE for INDIAN RAILWAYS up to and including 1894–95.

PART I.

*NET TRAFFIC RECEIPTS, EXPENDITURE (Guaranteed Interest and Exchange), and NET CHARGE for GUARANTEED RAILWAYS, from 1849–50 to 1858–59, before the Railway Revenue Account was opened in the Finance and Revenue Accounts of the Government of India.

Year.	Net Traffic Receipts.	Expenditure.	Net Charge.
	Rx.	Rx.	Rx.
1849–50	—	9,244	9,244
1850–51	—	23,512	23,512
1851–52	—	53,210	53,210
1852–53	—	68,310	68,310
1853–54	7,122	86,294	79,172
1854–55	14,148	142,055	127,907
1855–56	59,827	308,334	248,507
1856–57	116,281	522,499	406,218
1857–58	150,302	664,646	514,344
1858–59	214,960	783,938	568,978
Total - -	562,640	2,662,042	2,099,402

PART II.

*RAILWAY REVENUE ACCOUNT, from 1859–60 to 1874–5. (Approximate figures, the accounts for this period not having been re-cast in the present form.)

Year.	Revenue.	Expenditure.	Net Charge.
	Rx.	Rx.	Rx.
1859–60	397,082	1,586,973	1,189,891
1860–61	384,474	1,697,691	1,313,217
1861–62	427,664	1,912,955	1,485,291
1862–63	685,025	2,298,828	1,613,803
1863–64	901,992	2,676,838	1,774,846
1864–65	1,234,067	3,069,584	1,835,517
1865–66	3,123,382	3,131,108	7,726
1866–67	2,629,296	3,490,904	861,608
1867–68	2,247,163	3,812,973	1,565,810
1868–69	2,450,013	4,330,915	1,880,902
1869–70	2,941,679	4,455,531	1,513,852
1870–71	2,866,904	4,823,774	1,956,870
1871–72	3,191,855	4,901,351	1,709,496
1872–73	2,876,910	5,210,957	2,334,047
1873–74	3,653,028	5,415,735	1,762,707
1874–75	4,262,550	5,845,317	1,582,767
Total - -	34,273,084	58,661,434	24,388,350

PART III.

*RAILWAY REVENUE ACCOUNT, from 1875–6 to 1894–5. (In present form.)

Year.	Revenue.	Expenditure.	Net Charge.
	Rx.	Rx.	Rx.
1875–76	4,574,507	6,133,267	1,558,760
1876–77	5,494,802	6,643,997	1,149,195
1877–78	7,243,730	7,393,877	150,147
1878–79	6,255,612	8,331,304	2,075,692
1879–80	7,349,004	8,919,479	1,570,475
1880–81	9,435,336	10,479,539	1,044,203
1881–82	10,885,483	11,171,438	285,955
1882–83	10,973,030	12,279,224	1,306,194
1883–84	11,960,157	12,265,396	305,239
1884–85	11,898,131	12,949,306	1,051,175
1885–86	13,684,084	14,415,797	731,713
1886–87	14,477,759	15,666,427	1,188,668
1887–88	14,533,360	16,655,746	2,122,386
1888–89	15,520,696	17,754,088	2,233,392
1889–90	16,605,601	18,458,202	1,852,601
1890–91	17,235,978	17,923,269	687,291
1891–92	19,938,046	20,253,910	315,864
1892–93	19,077,103	20,924,155	1,847,052
1893–94	20,296,973	21,832,476	1,535,503
1894–95	21,244,160	23,592,649	2,348,489
Total - -	258,683,552	284,043,546	25,359,994
Grand Total (Parts I., II., and III.)	293,519,276	345,367,022	51,847,746

* Inclusive of Exchange.

APPENDIX No. 29.

TABLE showing RATE per HEAD of the EDUCATIONAL EXPENDITURE—IMPERIAL, PROVINCIAL and LOCAL—of GOVERNMENT in INDIA.

Handed in by Mr. Stephen Jacob, C.S.I. (*See* Questions 9963–9968.)

Year.	Population of British India, as given in Statistical Abstract.	Expenditure on Education.	
		Total gross Expenditure.	Rate per Head of population.
		Rx.	Ana. Pies.
1875–6 - -	183,783,537	1,020,903	10·67
1884–5 - - -	196,118,180	1,238,787	1 0·13
1894–5 - -	218,275,461	1,471,761	1 0·95

APPENDIX No. 30.

Paper handed in by Mr. Jacob.

PRICE of EAST INDIA IRRIGATION and CANAL COMPANY'S SHARES in 1867 and 1868.

(*See Question* 9718.)

Nominal Amount of Shares.	Paid up.	Quotation in "Economist."			Nominal Amount of Shares.	Paid up.	Quotation in "Economist."		
		Year.	Month.	Earliest Quotation in Month.			Year.	Month.	Earliest Quotation in Month.
£	£ s.				£	£ s.			
20	15 0	1867	January -	$9\frac{1}{3}$	20	18 0	1868	January -	$16\frac{1}{2}$ to $17\frac{1}{2}$
	16 10	„	February -	$11\frac{1}{3}$ to $12\frac{1}{2}$		18 0	„	February -	$16\frac{1}{4}$ to $16\frac{3}{4}$
	16 10	„	March -	12 to 13		18 0	„	March -	16 to 17
	16 10	„	April -	13		18 0	„	April -	$17\frac{3}{4}$
	16 10	„	May -	$13\frac{1}{3}$ to $14\frac{1}{2}$		18 0	„	May -	$16\frac{1}{2}$ to $16\frac{3}{4}$
	16 10	„	June -	$13\frac{1}{4}$		18 0	„	June -	$16\frac{3}{4}$
	16 10	„	July* -	$12\frac{1}{3}$ to $13\frac{1}{2}$		18 0	„	July -	$16\frac{1}{2}$
	18 0	„	August -	$14\frac{1}{8}$		18 0	„	August -	18 to 19
	18 0	„	September -	13 to 14		18 0	„	September -	$16\frac{1}{2}$ to $17\frac{1}{2}$
	18 0	„	October -	13 to 14		18 0	„	October -	$16\frac{1}{2}$ to $17\frac{1}{2}$
	18 0	„	November -	13 to 14		18 0	„	November -	$18\frac{3}{8}$
	18 0	„	December†	$17\frac{1}{4}$		18 0	„	December‡	$20\frac{1}{10}$

* Government of India letter proposing to take over the works was dated July 16, 1867.

† The Secretary of State's first offer to take over the works, repaying capital at par, was made on 22nd November 1867.

‡ The shares were fully paid up in January 1869, but there is no quotation after December 1868, the Company having accepted the Secretary of State's offer on 30th November 1868.

APPENDIX No. 31.

Paper handed in by Mr. Stephen Jacob, C.S.I.

MADRAS IRRIGATION AND CANAL COMPANY.

MEMORANDUM explaining the ARRANGEMENT under which, and the TERMS on which, the IRRIGATION WORKS of the COMPANY were taken over by GOVERNMENT.

(*See* Question 9782.)

In 1858 a guarantee was given to the Madras Canal and Irrigation Company of a minimum interest of 5 per cent. on a capital not exceeding a million sterling, to be spent on a single scheme, the selection of which was left to the Government of Madras. It was especially provided that the works to be undertaken should be complete in themselves, and not requiring additional outlay to render them remunerative.

The work selected was a canal to lead from Kurnool to the eastern coast, and operations were commenced by the construction of an anicut near that town across the river Toongabudra. It was, however, soon discovered that a very formidable cutting would be required; and therefore it was determined to have another anicut at Sunkasala, 18 miles above Kurnool, at a much higher level.

No formal contract was signed till June 1863. It was then stipulated that the net profits should be devoted,—

(1.) To pay the guaranteed interest annually accruing on the million originally raised;

(2.) To pay 5 per cent. on any unguaranteed capital that might be raised beyond the guaranteed million;
(3.) To repay arrears of interest advanced under the guarantee;
(4.) To pay 7 per cent. more, making 12 per cent. in all, on the whole capital guaranteed and unguaranteed;
(5.) The remainder to be equally divided between the Government and the Company.

In 1864 it became evident that the estimates would be greatly exceeded, and that the million would by no means suffice for the whole project, and the Company restricted their operations, for the time being, to the works above Nellore on the Pennair river.

By 1866 the guaranteed capital was nearly exhausted, none of the works were much more than half finished, and there was little prospect of their being able to raise more capital to complete them. After long correspondence the Secretary of State determined to lend the company 600,000*l.* for the completion of the canal from Sunkasala to Cuddapah; and a contract to that effect was signed in October 1866. The money was to be advanced in debentures bearing interest at 5 per cent., the principal being repayable five years after date. If by the 1st of July 1871, the canal and works were not completed, and in working order to the satisfaction of the Local Government, the Secretary of State might take possession of the works, giving the Company 5 per cent. stock to the value of their outlay.

Early in 1871 the Company applied for an extension of their guarantee to enable them to complete their original Toombuddra project; and the Secretary of State called on the Government of India for a report on the character of the works executed. That Government objected to the grant of any further assistance to the Company, but at the same time admitted that the works, although in their actual condition practically useless, were sufficiently completed to debar the Government from claiming possession on the ground of breach of contract.

In 1872 the Secretary of State warned the Company that steps would be taken for recovering the instalments of the loan of 600,000*l.* as they fell due; but he consented to defer his claims till time had been given for the passing of an Act requisite to ensure to holders of fresh debentures, which the Company were proposing to issue, the same rights as the Secretary of State held in respect of his loan of 600,000*l.* The Act was passed in 1872, and the Company, from time to time, issued debentures under it at 82*l.*, and paid off a portion of the Secretary of State's loan. It is unnecessary to enter into details regarding these debentures here; particulars as to the amount raised in 1880, when the Company's works were taken over, will be given later on.

The canal began to bring in a small revenue in 1863–4, but the working expenses exceeded the revenue in every year except during the famine of 1876–7 and 1877–8, and advances to meet the deficit were made from time to time by Government to the Company, which amounted in 1878 to Rx. 46,541. The condition of things in 1880, when the Famine Commission reported, was no better, as is described in the following extract from their report:—

"49. The Irrigation Committee have reported at considerable length on the works of the Madras Irrigation Company, and have shown the nature of the difficulties that have arisen in the management of the canal. We have given our best attention to this subject, and can only conclude that the system created under the terms of the contract between the Company and the Secretary of State, under which a divided responsibility was established, the Company's servants managing the works, while all dealings with the cultivators were placed in the hands of Government officers, is one which could not possibly succeed; and that although any really satisfactory result can now hardly be expected, the only prospect of obtaining any return whatever from the large outlay which has been incurred on the works is to be found in the complete transfer of the canal to the State on the least onerous terms that the contract will permit. From the nature of the works, water is available only for seven months in the year, and the canal flows for much of its course through a country in which the usual food grain grows perfectly well in ordinary years without irrigation. It is now easy to see that in order to introduce irrigation, a complete revolution of the agricultural habits of the country was essential; and there was but little likelihood of this being effected, unless by offering water on tempting terms, giving every assistance to the ryot in the outlay necessary for its reception, and furnishing, by means of navigation, cheap means of transport and access to a profitable mart. No one of these conditions was complied with. It was too readily assumed at the outset that the water would be taken at once, and that it would suffice to entrust the management of the revenues of the canal and the supply of the water to the ordinary district officials, in addition to their regular duties. Applications for water were to be made to the village accountant, who was to open a register and send in monthly reports. The tahsildars and revenue inspectors were to attend to the control and distribution of the water; in no case was any additional pay given for these additional duties. These arrangements were soon found to be unsatisfactory. Mutual recriminations between the officers of the Government and those of the Company soon began, and in 1878, after much discussion, a special inquiry took place, from which it appeared that the practical failure in extending the irrigation was mainly attributable to the absence of good revenue administration, unsatisfactory relations between Government officials and the officers of the Company, and antagonism between the Company and the ryots arising out of a harassing system of management.

"50. The methods of receiving applications for water, and of assessing the charges for irrigation, were greatly complained of, and there appears good reason for supposing that the rate for rice irrigation (an initial rate of three rupees per acre increasing annually up to six) was so high as to discourage irrigation. Experience has shown that of the land irrigated, half is given up after the first year, and only one-third takes water in the third year. It was obviously unwise that the Karnul canal, which has still its customers to find, should charge six rupees per acre, when the Kistna and Godavari, where irrigation is popular and well established, charge only four.

"51. The establishment charges have been very high in comparison with what they would have been on a Government work of like nature, and the London Board of Directors and its office have been an additional heavy item of expense. The maintenance of the canal has been reported to be by no means exceptionally good, yet it has, excepting in the years of great drought, cost so much that with the charges for management it has exceeded largely the income from the works, and the difference has been supplied from the Government Treasury."

The Commission accordingly came to the conclusion that a transfer to the State was the only possible remedy and they were of opinion that such a transfer would, by releasing the Government from the complications arising out of the contract with the Company, enable it to devote itself to rendering the water supply as completely and speedily useful as possible, and would offer some prospect of an improved financial position.

The Secretary of State had arrived at the same conclusion, and negotiations for taking over the works at once had already been initiated. After some official correspondence and sundry semi-official and informal negotiations between the India Office and the Company, the following terms were settled and were communicated to the Company by the Secretary of State, in November 1880, and eventually accepted by it:—

"(1.) That the transfer, and the whole of the proposed arrangements, receive the sanction of an Act of Parliament, or are otherwise carried out so as to be legally binding upon the Madras Irrigation and Canal Company and its stockholders, and also on the holders of the mortgage debentures which have been issued by the Company.

"(2.) That on the transfer being completed, the Secretary of State will, for each 100*l.* of the capital stock of the Madras Irrigation and Canal Company, pay 106*l.*; continuing up to the date of payment of the 106*l.*, but no longer, to pay interest at the rate of 5 per cent. per annum on each 100*l.* of the Company's stock.

"(3.) That, on the transfer being completed, the Secretary of State will, in redemption of the mortgage debenture debt due by the Madras Irrigation and Canal Company, pay 75*l.* for each 100*l.* of principal of the mortgage debentures, with interest at the rate of 4 per cent. per annum on each 75*l.*, from the 1st day of November 1880 until such amount of principal is paid

The 75*l.* thus paid is to be received by the holders of the mortgage debt (on their giving up their securities) as in full discharge of all claims whatsoever by them for principal and interest, and otherwise, against the Madras Irrigation and Canal Company, and in full discharge of all claims, if any, against the Secretary of State.

"(4.) That on the transfer being completed and everything done which may be reasonably required by Government, the Secretary of State will pay to the directors and chairman of the Madras Irrigation and Canal Company the sum of 12,000*l.* as compensation to their officers and clerks and to themselves for their loss of office and emoluments. No further or other compensation will be given by the Secretary of State to anyone in the service of or in any way connected with the Company.

* * * * * *

"(6.) That in case the proposed transfer be carried out, the Secretary of State will undertake the responsibility of discharging all legal expenses which he may consider to have been necessarily and properly incurred by the Company in carrying out the transfer."

In accordance with these terms the following payments were made to the Company, &c., on the transfer being completed in 1882-3:—

	£
In redemption of capital stock at 106 per cent. - - - - - - - -	1,050,979
In redemption of mortgage debentures amounting to 430,000*l.* (at 75 per cent.) and interest thereon - - -	338,433
Compensation to directors, officers, and clerks, and legal and other expenses -	14,742
	£1,404,154

The balance of the Secretary of State's loan, amounting to 358,428*l.*, was written off at the same time. The amount paid off with the money raised by the debentures was, therefore, 241,572*l.*; the debentures were issued at 82*l.* so that the money raised upon them amounted to 352,600*l.*; but part of this was appropriated to the payment of legal and other expenses connected with the issue of the debentures, and part to the payment of interest upon them. The Secretary of State, it may be noted, never received interest on his loan.

The Secretary of State raised his first 3½ per cent. sterling loan at a premium of about 4 per cent. in December 1880; it is clear, therefore, that he secured a small immediate saving by the arrangement described above. He was previously paying 50,000*l.* for guaranteed interest, and was advancing the deficits on the revenue account. At 3½ per cent. on the 1,404,154*l.* he would pay only about 49,000*l.*, while it was also believed that the revenue could be improved if the control were directly in the hands of Government.

The question whether it would be better to put off the acquisition of the works until 1888, when the Secretary of State could compulsorily take them over under the terms of the contract, was fully considered at the time; but the conclusion arrived at was that if the Company could be induced to make over the works on the above terms, this would be more advantageous to Government. In 1888 the Secretary of State would have been bound to redeem the capital at its average market value for the three preceding years; and as the value of the Indian sterling securities was rising in 1880 (witness the raising of the first 3½ per cent. sterling loan in December 1880 at a premium), there can be little doubt that by 1888 the value of the 5 per cent. guarantee on the Madras Irrigation Company's stock would have risen considerably above the 104 per cent. at which it stood in the middle of 1880, and even above the 106 per cent. at which the capital was redeemed in 1880. In further proof of this it may be noted that the market price of the 5 per cent. guaranteed stock of the Madras railway, which has never earned any surplus profits, rose from 126 in December 1880 to 145 in December 1888. Further, the Government would have been bound in 1888 to take over the liability for the debentures in full, so that their amount would have been raised to 430,000*l.* at 4 per cent.; and even if the interest had immediately been reduced to 3½ per cent., the future charge for interest would have been largely enhanced by the increased amount of the principal—430,000*l.* against 323,000*l.* The Secretary of State, therefore, obtained a direct advantage in respect of the mortgage debentures by the arrangement made in 1880, besides avoiding the risk of an enhanced price for the redemption of the capital, and securing the prospect of an improvement in the revenue account.

APPENDIX No. 32.

PROPORTION of NON-EFFECTIVE to EFFECTIVE CHARGES of the INDIAN CIVIL SERVICE (formerly called the COVENANTED CIVIL SERVICE).

Handed in by Mr. Stephen Jacob, C.S.I.

(*See* Questions 10,340 to 10,344.)

I was asked in the above-quoted questions to calculate the proportion of the non-effective to the effective charge for the Indian Civil Service, and I herewith submit the calculation which I have been able to make with the materials at my disposal.

The difficulty in making an absolutely accurate calculation arises from the fact that neither the effective charge for the service as a whole, nor the amount of the annuity subscription of 4 per cent. on salaries can be ascertained from the accounts, because, firstly, the charges are classified by departments and not by services, so that the salaries of members of the Indian Civil Service are often included in the same items as those of members of other services; and, secondly, no separate account is kept of the annuity subscriptions, since they are not credited as revenue, but are deducted from the salaries, only the net amount paid being charged to government.

I have, however, calculated the yearly salaries for 1893-4 from the Civil Lists of the various provinces, basing the calculation upon the mean of the salaries there shown for each officer on duty on two separate dates (1st April and 1st October). The actual charge for salaries for the year thus calculated may be accepted as approximately correct, since the Civil Lists are in all cases either issued or checked by the Accounts Department and are sufficiently reliable for all practical purposes.

Before giving the result of this calculation, I may premise that a somewhat similar calculation was made for the year 1877-8 in paragraph 45 of the Sixth Report of the Special Committee on reduction of home charges appointed by the Secretary of State on 27th June 1879. I quote below paragraphs 44 and 45 of that Report.

"44. The following table shows the charges for superannuation on account of Civil Servants since the 1st of April 1873:—

Presidency.	Donations to Civil Annuity Funds.	Payment of Annuities.				
	1873-4.	1874-5.	1875-6.	1876-7.	1877-8.	1878-9.
	£	£	£	£	£	£
Bengal: In India - -	100,259	106,829	93,886	32,021	22,730	50,550
England -	—	129,091	141,638	192,071	223,579	236,279
Madras: In India - -	39,423	26,406	21,753	5,140	4,434	3,843
England -	—	75,137	83,125	96,994	96,760	94,283
Bombay: In India - -	13,993	27,108	22,872	4,272	2,050	2,050
England -	—	34,637	37,028	55,209	58,778	62,150
Total - -	153,675	399,208	400,302	385,707	408,331	449,155

"45. The payment has been exceptionally increased since 1875-6 by the graduated pensions specially granted in 1876 to remove the block of promotion then existing in the North-West Provinces, a privilege subsequently extended to Bengal and Bombay; and this increase is yet further enhanced by the permission given to commute any portion of those special pensions in excess of 500*l.* per annum. Taking the payment in 1877-8 as a fair average of the present liability, it is necessary to make the two following deductions from the sum of 408,331*l.*, in order to arrive at the charge borne by the Government; first, 122,076*l.*, being the interest at 4 per cent. on the capital, amounting to 3,051,918*l.* transferred by the funds in 1874-5; and, secondly, 63,389*l.*, which, in the absence of an accurate statement, has been calculated to be about the value of the payment of 4 per cent. on their salaries contributed by the civil servants towards their pension. Making these deductions, there remains a net charge of 222,866*l.*, which, after allowance is made for the 68 smaller invalid pensions, leaves about 200,000*l.* as the cost to the Government of some 400 annuities, or an average of 500*l.* for the pension of each Covenanted Civil Servant who retires on his full annuity."

It will be observed that this calculation was made on the basis of a two-shilling rupee, that having been about the rate of exchange current in 1871, when the arrangements for taking over the annuity funds were initiated.

This calculation was not made in exactly the same form as that for which the Royal Commission has now asked, but it is easily convertible into that form. The effective charge for 1877-8 would be 1,584,725 Rx. or £, and the net non-effective charge to Government Rx. 222,866, which gives a proportion of non-effective to effective charge of 14 per cent.

The effective charge for 1893-4 calculated in the manner explained above works out at Rx. 1,575,363, and the non-effective charge is 482,923*l.* in England and Rx. 1,627 in India. Making the deductions, as in the calculation for 1877-8, of Rx. 122,076 for interest on the capital of the funds taken over by Government, and Rx. 63,015 on account of the annuity subscriptions deducted at 4 per cent. from the salaries paid, plus a further deduction of 1,779*l.* recovered from leave allowances paid in England, and taking the rupee at 2*s.*, the net non-effective charge works out at 297,680*l.* on an effective charge of 1,575,363*l.*, or about 19 per cent.

The fall in the exchange has, of course, enormously increased the burden of the non-effective charge, the annuities being payable in sterling. The exchange on the net English payments is Rx. 312,679, and including this the net pension charge to Government works out to Rx. 610,359 or nearly 39 per cent. on the effective charge.

APPENDIX No. 33.

TABLE showing PAY and PENSIONS of HIGH COURT JUDGES, in continuation of table in paragraph 16 of TENTH REPORT of SPECIAL COMMITTEE ON HOME CHARGES.

Handed in by Mr. Stephen Jacob, C.S.I.

(*See* Question 10,353.)

Salaries of High Court Judges.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.	1894-5.	1895-6. Revised.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Bengal - - - -	55,368	56,188	59,114	61,694	61,354	60,574	60,750	64,765	61,500
North-West Provinces - -	23,567	23,209	23,640	22,852	24,015	24,381	30,728	30,243	30,417
Madras - - - -	24,553	28,261	27,996	28,118	29,295	28,226	24,871	25,353	25,576
Bombay - - -	32,259	32,468	30,770	33,055	32,453	31,421	32,760	34,578	34,400
Total - - Rx.	135,747	140,126	141,520	145,719	147,117	144,602	149,109	154,939	151,893
Pensions - - - £	35,122	33,105	33,563	30,119	29,793	29,897	31,431	29,972	34,039
Average exchange of the year - *d*	16·899	16·379	16·566	18·089	16·733	14·985	14·547	13·101	13·68
Equivalent of sterling pensions Rx.	49,866	48,508	48,625	39,960	42,731	47,844	51,857	54,907	59,705
Percentage of non-effective to effective charges - - „	36·73	34·62	34·36	27·42	29·05	33·11	34·78	35·44	39·31
Percentage of non-effective to effective charge, retaining throughout the average rate of exchange (16·899*d.*) for 1887-8.*	36·73	33·55	33·68	29·35	28·76	29·36	29·94	27·47	31·83

* This additional line is given to indicate what proportion of the variations from year to year is due to the variations in the rate of exchange.

APPENDIX No. 34.

EXPLANATORY MEMORANDUM regarding the INCREASE in the Charges for SUPERANNUATIONS and PENSIONS in INDIA and ENGLAND.

Paper put in by Mr. Stephen Jacob, C.S.I.

(*See* Question 10,480.)

The superannuation expenditure incurred in England in 1875–6, which is chargeable to India, is not distributed in the accounts in the same detail as the current charges, and I can therefore compare the charges for 1875–6 and 1893–4 under a few heads only. As, however, these are the years which have been compared in the case of the other heads of charge, it will probably be considered desirable that I should make the same comparison here also. At the same time, however, it must be admitted that there is no special virtue in this particular comparison; and I shall accordingly explain the increase in some of the heads by comparing the details of some later year (the earliest for which full details are available) with those of 1893–4.

The charges of 1875–6 and 1893–4 are compared in such detail as is possible in the table which follows:—

	1875-6.				1893–4.				Increase in 1893–4 over 1875–6. (Increase in Charge or Decrease in Receipts +; Increase in Receipts or Decrease in Charge –.)			
	India.	England.	Exchange.	Total.	India.	England.	Exchange.	Total.	India.	England.	Exchange.	Total.
	Rx.	£	Rx.	Rx.	Rx.	£	Rx.	Rx.	Rx.	£	Rx.	Rx.
FUNDS, CIVIL, MILITARY AND NAVAL.												
Military Funds:												
Charges	52,048	496,514	54,517	603,079	16,160	591,914	384,664	992,738	–35,888	+95,400	+330,147	+389,659
Recoveries	381,493	76,289	8,377	466,159	27,677	82,946	53,904	164,527	+353,816	–6,657	–45,527	+301,632
Net Charge	–329,445	420,225	46,140	136,920	–11,517	508,968	330,760	828,211	+317,928	+88,743	+284,620	+691,291
Medical Retiring Funds:												
Charges	143,898	136,036	14,937	294,871	1,230	110,002	71,486	182,718	–142,668	–26,034	+56,549	–112,153
Recoveries	247,284	1,268	139	248,686	1,227	119	77	1,423	+246,057	+1,144	+62	+247,263
Net Charge	–103,386	134,773	14,798	46,185	3	109,883	71,409	181,295	+103,389	–24,890	+56,611	+135,110
Civil Service Annuity Funds:												
Charges	138,511	261,791	28,745	429,047	1,627	482,923	313,835	798,385	–136,884	+221,132	+285,090	+369,338
Recoveries	—	1,907	209	2,116	—	1,779	1,156	2,935	—	+128	–947	–819
Net Charge	138,511	259,884	28,536	426,931	1,627	481,144	312,679	795,450	–136,884	+221,260	+284,143	+368,519
Civil Funds:												
Charges	111,455	2,500	274	114,229	3,935	242,228	157,416	403,579	–107,520	+239,728	+157,142	+289,350
Recoveries	—	—	—	—	57,317	1,406	914	59,637	–57,317	–1,406	–914	–59,637
Net Charge	111,455	2,500	274	114,229	–53,382	240,822	156,502	343,942	–164,837	+238,322	+156,228	+229,713
Old Madras Civil Funds:												
Charges	—	1,600	176	1,776	—	—	—	—	—	–1,600	–176	–1,776
Civil Service Fund Pension Fund:												
Charges	—	—	—	—	214	1,000	650	1,864	+214	+1,000	+650	+1,864
Recoveries	—	—	—	—	11,901	1,030	669	13,600	–11,901	–1,030	–669	–13,600
Net Charge	—	—	—	—	–11,687	–30	–19	–11,736	–11,687	–30	–19	–11,736
Indian Navy Fund:												
Charges	—	10,510	1,154	11,664	—	16,444	10,686	27,130	—	+5,934	+9,532	+15,466
Recoveries	—	2,105	231	2,336	—	1,014	659	1,673	—	+1,091	–428	+663
Net Charge	—	8,405	923	9,328	—	15,430	10,027	25,457	—	+7,025	+9,104	+16,129
TOTAL CIVIL, MILITARY, AND NAVAL FUNDS:												
Charges	445,912	908,951	99,803	1,454,666	23,166	1,444,511	938,737	2,406,414	–422,746	+535,560	+838,934	+951,748
Recoveries	628,777	81,564	8,956	719,297	98,122	88,294	57,879	243,795	+530,655	–6,730	–46,423	+475,502
Net Charge	–182,865	827,387	90,847	735,369	74,956	1,356,217	881,358	2,162,619	+107,909	+528,830	+790,511	+1,427,250
PENSIONS, RETIRED ALLOWANCES, AND GRATUITIES, INCLUDING INDIA OFFICE PENSIONS, &c.*												
Charges	354,003	281,162	30,872	666,037	887,381	339,540	220,656	1,447,577	+533,378	+58,378	+189,784	+781,540
Recoveries	30,895	12,435	1,332	44,662	118,080	9,610	6,246	133,886	–87,185	+2,525	–4,914	–89,524
Net Charge	323,108	269,027	29,540	621,675	769,351	329,930	214,410	1,313,691	+446,243	+60,903	+184,870	+692,016
GRAND TOTAL												
Charges	799,915	1,190,113	130,675	2,120,703	910,547	1,784,051	1,159,393	3,853,991	+110,632	+593,938	+1,028,718	+1,733,288
Recoveries	659,672	93,999	10,288	763,959	216,152	97,904	63,625	377,681	+443,520	–4,205	–53,337	+385,978
Net Charge	140,243	1,096,414	120,387	1,357,044	694,395	1,686,147	1,095,768	3,476,310	+554,152	+589,733	+975,381	+2,119,266

* Including a few small funds, separate details of which are not available in the earlier years.

The charges and recoveries shown under the head of Civil, Military, and Naval Funds appertain to various funds which have either been taken over by Government, with all assets and liabilities, or been instituted by Government, and it will be seen that these funds account for Rx. 1,427,250, or just about two-thirds of

the total net increase of Rx. 2,119,266 under this head. Of this amount Rx. 790,511 occurs under the head of Exchange, leaving a balance of Rx. 636,739 due chiefly to smaller receipts in India and higher charges in England. These funds are entirely independent of each other, and the increases or decreases must accordingly be explained separately.

Military Funds.

These funds are four in number, namely, Bengal, Madras, and Bombay Military Funds, and the Bengal Military Orphan Society.

In 1861, when the local army for India was discontinued, and the Staff Corps was organised, the Secretary of State announced that Government would assume the liabilities of these military funds, as far as might be necessary to maintain existing pensions and to secure to subscribers and their families the benefits to which they were entitled under the former system, the assets also being taken over, and subscriptions at the existing rates being continued. The formal consent of the subscribers having been obtained to this arrangement, the requisite powers were conferred by Act 29 Vict. c. 18, and the transfer was finally effected on the 10th September 1866.

The capital of the funds at that date was as follows:—

	Rx.
Bengal Military Fund	688,927
Madras Military Fund	1,211,611
Bombay Military Fund	712,578
Bengal Military Orphan Fund	557,082
	3,170,198

The securities composing this capital were taken over and cancelled, and the above amount was held on the Government books as a deposit not bearing interest, and was transferred year by year to the Revenue Account, to such extent as was required to meet the net charge for pensions *minus* subscriptions, until each fund was exhausted. The reason for thus treating the capital was that the pensions were expected to increase for some years, and the intention was that the capital should be devoted to relieving the charge on the revenues when the burden would be greatest. The capital was, however, absorbed long before the pensions had reached their maximum figure, the year of exhaustion for each fund being as follows, while the pensions are still increasing and the subscriptions decreasing:—

Bengal Military Fund	1874–75
Madras Military Fund	1879–80
Bombay Military Fund	1879–80
Bengal Military Orphan Society	1888–89

Until 1879–80 there was no net charge on the accounts for either the Madras or Bombay Fund, and until 1888–9 there was none for the Bengal Military Orphan Society. In 1875–6 the net charge appearing in the accounts was for the Bengal Military Fund only. The Military Fund charges are now shown in a single item in the accounts, but the following table compares the net charges for 1875–6 and 1893–4 in such detail as is available, and shows to what extent the appropriations from capital operated to reduce the net charge in the earlier year.

	1875–6.			1893–4.			Increase in Charge.		
	India.	England.	Total.	India.	England.	Total.	India.	England.	Total
Bengal:									
Charges	7,477	167,656	175,133						
Subscriptions	*53,068*	*29,874*	*82,942*						
Net charge	*−45,591*	137,782	92,191						
Madras:									
Charges	19,085	160,321	179,406						
Subscriptions	*50,230*	*17,304*	*67,534*						
Net charge	*−31,145*	143,017	111,872						
Appropriation from capital	*111,872*	—	*111,872*	Details not available for each fund.					
Net charge on accounts	*−143,017*	143,017	—						
Bombay:									
Charges	14,268	112,000	126,268						
Subscriptions	*55,930*	*11,267*	*67,197*						
Net charge	*−41,662*	100,733	59,071						
Appropriation from capital	*59,071*	—	*59,071*						
Net charge on accounts	*−100,733*	100,733	—						
Total:									
Charges	40,830	439,977	480,807	9,163	529,988	539,151	*−31,667*	+90,011	+58,344
Subscriptions	*159,228*	*58,445*	*217,673*	*22,491*	*59,369*	*81,860*	+136,737	*−924*	+135,813
Net charge	*−118,398*	381,532	263,134	*−13,328*	470,619	457,291	+105,070	+89,087	+194,157
Appropriation from capital	*170,943*	—	*170,943*						
Net charge on accounts	*−289,341*	381,532	92,191						
Bengal Orphan:									
Charges	11,218	56,537	67,755	6,997	61,926	68,923	*−4,221*	+5,389	+1,168
Subscriptions	*28,510*	*17,844*	*46,354*	*5,186*	*23,577*	*28,763*	+23,324	*−5,733*	+17,591
Net charge	*−17,292*	38,693	21,401	1,811	38,349	40,160	+19,103	*−344*	+18,759
Appropriation from capital	*22,812*	—	*22,812*						
Net charge on accounts	*−40,104*	38,693	*−1,411*						
Grand Total:									
Charges	52,048	496,514	548,562	16,160	591,914	608,074	*−35,888*	+95,400	+59,512
Subscriptions	*187,738*	*76,289*	*264,027*	*27,677*	*82,946*	*110,623*	+160,061	*−6,657*	+153,404
Net charge	*−135,690*	420,225	284,535	*−11,517*	508,968	497,451	+124,173	+ 88,743	+212,916
Appropriation from capital	*193,755*	—	*193,755*						
Net charge on accounts	*−329,445*	420,225	90,780						

Apart, therefore, from the appropriations from capital and the higher charge due to the fall in the exchange value of the rupee, the net charge has increased by only Rx. 212,916, of which Rx. 153,404 is due to the lower receipts from subscriptions (the fund having been closed to new subscribers and the old subscribers having diminished by deaths), and only Rx. 59,512 to increased charges for pensions.

The net charge, excluding exchange and appropriations from capital, for each year from 1875–6 to 1893–4, is shown below.

NET CHARGE on account of MILITARY FUNDS, excluding Exchange and Appropriations from Capital.

Year.	Rx.	Year.	Rx.
1875–6	284,535	1885–6	399,252
1876–7	299,253	1886–7	416,847
1877–8	300,712	1887–8	422,246
1878–9	315,653	1888–9	432,481
1879–80	321,339	1889–90	445,375
1880–1	351,294	1890–1	466,016
1881–2	357,528	1891–2	481,844
1882–3	378,826	1892–3	486,510
1883–4	391,108	1893–4	497,451
1884–5	405,769		

These amounts do not, however, represent the burden to the State on account of the funds; they should certainly be reduced by 4 per cent. on the capital, or say Rx. 126,808. In this connection I cannot do better than quote the 40th paragraph of the Sixth Report of the Special Committee on Home Charges, dated 3rd May 1880.

"40. In speaking of the charges of the military and medical funds, which now amount approximately to 400,000*l.* a year, as an expense to be borne by the revenues of India, it must be remembered that this burden is by no means entirely the result of the transfer of the funds to the Government. According to a return laid before Parliament, the contributions made by the Government, in one form or other, to the military and medical funds, as long ago as 1850–1, amounted to 132,000*l.* a year, and, owing to the great increase of capital on which interest was paid to some of the funds, this sum must have been largely exceeded, even in 1866, when the management of the military funds was assumed. Again, after the mutiny, the Government agreed to bear the additional cost of the pensions arising from the special casualties of that period, estimated to be about three-fourths of the pensions of widows of all officers killed between May 1857 and May 1858, but no complete computation seems to have been made of the amount of this liability when the funds were transferred, and it cannot be stated by what precise sum the cost of the pensions was enhanced by this promise. The more rapid promotion under the Staff Corps regulations is another cause of expense, which has arisen from measures taken on Imperial grounds of policy, and cannot fairly be charged against the funds. And, finally, had not their management been assumed, the payments on account of what is termed 'difference of exchange' would in recent years have been much heavier. It should further be noticed that, when the liabilities connected with these funds have been discharged, no fresh expenditure of this nature will arise in the future, as the new service fund which replaces them is constituted on a strictly self-supporting basis, and no contribution is given by the State, the interest allowed on the capital being fixed at the ordinary market rate."

As already stated, the net charge is still increasing, but it is now approaching its maximum; it will in a few years begin to diminish, and will eventually disappear altogether from the Government accounts.

MEDICAL RETIRING FUNDS.

These funds, like the military funds, were injured by the measures adopted in 1861, appointments to the Indian medical service having for the time being ceased, and their assets and liabilities were accordingly assumed by the Government under powers given by the Act 29 Vict. c. 18. The capital transferred, the year of transfer, and the year of exhaustion of the capital, which was at first dealt with in the same manner as that of the military funds, are given below.

Name of Fund.	Year of Assumption.	Amount of Capital.	Year of Exhaustion.
		Rx.	
Bengal	1868	338,457	1875–76
Madras	1870	650,094	1879–80
Bombay	1868	124,273	1878–79

In 1874 the junior members of the Bengal fund were allowed a refund of their subscriptions, on renouncing their claim to annuities from the fund, and the offer was repeated in 1881. The same course was adopted with regard to the Bombay fund in 1877. These two are rapidly dying out. The Madras fund includes a charity branch, which provides for widows and children, and the net charge for it does not yet show any reduction.

There is little use in comparing the net charges for 1875–6 and 1893–4, because in the former year there was an unusually large charge for the refunds to the junior members, while there was also a credit of Rx. 219,872 on account of appropriations from capital.

The following table shows the net charge (excluding exchange) for each fund from 1880–1 (the year in which the credits from capital entirely ceased) to 1893–4.

NET CHARGE OF MEDICAL RETIRING FUNDS.

Year.	Bengal.	Madras.	Bombay.	Total.
	Rx.	Rx.	Rx.	Rx.
1880–1	43,486	73,154	11,541	128,181
1881–2	*134,917	73,261	11,769	219,947
1882–3	*52,829	74,256	11,092	138,177
1883–4	45,034	75,814	10,009	130,857
1884–5	42,942	78,474	9,471	130,887
1885–6	39,606	78,565	9,530	127,701
1886–7	38,199	80,965	9,335	128,499
1887–8	36,164	82,564	8,713	127,441
1888–9	35,285	84,349	7,889	127,523
1889–90	33,306	84,620	7,747	125,673
1890–1	30,210	84,646	6,980	121,836
1891–2	28,339	82,892	6,842	118,073
1892–3	31,036	86,244	7,436	124,716
1893–4	25,517	78,210	6,159	109,886

This charge will eventually disappear from the Government Accounts.

The true burden to the State is considerably less than that which appears on the face of the accounts. After allowing for the refunds made to the junior members of the Bengal and Bombay funds, the credit for interest at 4 per cent. would be about Rx. 34,000.

* Special refunds were made in these two years to junior members renouncing their claim to annuities.

Civil Service Annuity Funds.

The history of these funds up to the time of their being taken over by Government is given briefly in a note by Mr. Seccombe printed as Appendix No. 29 (p. 710) to the Report of the Select Committee for 1872.

Before the funds were taken over the Secretary of State had determined that every Indian civil servant on retirement after 25 years' service and 21 years' residence should be granted a pension of 1,000*l.* per annum, the annuity deduction of 4 per cent. from salary continuing to be made. This decision rendered unnecessary the further maintenance of the machinery of the annuity funds, and the Secretary of State accordingly directed their abolition. The subscribers having agreed to surrender their accumulated capital to Government on its accepting their liabilities, power to take over the funds was conferred on the Secretary of State by Act 37 Vict. c. 12, and the capital, as below, was taken over in 1874–5, and credited as an extraordinary receipt.

	Rx.
Bengal - - -	2,030,264
Madras - - -	583,277
Bombay - - -	438,458
Total - -	3,051,999*

This method of dealing with the capital differed from that adopted in the case of the military and medical funds, for reasons which are explained in the following quotation from the Sixth Report of the Committee on Home Charges already referred to.

"43. It will be observed that this mode of bringing the assets to account is different from that adopted with regard to the military and medical funds. In both cases the proposals of the Government of India were accepted, and the acceptance is based, in a memorandum written by the Financial Secretary in 1871, on the different circumstances of the funds. The pensions from the military and medical funds would gradually decrease, and the capital would be devoted to relieving the charge on the revenues at the time when the burden was greatest. The civil annuities on the other hand were a permanent, and for some thirty years an increasing charge, so that the exclusion of the amount from the accounts at present, and its inclusion hereafter when it would be even larger, would have disturbed the accounts in a very inconvenient manner."

The 4 per cent. deductions from salaries are taken by actual deduction from the charge; there is, therefore, no separate credit on their account except in the Home accounts, where a different procedure is followed.

Of the total increased charge of Rx. 368,519 on account of these funds, Rx. 284,143 is due to the fall in the exchange value of the rupee. The increase in the value of the annuities at two shillings to the rupee is therefore only Rx. 84,376. It was, of course, understood from the first that the grant of a pension of 1,000*l.* a year to every Indian civilian would increase the charge for these pensions. The charge is still increasing, but the maximum has probably been nearly reached.

The actual burden to the State for these pensions is less than that shown on the face of the accounts, as it should be reduced by the interest on the capital taken over by Government, and by the amount of the annuity deductions. Government paid to the annuity funds 6 per cent. on their capital, and at that rate the interest saved would be about Rx. 183,000; even at 4 per cent. the interest would be Rx. 122,000. The annuity deductions do not vary much and may be taken at about Rx. 63,000 a year. The net charge as shown on the accounts should therefore be reduced by at least Rx. 185,000, and possibly by Rx. 246,000.

Subject to this explanation, I give below the net charge for these annuities for each year from 1875–6 to 1893–4, on the basis of a two-shilling rupee; and it must be remembered that, when the arrangements for taking over these funds were initiated, the exchange value of the rupee approximated to two shillings. The funds were also entitled to a privileged rate of exchange.

Year.	England.	India.	Total.
	Rx.	Rx.	Rx.
1875–6 - -	259,884	138,511	398,395
1876–7 - -	342,616	41,433	384,049
1877–8 - -	377,257	29,214	406,471*
1878–9 - -	390,969	56,443	447,412*
1879–80 - -	403,493	17,557	421,050
1880–1 - -	407,643	12,347	419,990
1881–2 -	404,140	9,652	413,792
1882–3 - -	409,230	8,815	418,045
1883–4 - -	413,221	5,298	418,519
1884–5 - -	418,278	4,937	423,215
1885–6 - -	427,037	3,282	430,319
1886–7 - -	422,146	7,373	429,519
1887–8 - -	426,031	3,285	429,316
1888–9 - -	434,086	3,534	437,620†
1889–90 - -	446,429	3,595	450,024†
1890–1 - -	470,562	3,917	474,479†
1891–2 - -	475,913	2,205	478,118
1892–3 - -	508,311	1,877	510,188‡
1893–4 - -	481,144	1,627	482,771

Civil Funds.

These funds, by which provision is made for the families of deceased Indian civil servants, were entitled to privileged rates of interest and of exchange from Government, and with these privileges they were self-supporting. They were taken over by the Government under authority of 45 & 46 Vict., cap. 45, the liabilities assumed being such as it was actuarially shown that the assets, including future subscriptions at existing rates,§ were sufficient to meet.

The Bombay fund was taken over in 1882–3, and the Bengal and Madras Funds in 1885–6, the capital, as below, being credited to Government as an extraordinary receipt.

	Rx.
Bombay - - - - - - -	815,345
Bengal - - - -	1,908,469
Madras - - - - - -	2,257,000
	4,980,814

The funds were in 1881 closed to new entrants, a new fund on less privileged terms being opened for future members of the Indian Civil Service.

The charges on account of these funds, which appeared in the Government accounts in 1875–6, were for the donations given to the funds as the equivalent of the privileges mentioned above.

Comparing the accounts of 1875–6 and 1893–4, the charge to Government appears to have increased by Rx. 229,713; but of this increase exchange accounts for Rx. 156,000. If, however, credit be taken for 4 per cent. on the capital of the funds taken over by Government, which would amount to Rx. 199,233, the increased charge even including this huge fall in exchange, would be reduced to about Rx. 30,000; therefore, but for the fall in exchange, the net charge to Government would show a large reduction.

The following account shows for each year the net charge to Government, excluding exchange and allowing for interest as above, for each year from 1875–6 to 1893–4.‖

* The actual amount credited was Rx. 3,051,918, which differs slightly from this aggregate of the details.

* Increase due to grant of special graduated pensions to remove the block of promotion in the N.W.P., which was further exhanced by the permission given to commute for a capital sum any portion of those pensions in excess of 500*l.*

† Increase due to exceptionally numerous retirements, the recruitment in various provinces for the year 1861, and for two or three years after having been unusually high.

‡ The enhancement in this year is due to the introduction of the system of monthly payment of pensions and annuities.

§ The rates of subscription (which vary for the three funds), &c., are detailed in Appendix 10 to the Civil Service Regulations. The subscription is payable by all members of the service, but that of married members is fixed at a higher percentage; and an additional percentage is levied for each child.

‖ I include in this account the item of revenue shown separately in the Government accounts under the head of "Family Subscriptions of Native Members of the Indian Civil Service." This item relates to six Native members of the Indian Civil Service who could not, for technical reasons, be admitted to the Civil funds, but, being bound by their covenants with Government to subscribe to those funds, were, before the funds were taken over by Government, allowed, on payment of equal subscriptions, to secure like benefits to those which the civil funds secure to European members (Civil Service Regulations, Article 617). Since the funds were taken over, the position of these native members differs in no way from that of the European members of the service.

	Net Charge on Accounts excluding Exchange.	Credit on Account of Interest at 4 per cent. on Capital taken over by Government.	Net charge to Government.
	Rx.	Rx.	Rx.
1875–6	113,955	—	113,955
1876–7	125,899	—	125,899
1877–8	119,349	—	119,349
1878–9	138,020	—	138,020
1879–80	139,160	—	139,160
1880–1	146,267	—	146,267
1881–2	152,370	—	152,370
1882–3	168,182	—	168,182
1883–4	151,090*	*32,614**	118,476*
1884–5	168,329	*32,614*	135,715
1885–6	359,752†	*199,232*	160,520
1886–7	143,498	*199,232*	*−55,734*
1887–8	150,360	*199,232*	*−48,872*
1888–9	155,009	*199,232*	*−44,223*
1889–90	159,877	*199,232*	*−39,355*
1890–1	166,159	*199,232*	*−33,073*
1891–2	176,574	*199,232*	*−22,658*
1892–3	183,532	*199,232*	*−15,700*
1893–4	187,440	*199,232*	*−11,792*

It will be seen that the net charge to Government was rapidly increasing before these funds were taken over, owing to the rapid accumulation of capital and the consequent heavy charge for the privileged interest. Since the three funds were taken over, there has so far been a net receipt, allowing for the saving in interest at 4 per cent. only (and leaving exchange out of account). The charges will, however, continue to increase for some years, but there can be no doubt that the taking over of the funds and their closing to new entrants in 1881 has resulted and will result in a considerable saving to Government. The charge will, after some years, begin to diminish, and will eventually disappear.

Old Madras Civil Funds.

These were payments on account of two funds instituted in 1800 and 1814 by the Madras Civil Service, for the liabilities of which Government became responsible on the institution of the Civil Service annuity funds. In 1875–6 the liabilities were reduced to four annuities, and the charge on account of these old funds ceased altogether in 1880–1, when the last annuitant died.

Civil Service Family Pension Fund.

This is the fund which was instituted, as stated above, on the closing in 1881 of the civil funds to new entrants, in order to provide pensions for the families of Indian civilians appointed in subsequent years. In the case of this fund the Government affords some assistance, but the maximum limit of such assistance has been fixed at 35,000*l.* a year, and, with a view to ensuring the observance of this condition, an actuarial valuation of the fund is effected periodically, and it has been specifically declared that the rates of subscription‡ are liable to alteration from time to time. The last valuation was effected in 1893, and showed a surplus of 26,716*l.*, which represented over 23¾ per cent. of the value of the liabilities; the sterling rates of subscription were accordingly reduced. The Indian subscriptions are recovered at the official rate of exchange of the year. Interest has, hitherto, been taken at 4½ per cent. for the purposes of the valuation; but the Secretary of State announced, when communicating the last report, that the rate to be adopted on the next occasion will depend upon a consideration of the market rates of the day. It is not intended that the pensions provided by these regulations should bring any charge on the Government of India, beyond the prescribed Government contribution, and accordingly no privileges are to be allowed to the fund in the way of a favourable rate either of interest or exchange. At present the receipts are far in excess of the charges. The following table gives the receipts and charges of the fund (excluding exchange) for each year, up to 1893–4, since its institution.

	Receipts.		Charges.	
	India.	England.	India.	England.
	Rx.	£		
1882–3	*388*	—	—	—
1883–4	*1,423*	—	—	—
1884–5	*1,804*	—	—	—
1885–6	*2,060*	*104*	—	—
1886–7	*3,319*	*76*	—	—
1887–8	*3,529*	*87*	—	—
1888–9	*4,795*	*224*	—	—
1889–90	*6,373*	*341*	—	—
1890–1	*6,874*	*448*	38	351
1891–2	*8,342*	*738*	—	534
1892–3	*10,302*	*894*	227	550
1893–4	*11,901*	*1,030*	214	1,000

Indian Navy Fund.

The assets of this fund (capital 114,624*l.*) and its liabilities were assumed by the Secretary of State after the abolition of the Indian Navy in 1863. The net charge has reached its maximum, and is already showing a tendency to diminish. It will eventually disappear from the Government accounts. The following table shows the net payments in India and England and the total (excluding exchange) from 1875–6 to 1893–4.

	India.	England.	Total.
	Rx.	£	
1875–6	*−112*	8,404	8,292
1876–7	*−86*	8,341	8,255
1877–8	515	9,420	9,935
1878–9	267	9,859	10,126
1879–80	74	10,660	10,734
1880–1	*−13*	12,254	12,241
1881–2	*−185*	13,945	13,760
1882–3	*−184*	14,819	14,635
1883–4	*−102*	14,615	14,513
1884–5	*−192*	14,797	14,605
1885–6	*−162*	15,035	14,873
1886–7	*−189*	15,196	15,007
1887–8	*−183*	15,895	15,712
1888–9	*−102*	15,929	15,827
1889–90	*−104*	14,572	14,468
1890–1	*−59*	14,905	14,846
1891–2	*−13*	15,238	15,225
1892–3	*−13*	15,099	15,086
1893–4	*−8*	15,430	15,422

Other Pensions.

In the case of these pensions, which are of numerous kinds, it is not generally of importance to bring together the charges incurred in India and in England. The former relate almost exclusively to pensioned Natives of India; there are, indeed, a few Europeans who, for special reasons, draw their pensions in India; but the amount of such pensions is proportionately so small that it may be disregarded. The pension charges in England consist of those granted to Europeans either for service out of India, chiefly home service (either at the India Office or under the late East India Company), or for service in India other than service in the Army or in the Indian (formerly Covenanted) Civil Service. I propose, therefore, to treat the charges in England and in India separately for the most part.

The Indian charges can be compared in detail for the whole of the period from 1875–6 to 1893–4, and this comparison is effected in the table below.

* Bombay Civil Fund taken over.
† Bengal Madras Civil Funds taken over.
‡ Details of the rates, which vary with the length of service, are given in Appendix 10 of the Civil Service Regulations.

Year.	Superannuation, Invalid, and Retired Pensions.	Gratuities.	Compassionate Allowances.	Pensions for Distinguished and Meritorious Services.	Marine Pensions and Gratuities.	Refunds and Miscellaneous.	Total Gross Charge.	Contributions for Pensions, &c.	Net Charge.
	£	£	£	£	£	£	£	£	£
1875-6	285,904	20,978	47,121	—	(7,630)†	—	354,003	*30,895*	323,108
1876-7	295,668	20,661	44,083	—	(10,247)†	—	360,412	*28,533*	331,879
1877-8	311,209	52,687	43,682	—	(11,297)†	25,516‡	433,094	*31,600*	401,494
1878-9	332,296	28,000	40,744	—	(13,201)†	—	401,040	*37,727*	363,313
1879-80	385,860	249,678*	37,694	—	(12,500)†	—	673,232	*36,641*	636,591
1880-1	426,896	117,959*	39,552	—	(16,002)†	—	584,407	*87,834*	516,573
1881-2	448,402	26,773	40,119	—	13,108	—	528,402	*85,884*	442,518
1882-3	477,340	47,968	38,262	—	14,247	14,750	592,567	*38,120*	554,447
1883-4	506,527	25,738	32,747	—	11,032	345	576,389	*40,303*	536,086
1884-5	535,411	23,425	32,147	—	11,994	2,455	605,432	*45,565*	559,867
1885-6	567,184	16,245	28,324	—	11,971	4,735§	628,459	*59,836*	568,623
1886-7	605,203	13,152	19,176	—	12,869	934§	651,334	*62,934*	588,400
1887-8	635,123	12,944	17,176	197	11,747	1,764§	678,951	*69,599*	609,352
1888-9	676,854	7,745	16,845	270	11,724	2,613§	716,051	*93,584*	622,467
1889-90	709,769	9,582	16,277	252	12,008	3,835§	751,723	*96,322*	655,401
1890-1	751,196	8,580	16,613	212	12,973	3,210§	792,784	*110,999*	681,785
1891-2	780,150	8,817	15,475	328	12,474	569	817,813	*113,457*	704,356
1892-3	818,379	7,680	16,331	887	12,031	689	855,997	*103,619*	752,378
1893-4	851,596	8,176	15,101	820	11,033	655	887,381	*118,030*	769,351

* Enhanced by the special bonuses granted to P.W. officers to induce them to retire with a view to the reduction of their numbers.
† Shown under the head of "Marine" for these years; though not included in the totals for this head, they are given here for comparison with the figures of later years.
‡ Investment in Government securities of the balance of a local pension fund.
§ Including Upper Burma charges, which were unclassified for these years.

The superannuation, invalid, and retired pensions have increased steadily from year to year and are still increasing.

The main causes of this increase are the comparatively recent introduction of the pension system into India, and the large increase in the staff of officials employed for the Civil Administration in all its branches. Other causes contributing in a less degree to the enhancement of the pension charges are the increased employment of Government officials in foreign service, either under Native States or Local Funds, against which the increased recoveries, consisting almost entirely of the contributions levied for the loan of their services, affords a complete set-off, and an alteration in the pension rules, introduced in 1888, by which invalid and superannuation pensions are granted for a minimum service of 10 years instead of 15 years. This last alteration accounts for the decrease in the amount of the gratuities, which forms a partial set-off against the increase in pensions.

Compassionate allowances have largely decreased; they are composed partly of special pensions granted to the families of officers killed in the Mutiny, and these pensions have, of course, for the most part died out. The large decrease in 1886-7 was owing to the cessation of a large number of miscellaneous allowances in Bombay.

The other charges do not require any explanations beyond those given in the foot-notes to the table.

The English charges cannot, as already stated, be compared in detail for the whole of the period from 1875-6 to 1893-4; but the following table indicates the progress of the total charges in England, other than those relating to the principal funds mentioned above, for that period:—

——	Gross Charges.	Recoveries.	Net Charge.
1875-6	281,162	*12,135*	269,027
1876-7	262,557	*12,050*	250,507
1877-8	265,090	*13,509*	251,581
1878-9	271,807	*8,234*	263,573
1879-80	269,559	*10,592*	258,967
1880-1	305,748	*10,974*	294,774
1881-2	265,190	*11,034*	254,156
1882-3	251,541	*9,808*	241,733
1883-4	255,370	*9,601*	245,769
1884-5	251,993	*9,785*	242,208
1885-6	255,012	*11,496*	243,516
1886-7	232,745	*11,299*	221,446
1887-8	250,867	*10,972*	239,895
1888-9	248,822	*12,656*	236,166
1889-90	248,138	*10,163*	237,975
1890-1	270,842	*9,916*	260,926
1891-2	300,918	*9,852*	291,066
1892-3	337,735	*9,708*	328,027
1893-4	339,540	*9,610*	329,930

It will be observed that, while there has been an increase of Rx. 61,000 in the total net charge as between 1875-6 and 1893-4, that charge showed a slight tendency to decrease till the year 1889-90, when it had fallen to Rx. 238,000. The increase, therefore, is due to the rise in the last four years. This increase will be explained in detail below, and it is only necessary here to remark that it is due almost entirely to the increased charge for the pensions of the Uncovenanted Service in India.

It has already been explained that for the earlier years of the period covered by the preceding table full details are not available in the Home accounts. Some additional details were published in the Home accounts of 1878-9, but full details were not given till 1881-2. I propose, therefore, to give the detailed figures for the period from 1881-2 to 1893-4, and as the total for 1881-2 differs but slightly from (and, in as far as it does differ, is less than that of 1875-6, the comparison of the figures for this period will probably be considered sufficient.

The following table gives the details:—

CLASS.	1881-2.	1882-3.	1883-4.	1884-5.	1885-6.	1886-7.	1887-8.	1888-9.	1889-90.	1890-1.	1891-2.	1892-3.	1893-4.
	£	£	£	£	£	£	£	£	£	£	£	£	£
Pensions for distinguished and meritorious services	11,423	12,024	11,600	11,632	11,993	11,305	11,624	11,168	10,899	10,838	10,793	11,040	10,322
Pensions on retirement:—													
India Office: Superannuation	20,793*	18,220*	20,173*	18,659†	12,664	11,110	10,934	11,411	11,871	11,195	11,592	16,181	16,989
Compensation on reduction of Staff	35,110*	32,528*	28,927*	27,485†	27,883‖	25,140	23,053	22,130	21,301	19,182	20,197	20,773	20,805
Compassionate	—§	—§	—§	—§	1,141	1,633	1,808	2,458	1,996	2,106	2,026	1,997	2,355
Total	55,903	50,748	49,100	46,144	41,688	37,883	35,795	35,999	35,168	32,483	33,815	38,951	40,149
Judges of High Courts	27,901	26,556	28,250	28,786	32,208	33,696	35,863	33,105	33,563	30,119	29,793	29,897	31,431
Straits Settlements Judicial Officers	1,600	1,600	1,600	1,800	1,200	1,800	1,600	1,600	1,800	1,600	1,600	1,600	600
Uncovenanted Service	72,963	71,887	78,386	83,147	81,219	63,875†	84,035	85,524	89,947	120,423	142,649	180,528¶	185,336
Bengal Pilot Service	9,030	8,649	8,494	7,575	6,919	6,968	7,134	7,108	7,435	7,107	7,293	6,267	6,825
Marine Service	—	—	—	—	125	645	1,422	2,580	2,658	3,230	5,324	5,624	5,440
Total pensions on retirement	167,397	159,440	166,330	167,452	163,359	144,867	164,849	165,866	170,571	194,962	220,474	262,867	269,781
Pensions of officers of East India Company's Establishments abolished:—													
Home Establishment, China, St. Helena, and Maritime Service, pensioned in 1834.	12,145	10,033	9,177	8,716	7,928	6,593	5,307	4,745	3,175	2,628	2,065	1,893	1,343
Home Establishment, pensioned between 1834 and 1858	—*	—*	—*	—*	7,718	6,213	5,627	4,809	4,595	4,428	4,066	3,983	3,779
Addiscombe, Haileybury, Warley, &c.	5,804	5,112	4,982	4,871	4,870	4,266	4,286	4,431	3,753	3,252	3,533	3,050	2,523
Indian Navy	26,131	26,562	25,288	23,192	22,949	22,452	21,579	21,659	20,641	19,540	19,429	20,943	18,284
Poplar Fund	433	235	173	129	48	22	18	21	18	15	17	12	—
Total for East India Company's Establishments abolished	44,513	41,942	39,600	36,908	43,513	39,546	36,817	35,665	32,182	29,863	29,110	29,881	25,929
Widows and families from funds to which officers subscribed:—													
Home Service (net charge)	11,626	11,564	12,668	12,357	12,492	13,765	12,808	9,978	12,918	11,856	11,704	9,662	9,665
India Office Provident Fund (net charge)	1,018‡	1,000‡	1,000‡	1,000‡	*−1,076*	*−951*	*−628*	*−534*	*−571*	*−553*	201	611	470
Bengal Pilot Service	5,504	5,255	5,325	5,667	5,810	5,795	5,964	5,828	5,702	5,852	6,181	6,215	6,491
Total for Funds	18,148	17,819	18,993	19,024	17,226	18,609	18,149	15,272	18,049	17,155	18,086	16,488	16,626
Compasionate and miscellaneous pensions	7,892	5,817	5,797	5,536	5,549	5,468	5,391	4,987	5,451	5,986	6,261	5,804	6,018
Total pensions	249,373	237,042	242,320	240,552	241,640	219,795	236,830	232,958	236,652	258,804	284,724	326,080	328,676
Compensation on termination of appointment	1,500	—	—	—	—	—	—	—	—	—	—	—	—
Gratuities to Uncovenanted servants on retirement	2,687	3,868	2,360	1,208	1,135	620	2,558	2,057	577	883	247	337	219
Other gratuities	122	398	684	65	62	428	61	585	230	701	5,521	862	515
Relief of distressed natives of India	119	70	50	28	324	248	91	211	161	183	219	393	165
Subscriptions to Societies	355	355	355	355	355	355	355	355	355	355	355	355	355
Grand total—Pensions, Gratuities, &c.	254,156	241,733	245,769	242,208	243,516	221,446	239,895	236,166	237,975	260,926	291,066	328,027	329,930

* From 1881-82 to 1884-5, Home Establishment officers pensioned between 1834 and 1858 are included under India Office.
† Reduction owing to date of payment being changed from 31st March to 1st April, which deferred the charge for one quarter till the following year.
‡ Donation to the Fund: in 1885-86 the liabilities and assets were assumed.
§ Included above, under Superannuation.
‖ Including 4,343*l.* paid for commutation of pensions.
¶ Enhanced by nearly two months' payments, owing to the change from quarterly to monthly payments in the course of this year.

The pensions for distinguished and meritorious services are granted generally to the relations of high officers (deceased) who have rendered special services to the State. They have varied but little.

The India Office pensions have fallen considerably since 1881–2. They then amounted (including the East India Company's home establishment, pensioned between 1834 and 1858) to 55,903*l.*, the corresponding figure in 1891–2 being 37,881*l.*; and in 1893–4, 43,923*l.* The charges in the earlier year were swelled by compensation pensions granted in respect of various reductions effected on and after the amalgamation of the staffs of the East India House and India Board. The small increase in these pensions since 1890–1 is due to a reorganisation of the Accountant-General's Department, second-class clerks having been substituted for more highly-paid clerks. The increase in the superannuation pensions since 1891–2 was caused by compulsory retirements from age. All members of the Home Establishment appointed after the 2nd of September 1858 are subject to the provisions of the Superannuation Act for the time being in force. The India Office compassionate pensions are chiefly grants to artisans, labourers, &c., retiring after long periods of service without strict claims to pension.

The High Court Judges' pensions work out to an average of about 30,000*l.* for the 13 years. These pensions are dealt with in a separate note (Appendix 33), and there is no need to discuss them further here.

The Straits Settlement judicial officers were pensioned by the East India Company. Only one of these remains now on the pension list.

The pensions included under the head of "Uncovenanted Service" are those of European officers employed in all services other than the military service, the Indian Civil Service, and those separately mentioned here.

The sterling amounts shown in the table rose gradually from 1881–2 to 1884–5; they then remained fairly stationary up to 1888–9; rising slightly in 1889–90, and by leaps and bounds from 1890–1 onwards; the amount of the pensions paid in 1893–4 being rather more than double those paid in 1889–90. It must, however, be remembered that practically the whole of these pensions* are granted in rupees, and that up to and including the year 1889–90 they were, when paid in England, converted into sterling at the official rate of exchange of the year; while from 1890–1 onwards they have been paid at a fixed rate of exchange, 1*s.* 9*d.* For the earlier period the official rate of exchange generally fell from year to year (following the market rate), and the gradual rise in the rupee amount of the pensions was thus obscured in the sterling accounts by the gradual fall in the rate of conversion. From 1890–1, the rate of conversion being fixed at a much higher rate than that previously prevailing, the rise in the sterling amount in that year was much more than proportionate to the enhancement in the rupee amount of the pensions, while since that year the rise is proportionate to that of the rupee pensions.

To show, therefore, the true progress of the account, I give the following tables, which show from year to year, in addition to the sterling amounts shown in the Home accounts,

(1) The corresponding rupee amounts;
(2) The sterling amounts at the official rate throughout (*i.e.*, altering the sterling amounts from 1890–1 to 1893–4);
(3) The sterling amounts at the rate of 1s. 9*d.* throughout (*i.e.*, altering the sterling amounts from 1881–2 to 1893–4);
(4) The official rate of exchange.

	1881–2.	1882–3.	1883–4.	1884–5.	1885–6.	1886–7.	1887–8.	1888–9.	1889–90.	1890–1.	1891–2.	1892–3.	1893–4.
Amount of sterling shown in Accounts - - - £	72,963	71,887	78,886	83,147	81,219	63,875	83,035	85,524	89,947	120,423	142,649	180,528	185,336
Amount of sterling converted into rupees at the official rate of exchange, from 1881–2 to 1889–90, and at 1*s.* 9*d.* from 1890–1 to 1893–4 - Rx.	87,556	86,264	98,221	102,335	103,188	—*	110,713	120,740	130,832	137,626	163,027	—*	211,81 *
Amount of sterling converted at the official rate throughout - £	72,963	71,887	78,886	83,147	81,219	—*	83,035	85,524	89,947	97,485	125,668	—*	125,764
Amount of sterling converted at 1*s.* 9*d.* throughout - - £	76,611	75,481	86,057	89,543	88,603	—*	96,874	105,647	114,478	120,423	142,649	—*	185,336
Official rate of exchange - -	*s. d.* 1 8	*s. d.* 1 8	*s. d.* 1 7½	*s. d.* 1 7½	*s. d.* 1 7½	*s. d.* 1 6½	*s. d.* 1 6	*s. d.* 1 5	*s. d.* 1 4½	*s. d.* 1 5	*s. d.* 1 6½	*s. d.* 1 4½	*s. d.* 1 2½

* Omitted owing to the irregular payments in these years as indicated in the foot-note to the table preceding this one.

The rupee amounts, it will be seen, rose steadily up to 1889–90, the total increase from 1881–2 to 1889–90 being about Rx. 43,000, or about Rx. 5,500 a year. The yearly increment, however, showed a tendency to rise towards the latter part of this period, and the normal yearly amount at the end of the period may be taken at about Rx. 10,000. From 1889–90 to 1893–4, however, the rise has been at a much more rapid rate, the total increase for the four years being about Rx. 81,000, or say Rx. 20,000 a year. The rate of increment has, therefore, quite doubled. From these figures it would seem that the enhanced rate of exchange has had a double effect in raising the cost of these pensions, namely, first, the direct effect of raising the sterling amount payable; and second, the indirect effect of stimulating retirements on pension, and transfers of rupee pensions from India to England. As to the increased number of pensioners payable in England, since the change was carried out, there can be no doubt, for the pension list under this head at the India Office included 649 names in 1893–4, against 449 in 1889–90, or an increase of 200 in four years; while the increase in the number of pensions between 1881–2 and 1889–90 was only 136 (449–313) in eight years. A small portion of the abnormally increased charge in the last few years is due to exceptional retirements in the Public Works Department, but the bulk of it may with confidence be attributed either directly or indirectly to the enhanced rate of exchange at which rupee pensions have been payable in England since 1890–1.

The two lower sterling lines in the table show the extent of the direct effect of the rise in this rate. In 1893–4 the official rate had fallen to 1*s.* 2¾*d.*, and if the actual pensions then payable (enhanced though they were by the stimulus to retirements mentioned above) had been paid at this rate of exchange the sterling amount would have been 125,764*l.* as against 185,336*l.* actually paid, the saving being nearly 60,000*l.*, and the rise as between 1891–2 and 1893–4 would have entirely disappeared. Had the rate of increment of Rx. 10,000 continued from 1889–90 to 1893–4, the sterling amount paid at the official rate of exchange would have been about 105,000*l.* only.

The pensions of the Bengal Pilot Service have fallen from 9,030*l.* in 1881–2 to 6,825*l.* in 1893–4. The individual pensions for this service are small; retiring pensions of Rs. 200 a month to a Branch pilot, and Rs. 100 to any of lower rank, are granted after an actual service of 30 years.

The Marine Service pensions are granted under new regulations applying to the service as reorganised in 1883–4; the service being comparatively new, the pension list is necessarily growing.

The pensions of officers of the East India Company's establishments are gradually falling in. They consist mainly of the Indian Navy pensions granted on the abolition of that service in 1862; these are falling in less rapidly than the others, but they also will gradually disappear, and counterbalance the increase in the pensions of the Royal Indian Marine; they fell to 15,867*l.* in 1894–5.

The Home Service Family Funds are two old funds established in 1818 and 1820. The East India Company

* A few are fixed in sterling, but their number is so small that they may be treated as a negligible quantity.

assumed the liability for any deficiency in them in 1834, when the commercial business of the Company was terminated, and they were closed to new entrants in 1860. The net charge for these funds is gradually diminishing and will eventually disappear.

The India Office Provident Fund was started in 1877, those members of the old fund, who so desired, being permitted to join the new fund, with a proportionate share of the capital. It was closed to new entrants in 1885, when those subscribers who pleased were allowed to withdraw and receive back their subscriptions, and the Secretary of State assumed the liability for the charges. From that year to 1890–1 the subscriptions exceeded the pensions payable, but there is now a net charge the tendency of which will be to increase for some years, as the pensions still further increase and the subscriptions decrease. In 1893–4 the pensions amounted to 1,896*l.* and the subscriptions to 1,426*l.* In 1894–5 the net charge was 861*l.* (pension, 2276*l.* and subscriptions 1,415*l.*)

The Bengal Pilot Service has a family fund, the subscriptions to which are levied and credited in India. The charge in England shows a slight tendency to increase, but it has risen less than 1,000*l.* in twelve years.

The compassionate and miscellaneous pensions have not varied materially since 1882-3, and require no remarks.

Gratuities payable to uncovenanted servants retiring on medical certificate (before title to pension has accrued) are ordinarily payable in India; and only under exceptional circumstances are they paid in England. The exceptions have been considerably reduced in recent years. The other gratuities are granted under special orders, and are usually small in amount. The charges for relief of distressed natives of India consist mainly of the expenses for sending back to India destitute native seamen, where the responsibility cannot be brought home to the owners of the vessels in which they left India. These expenses the Government of India is bound to defray under the Merchant Shipping Act, so that the charges, which are never large, are for the most part incurred under legal obligation. Of the expenditure in 1893–4, amounting to 165*l.*, charges of the above nature account for 150*l.*, the balance of 15*l.* having been incurred for the repayment of the charges paid by Her Majesty's Consul at Marseilles for the relief of four destitute Indians (eye-doctors).

The subscriptions to societies have been unvaried for several years. They are as follows:—

	£
Strangers' Home for Asiatics - -	200
Seamen's Hospital Society - -	105
Soldiers' Daughters' Home - -	50
	355

APPENDIX No. 35.

PRÉCIS of CORRESPONDENCE relating to the LOCAL SUPPLY of STORES required by GOVERNMENT DEPARTMENTS in INDIA.

Handed in by Sir Henry Waterfield, K.C.S.I., C.B.

(With reference to Q. 12,706.)

In the despatch quoted in the margin* the Secretary of State in Council requested that the growing practice of obtaining stores of English manufacture otherwise than through the Stores Department might be checked.

In 1876 a Committee was appointed to inquire into the functions and administration of the Lambeth branch of the Stores Department.

The Committee expressed the opinion that the Government of India and the Local Governments and Administrations might in future be allowed to exercise their discretion as to the agency through which supplies of all sorts might be obtained, subject to certain exceptions and certain conditions as to payment and inspection. The objects the Committee had in view were:—

(1.) The reduction of the payments for stores in this country.
(2.) The encouragement of Indian manufactures, and of a system of local agency for supplies not of Indian origin.

The introduction of the principle of provincial responsibility for local expenditure, in the opinion of the Committee, justified the proposed change of system. The exceptions were engineering, railway, and telegraph plant and materials; malt liquor; clothing for European troops; military supplies, and generally any stores of a special character or of which large stocks were required.

These recommendations† were approved by the Secretary of State in Council, who requested the Government of India to give orders accordingly.

The Government of India, in 1878,‡ forwarded a copy of the orders given on the subject. These were generally in accordance with the instructions from home. The division made was as follows:—

A. Stores to be obtained through India Office:—
Special machinery and appliances.
Railway, telegraph, and engineering plant and materials.
Malt liquor (other than hill beer).
Clothing materials for European troops.
Military stores of a special character.
Marine " " "
Writing paper. Loan and water-marked paper.
Stamps.
Medicines, but with liberty to Local Governments to buy in local markets medicines paid for from provincial funds.

B. Stores to be obtained by local purchase or direct from Europe or America from manufacturers or through private agents,—
Books. Newspapers. Periodicals.
Type and printing materials.
Stationery, other than writing paper.
All other civil stores.

The rest of the order was concerned with the conditions as to inspection and payment to be observed in local purchase, the method of payment, and the financial arrangements necessitated.

In acknowledging the receipt of the above communication* the Secretary of State in Council remarked that the resolution was in general accordance with the views expressed in Lord Salisbury's Despatch, No. 477 of 1876. The substitution of Bally Mills for European paper was noted with satisfaction. The desirability of effecting such substitutions was urged, even at some temporary increase of cost. As regards stores not produced in India, the practice of dealing with merchants or agents on the spot should be adopted, rather than that of issuing direct orders for the supplies to persons in England. When supplies could not be obtained from Europe through local agency, to be paid for in rupees, they should be indented for as usual.

The Government of India objected to this restriction† on the ground that the intervention of local agency must often needlessly add to the cost of supplies, and

* Financial Despatch to Government of India, dated 27th December 1862, No. 218.
† Financial Despatch to India, No. 477, dated 7th December 1876.
‡ India Finance and Commerce Letter, No. 437, dated 9th November 1878.

* Financial Despatch to India, No. 94, dated 13th March 1879.
† India Finance and Commerce Letter, No. 288, dated 8th September 1879.

that the condition of payment in India would not really obviate foreign remittances or reduce competition with the Secretary of State's bills.

Two other communications were received in 1879,* one stating that railway plant and materials had by a subsequent order of the Government of India been omitted from the list of stores to be obtained through the India Office; the other requesting that the annual return of local purchases, which had been called for by the Secretary of State, might be dispensed with.†

General Hyde, then Inspecting Engineer for State Railways, &c., in a report dated 27th January 1880,‡ stated the objections to local purchase of railway plant and material, except such articles as were to be found in the general trade of the country, and the Director-General of Stores, dealing with the whole subject in his report of 31st January 1880,§ urged that the whole question should be reconsidered with a view to the restriction of local purchase to articles actually produced in India or found in the general trade of the country, of quality and price comparing favourably with purchases through this office. The Financial Secretary,‖ however, pointed out that the Committee had apparently contemplated some additional expense at the outset in fostering local industry, and, deprecating the reopening of the whole question at that time, recommended that stores needing inspection during manufacture should invariably be obtained through this office, and that stores not obtainable locally should be indented for from this office according to the rule.¶ This view was approved by the Secretary of State in Council, who in his despatch to the Government of India requested that orders might be issued directing that, when stores were of such a nature that they had to be purchased in England, there should be no departure from the system of forwarding an indent on the Stores Department, and that the purchase in the local market of such special stores as railway plant and material be limited to articles usually procurable in the local market, and be not extended to purchases in England either directly or through agents. The Government of India were at the same time requested to again announce their wish to give the utmost encouragement consistent with true economy to the supply of articles by the local market. The request for the annual return was also repeated.

The Government of India issued orders carrying out the wishes of the Secretary of State in Council in their resolution of 3rd November 1880,** and again in more detail in resolution dated 10th January 1883.†† These orders were approved by the Secretary of State in Council,‡‡ and are practically those now in force. They are in substance as follows:—

All stores required for the public service which cannot be manufactured in India are, as an almost invariable rule, to be obtained by indenting on the Secretary of State.

Stores of European manufacture must not be bought in India, or obtained direct from Europe, independently of the India Office. The special cases in which, with the previous sanction of the Government of India or the Local Government this rule may be departed from are:—

1. When it may be more economical to do so.
2. To prevent inconvenience to the public service when stores have not arrived from England.
3. When the articles are perishable.

The resolution further prescribed rules for the—

(*a.*) Preparation and forwarding of indents.

(*b.*) The procedure to be observed in obtaining books, newspapers, &c., independently of the India Office.

(*c.*) The preparation of annual estimates of stores required from England.

(*d.*) The preparation of the annual return called for by the Secretary of State, showing the extent to which local purchase had been resorted to.

With regard to the encouragement of local industry, the Resolution (paragraph 28) impressed on Local Governments the desirability of substituting articles of *bonâ fide* local manufacture for similar articles obtained from Europe, adding that, where articles of European and of Indian manufacture did not differ materially in price and quality, preference should be given to the latter. This was held to apply to articles produced or worked up in India from imported material. And finally it was pointed out that there were many articles which might not be immediately obtained in the local market, but which could be made in the event of the Government encouraging the manufacture.

The despatches noted in the margin* dealt with the annual returns, and, pointing out instances in which the rules as to local purchase had been infringed, requested a stricter observance of them.

In 1886 the Indian Finance Committee investigated the question of local purchase of imported stores. The Government of India, in forwarding a copy of their note,† remarked that they were satisfied that European stores could be obtained through the Stores Department at a smaller cost than through any other agency, yet that the local purchase of such stores was large and increasing, and undoubtedly attended with a heavy loss to Government. The plea of urgency must, they considered, be held to justify some of these purchases, but they were too numerous, and the principal cause of the excess was the dilatoriness of the Stores Department in the execution of indents. A criticism of the procedure of the Stores Department and its relation to the Government of India followed, with suggestions as to its improvement. The system of annual indents was also objected to. Greater promptitude in the supply of stores would enable the Government to deal more effectively with infringements of rules as to local purchase. Some additional liberty to officers in cases of urgency was, however, necessary, and a modification of the rules in this direction was suggested.

The Secretary of State in Council replied,‡ in effect, that considerable improvement had recently been made in the working of the Stores Department. Of the alterations suggested by the Government of India, some were impracticable or undesirable, others had already been introduced. With a view to preventing the multiplication of small indents, the constitution of depôts at the five great ports was suggested, and the recommendation of the Finance Committee as to the appointment of a Director of Stores in India was thought worthy of further consideration. The system of annual indents was held to be useful to maintain. The necessity of the proposed modification in rules relating to local purchase in cases of urgency was not recognised. The changes already adopted and those now suggested should, it was thought, by removing delays, prevent the necessity for recourse to local purchase. True economy demanded that purchases in India should be limited to articles which could be produced or manufactured in that country of a quality and price comparing not unfavourably with those of similar articles of European manufacture.

The result of this correspondence was to leave the rules of 1883 unchanged.

In a despatch of the same date,§ the Secretary of State in Council called attention to the large local expenditure, as shown by the 1885-86 returns, on building and engineering materials, machinery, iron, steel, tools, and plant. These were classes of stores to which the objections to local purchase applied in the highest degree, and orders should be issued with a view to limiting the practice.

In the same year (1888) the Government of India stated‖ that they had sanctioned, as a tentative measure, the local purchase of iron and steel for the Ordnance Department, and asked that the continuance of this arrangement might be approved. The Secretary of State¶ was unable to accord his sanction to this proposal.

The Government of India then repeated their request** for a relaxation of the rule relating to local purchase

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* India Finance and Commerce Letter, No. 232, dated 4th August 1879.
† India Finance and Commerce Letter, No. 317, dated 2nd October 1879.
‡ Inspecting Engineer's Report, dated 27th January 1880.
§ Director-General of Store's Report, dated 31st January 1880.
‖ Financial Secretary's Minute.
¶ Financial Despatch to India, No. 166, dated 27th May 1880.
** Forwarded with Indian Finance and Commerce Letter, No. 366 dated 9th November 1880.
†† Forwarded with India Finance and Commerce Letter, No. 88, dated 16th April 1883.
‡‡ Financial Despatch to India, No. 213, dated 26th July 1883.

* Financial Despatches to India, No. 133, dated 21st May 1885, No. 297, dated 15th October 1885, and No. 141, dated 26th May 1887.
† Financial Letter from India, No. 256, dated 27th September 1887.
‡ Financial Despatch to India, No. 191, dated 26th July 1888.
§ Financial Despatch to India, No. 192, dated 26th July 1888.
‖ India Military Letter, No. 51, dated 13th March 1888.
¶ Military (Stores) Despatch to India, No. 52, dated 30th August 1888.
** India Finance and Commerce Letter, No. 319 dated 25th December 1888.

in cases of urgency. Their amendment, slightly modified, was approved by the Secretary of State.

The rule as it originally stood was—*

> "When stores indented for from England have not arrived, and when inconvenience to the public service is anticipated from delay in the supply."

As amended it read—

> "When stores indented for from England have not arrived, or when a sudden emergency has arisen, and, in either case, only if serious inconvenience to the public service would be caused by waiting for the stores from England."

Such purchases were, however, to be strictly limited to articles actually procurable in India.

In 1889 the Government of India transmitted correspondence† with Messrs. Richardson and Cruddas, engineers and ironfounders at Bombay, relative to applications by that firm for permission to tender for the supply of girders and bridge work. Messrs. Richardson and Cruddas urged that the Government Resolution of 1883‡ had distinctly encouraged the purchase in India of articles of *bonâ fide* local manufacture, even although the raw material from which they were made had been originally obtained from Europe, and they maintained that girders and bridges made in India from imported bars and plates were manufactured in India in the sense of that Resolution. The Government of India were disposed to accept this view, and considered it desirable that the existing restrictions should be relaxed as regarded bridge-work, jetties, iron roofing, &c., under proper conditions as to inspection. They recommended this on the grounds that by the establishment of such local industries, which would have no great opening without a share of Government work, Government would be rendered more independent of England in meeting their wants, and would be able to pay in rupees, and that diversity of employment so important for India would be supplied. To secure these objects they thought it would be worth while even to incur some additional expense at first.

The Consulting Engineer (Sir A. Rendel) in his report§ on the question dwelt on the difficulties of inspecting the materials and finished work, means for which were admitted by the Government of India to be non-existent in India. A copy of this report was forwarded with the Secretary of State's reply,‖ in which were also pointed out the delays and difficulties which would arise from rejections, the absence of appliances for inspection, and the lack of competition for contracts. Before coming to a decision the Secretary of State asked how these difficulties were to be met.

The Government of India replied to this despatch in 1890,¶ forwarding further correspondence with Messrs. Richardson and Cruddas, and a memorial signed by that firm and 34 other firms in all parts of India representing the interests of the iron manufacture. Copies were also enclosed of representations from the Government of Bombay and the Chambers of Commerce of Madras and Karachi.

Still urging a relaxation of the rules, the Government detailed their proposals as to inspection, &c. The fear of difficulties from rejections they thought rather exaggerated, and they gave reasons why the scheme should not be allowed to drop on account of the absence of competition. A point was made of the fact that the Government, while encouraging technical education, were, by their prohibitions, restricting the employment of those educated in the institutes. A list of the articles with which the experiment might be commenced was furnished. And, finally, reference was made to the recent sale of the Government ironworks at Barakur to the Bengal Iron and Steel Company, who would naturally hope to share in Government orders.

Sir A. Rendel in his report* remarked that he was much impressed during his visit to India in 1890 with the advance made since his previous visit, 12 years before, with the manufacturing powers of the country, with its production of coal, and its capacity for still greater production. Workmanship was now to be found in India, or might easily be created, equal to most of the ordinary requirements of railways, except engines and boilers, and at much less cost than in England. Also the demand for skilled English labour was so great that it was extremely desirable to supplement it with Indian labour. The chief difficulties arose from want of competition, and the fact that India was not a metal-producing country. The rest of the report was chiefly concerned with criticisms and suggestions regarding the Government proposals as to testing and inspection. On the main questions Sir A. Rendel's view was that the proposed experiment should be tried.

The Director-General of Stores† was also of opinion that the trial should be made, and offered suggestions for comparing the local with English prices, and as to testing and inspection. The Public Works Secretary held the same view.‡

The Secretary of State in his reply expressed his plersure at receiving such evidence of the manufacturing progress of India. The remarks and suggestions of the Director-General of Stores and Consulting Engineer were forwarded for consideration. The Secretary of State would leave it to the Government of India to adopt such measures and to impose such limits as they might consider desirable for the purpose of giving a fair and thorough trial to the experiment of obtaining in India supplies of materials, tools, and plant made of iron and steel and manufactured locally.§ Care must be taken to guard against any supposition that these measures were adopted in any other interests than those of economy, and against any claim for the protection of local industry, or for compensation in the event of its being found necessary to discontinue the practice of inviting tenders in India.

The Government of India forwarded a copy of their Resolution‖ giving effect to the orders of the Secretary of State (No. 2650 of 25th June 1891). The restrictions imposed on the purchase of locally made iron and steel work were in substance,—

(1.) Articles not to be imported into India in a finished or partly finished state.
(2.) Price not to exceed that paid by the India Office.
(3.) Quality not to be inferior to English supplies.

The Resolution also contained a list of the articles with which the experiment might be commenced.

The Secretary of State approved these orders.¶

The subsequent correspondence has merely related to details in the annual returns.

The rules of the Resolution of 10th January 1883 (*see* page 2) are, it will be seen, still in force. The only change has been in the interpretation of that Resolution. Whereas prior to 1891 articles into the composition of which iron and steel largely enter were held to be specially excluded from those which might be obtained locally, such articles locally manufactured may now be obtained from Indian manufacturers or merchants under certain limitations.

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* Financial Despatch to India, No. 16, dated 28th February 1889.
† India Finance and Commerce Letter, No. 65, dated 5th March 1889.
‡ *See* pp. 2 and 3 above.
§ Consulting Engineer's Report, dated 14th November, 1890.
‖ Financial Despatch to India, No, 161, dated 25th July, 1889.
¶ India Finance and Commerce Letter, No. 338, dated 15th October, 1890.

* Sir A. Rendel's Report, dated 14th November, 1890.
† Director-General of Stores' Report, dated 25th November, 1890.
‡ Public Works Secretary's Report, dated 3rd December, 1890.
§ Financial Despatch to India, No. 3, dated 8th January, 1891.
‖ India Finance and Commerce Letter, No. 195, dated 21st July, 1891.
¶ Financial Despatch to India, No. 208, dated 29th October, 1891.

APPENDIX No. 36.

Paper handed in by Sir Henry Waterfield, K.C.S.I., C.B. (*See* Question 11,886.)

MANAGEMENT OF DEBT.

1875–6.

Description and Amount of Debt.	Period.	Rate per Million.	Amount paid.
BANK OF ENGLAND.			
		£	£ s. d.
India 5 per cent. Stock - - 16,755,009 16 5	Average amount on which Dividends were paid in 1875 -	340	5,696 14 0
India 4 „ „ - - 20,858,240 17 11		„	7,091 16 0
Indian Transfer Loan - - 1,145,075 3 7		„	389 6 6
Indian Government Promissory Notes (Rx.). 14,148,040 0 0	Monthly average in 1875 - -	„	4,810 6 8
BANK OF IRELAND.			
		£	£ s. d.
India 5 per cent. Stock - - 445,935 3 7	Half year to 5th July, 1875 - -	340	75 16 2
India 5 „ „ - - 447,935 3 7	„ 5th January 1876 - -	„	76 2 11
India 4 „ „ - - 756,345 6 9	„ 5th April, 1875 - -	„	128 11 6
India 4 „ „ - - 686,005 9 11	„ 5th October, 1875 - -	„	116 12 5
		£	18,385 6 2

1893–4.

Description and Amount of Debt.	Period.	Rate per Million.	Amount paid.
BANK OF ENGLAND.			
		£	£ s. d.
India 3½ per cent. Stock - 61,410,326 18 1	Average amount on which Dividends were paid in 1893 -	360	22,107 14 4
India 3 „ „ - - 33,698,447 18 4		„	12,131 8 9
India 3 „ „ (New Loan). 1,300,000 0 0	29th Sept. to 31st Dec., 1893 - -	„	120 10 6
Indian Government Promissory Notes (Rx.). 25,683,360 0 0	Monthly average in 1893 - -	300	7,705 0 1
Eastern Bengal Railway Debenture Stock. 348,666 0 0	1893 - - - -	„	104 11 11
East Indian Railway Debenture Stock. 1,435,650 0 0	„ - - - -	„	430 13 10
Oude and Rohilkund Railway Debenture Stock. 384,700 0 0	„ - - - -	„	115 8 2
South Indian Railway Debenture Stock. 425,000 0 0	„ - - - -	„	127 10 0
BANK OF IRELAND.			
		£	£ s. d.
India 3½ per cent. Stock - - 2,712,318 12 6	Quarter to 5th January, 1893 - -	360	244 2 2
India 3½ „ „ - - 2,703,210 9 9	„ 5th April, 1893 - -	„	243 5 9
India 3½ „ „ - - 2,729,610 9 9	„ 5th July, 1893 - -	„	245 13 3
India 3½ „ „ - - 2,564,154 13 8	„ 5th October, 1893 - -	„	230 15 5
India 3 „ „ - - 1,125,779 18 1	„ 5th January, 1893 - -	„	101 6 4
India 3 „ „ - - 1,155,404 18 1	„ 5th April, 1893 - -	„	103 19 8
India 3 „ „ - - 1,097,644 18 1	„ 5th July, 1893 - -	„	98 15 9
India 3 „ „ - - 847,694 18 1	„ 5th October, 1893 - -	„	76 5 10
BANK OF ENGLAND.			
Commission, &c., for issue of new 3 per cent. loan of 1,300,000*l.* (Commission, at 500*l.* per million, 650*l.*; postage 1*l.* 5*s.*).			651 5 0
Services in connection with repayment of 4½ per cent. rupee loan			100 0 0
		£	44,938 6 9

APPENDIX No. 37.

Statement handed in by Sir Henry Waterfield, with reference to Q. 11,907.

FINANCIAL RESULTS of the TRANSACTIONS connected with DEBT in England since 1878-79.

A comparison of the charge for Interest on Debt in 1878-79 and 1895-96, including that now charged in the Railway Revenue Account, gives the following result:—

	1878-79.	1895-96.
	£	£
Interest on Debt	2,593,112	2,622,695
Railway Revenue Account:— State Railways: Interest on Debt	—	980,020
Ditto Interest chargeable against companies on advances.	—	218,884
	2,593,112	3,821,599

showing an increase of 1,228,487*l*. It must not, however, be supposed that this is the true result of the various changes which have been made in regard to the Debt during those 17 years, since the liability which has in many cases been extinguished was formerly included in the Railway Revenue Account under other heads than that of Interest on Debt. The following is a calculation of the annual charge on the whole debt (whether incurred for the purchase of railways or otherwise) which existed on the 31st March 1879, with that on the debt in existence on the 31st March 1896, after deducting the liabilities cancelled by the creation of stock since 1879. No account is taken in this calculation of the temporary loans from the Bank of England, receipts from the temporary investment of the Cash Balance, and other minor matters.

	31st March 1879.		31st March 1896.	
	Debt.	Annual Charge.	Debt.	Annual Charge.
	£	£	£	£
East India Bonds at 4 per cent.	5,486,700	219,868	—	—
India Debentures at 4 per cent.	7,596,500	303,860	—	—
India Debentures at 3½ per cent.	—	—	5,000,000	162,500
India 5 per cent. Stock	17,200,000	860,000	—	—
„ 4 „ „	28,715,000	1,148,600	—	—
„ 3½ „ „	—	—	63,798,467	2,232,946
„ 3 „ „	—	—	42,151,079	1,264,532
India Bills	—	—	2,000,000	24,594
	59,008,200	2,532,328	112,949,546	3,684,572

Deduct.—Interest on securities cancelled by creation of stock since 1879:—

	£	£
Indian Transfer Loan		44,674
Railway Annuities:		
East Indian		328,462
Eastern Bengal		22,311
Scinde, Punjab, and Delhi		200,468
Railway Debenture Stock:		
East Indian 4½ per cent.		2,896
Eastern Bengal 4 per cent.		2,506
Railway Debentures:		
East Indian 4½ and 4 per cent.		120,500
Eastern Bengal 4 per cent.		24,494
Oude and Rohilkund Guaranteed Railway:		
Stock 5 per cent.		200,000
Debentures 4 and 3½ per cent.		177,760
Madras Irrigation and Canal Company:		
Stock 5 per cent.		49,983
South Indian Guaranteed Railway:		
Stock 5 and 4½ per cent	160,070	
Less 3 per cent. on 1,000,000*l*., the capital of the New Company	30,000	130,070
Debentures 3½ per cent.		26,470
		1,330,594
		2,353,978
Deduct also the interest on India 3 per cent. stock created and issued under 51 Vict. chap. 5 for advances to Railway Companies, as the money must otherwise have been raised by the Companies under the guarantee of the Secretary of State		225,125
Net annual charge		£2,128,853
Reduction of annual charge since 1879		£403,475

The result may be thus summed up concisely:—

Reduction of interest by cancelling various securities since 1878-79	1,330,594
Guaranteed interest has been avoided by the issue of India 3 per cent. stock (for advances to Railway Companies) the interest on which is	225,125
	1,555,719
Addition to interest owing to issue of debt since 1878-79	1,152,244
Net reduction of annual charge	£403,475

It may be taken that 6,000,000*l.* was added to the Debt in consequence of the Public Works Loan having on two occasions been raised in this country. It must, however, be remembered, that an increase of the debt to approximately the same amount, has been avoided by the application of the sums of 1,001,393*l.* remitted in 1882–83 by the Commission for the Reduction of Debt, and 5,000,000*l.* paid by the Treasury to the Secretary of State in Council, between 1879–80 and 1885–86, on account of the Afghan War.

The increase of the debt during the period has been 53,941,346*l.*, of which 41,169,718*l.* has been applied in the following manner, since the 31st March 1879, in discharge of then existing or contingent liabilities:—

	£
Railway Annuities:	
East Indian	6,874,448
Eastern Bengal	505,257
Scinde, Punjab, and Delhi	4,606,401
Railway Debenture Stocks:	
East Indian	77,644
Eastern Bengal	65,466
Oude and Rohilkund Guaranteed Railway Company: Debt created for purchase of the undertaking, and for discharge of debentures	10,333,191
South Indian Guaranteed Railway Company: Debt created for purchase of the undertaking, and for discharge of Debentures	3,996,222
Debt issued under 51 Vict. chap. 5, for advances to Railway Companies	7,504,170
Railway Debentures:	
East Indian	2,950,000
Eastern Bengal	612,350
Indian Transfer Loan	1,128,784
Madras Irrigation and Canal Company: purchase of	1,419,785
Discharge of temporary loan from the Bank of England outstanding on 31st March 1879	1,000,000
Debt created under the Maharajah Duleep Singh's Estate Act, 1882	96,000
	£41,169,718

The remaining amount of 12,771,628*l.* is thus accounted for:—

	£	£	£
Net discount, or difference between par value of stock, as shown in debt return, and money received			1,918,068
Improvement of cash balance			2,275,327
Excess of net disbursements in England over supplies from India		22,197,190	
Less—			
Portion of loans raised for public works	6,000,000		
Debt issued for advances to Railway Companies	7,504,170		
		13,504,170	
			8,693,020
Amount by which stock cancelled by Commission for reduction of debt fell short of 1,000,000*l.*			6,416
			12,892,831
Deduct:			
Stock purchased by discount sinking fund		95,650	
Addition to debt not bearing interest		25,553	
			121,203
			£12,771,628

Of the total increase of 53,941,346*l.*, debt to the amount of 13,626,615*l.** will be gradually cancelled by the sinking funds. And, owing to the improvement in the credit of the Secretary of State in Council, and the expiration of the periods for which the India 5 and 4 per cent. stocks were guaranteed against redemption, the burden of the charge for interest, &c. has been reduced by 403,475*l.*

	£
* To be cancelled by Railway Sinking Funds	12,129,215
" " Discount Sinking Fund	1,497,400
	£13,626,615

APPENDIX No. 38.

Handed in by Sir Henry Waterfield, K.C.S.I., C.B.
(With reference to Questions 12,047–50.)

STATEMENT showing the EXPENDITURE charged to BRITISH INDIAN REVENUES on account of the GILGIT AGENCY since its re-establishment in 1889.

	1889-90.	1890–91.	1891-92.	1892–93.	1893–94.	1894–95.	Total.
Political Charges.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Salaries, establishment, and contingent charges.	2,335	3,757	3,015	7,017	22,220	21,025	59,369
Entertainment of envoys and chiefs	—	37	61	280	927	240	1,545
Darbar presents	—	145	145	293	767	133	1,483
Subsidies to native chiefs	1,230	1,230	1,760	440	1,320	3,120	9,100
Secret service	108	210	861	1,038	1,121	749	4,087
Survey Department.							
Survey charges	—	—	—	—	510	—	510
Postal Charges.							
Salaries, establishment, and contingent charges.	—	—	—	—	—	(*a*) 1,506	1,506
Telegraph Charges.							
Construction and maintenance of telegraph lines.	—	—	339	6,927	6,811	7,281	21,358
Military Charges.							
Transport charges	—	—	—	86,661	58,685	27,070	172,416
Military works, including fortification and works of communication.	—	—	—	—	65,935	4,479	70,414
Other charges	—	—	—	10,251	6,074	42,605	58,930
Total	3,673	5,379	6,181	112,907	164,370	108,208	400,718

(*a*.) Includes 776 for cost of warm clothing and rations to postal runners.

STEPHEN JACOB, Comptroller-General.

CHARGES borne by the KASHMIR STATE in connexion with GILGIT since the re-establishment of the GILGIT AGENCY in 1889.

RECEIPTS.						
Heads.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
Land Revenue	Unknown	Unknown	Unknown	481	1,147	915
Octroi				—	40	51
Stamps				14	28	25
Courts of Law				13	23	56
Miscellaneous				1,049	2,541	3,830
Post Office				34	16	—
Telegraph				—	20	—
Military				—	140	229
Public Works				—	—	—
Scientific and Minor Department.				—	—	—
Total	—	—	—	1,591	3,955	5,106

EXPENDITURE.						
Heads.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.
	Rx.	Rx.	Rx.	Rx.	Rx,	Rx.
Land Revenue	580	2,239	4,259	982	4,498	3,765
Post Office and Telegraph	—	—	—	984	6,310	1,426
News-writer	—	—	—	143	33	55
Jails	—	—	—	3	49	48
Education	—	—	—	21	55	58
Medical	—	—	432	25	2,038	1,919
Political	5,726	13,070	8,224	8,323	6,506	9,121
Miscellaneous	323	—	5,537	223	967	2,818
Refunds	—	—	—	—	378	379
Military	7,398	17,696	41,110	56,130	69,515	60,589
Public Works	1,180	9,547	38,284	91,147	53,278	14,161
Total	15,207	42,552	97,846	156,981	143,627	94,339

C. R. KIERNANDER,
Accountant-General, Kashmir State.

NOTE.—(*i.*) The figures of expenditure for the first three years, 1889–92 inclusive, are not trustworthy. The figures given are those found in the State accounts; but, as there was no regular Audit and Account Department in the State in these years, their accuracy is open to question.

(*ii.*) The figures given comprise the whole of the expenditure in Gilgit, but obviously it is not all connected with the re-establishment of the Gilgit Agency. The Darbar incurred expenditure on the administration of Gilgit under the heads Land Revenue, Political, Miscellaneous, Military and Public Works, before the Agency was established, and, though no doubt expenditure recently has been very largely increased, a certain proportion of the expenditure shown would have been incurred in any case, even if the Agency had not been re-established.

(*iii.*) The increase under Land Revenue is mainly owing to the introduction of settlement operations and the entertainment, under the British Agent's orders, of a special corps of Sappers and miners, known as the cultivation corps, and costing Rx. 2,000 a year for improving the irrigation channels of the country.

(*iv.*) The coolie corps, established on the recommendation of the British Agent, for the purpose of relieving the pressure of forced labour, is responsible for the bulk of the expenditure under Miscellaneous. The estimated cost of this corps in the current year is over Rx. 4,300.

(*v.*) The heavy expenditure on Public Works, during recent years, has been owing to the construction and maintenance of the Srinagar-Gilgit Road, on which, up to the beginning of the current year, the State has spent Rx. 157,169. It is hoped that in future years the maintenance of this road will not cost more than Rx. 5,000 per annum.
The future expenditure under this head will, therefore, probably be—

	Rx.
Gilgit Road	5,000
Ordinary Public Works	6,000
	11,000

H. S. BARNES.

APPENDIX No. 39.

Paper handed in by Sir Henry Waterfield, K.C.S.I., C.B., with reference to Question 12,109.

STATEMENT showing the POSITION of INDIAN FINANCE from 1884–85 to the present time, if the FAMINE INSURANCE GRANTS (other than Payments for Relief) be considered as SURPLUS REVENUE applied to the REDUCTION of DEBT.

Years.	Budget.		Account.					Result, including as Surplus Revenue the Famine Grant, except	
			Expenditure on Famine Relief and Insurance.						
	Total Grant for Famine Relief and Insurance.	Surplus or Deficit.	On Direct Relief.	On Construction of Protective Works and Reduction or Avoidance of Debt.	Charge for Indian Midland, and Bengal-Nagpur Railways.	Total.	Surplus or Deficit.	(1.) Expenditure on Direct Relief. Surplus or Deficit.	(2.) Expenditure on Direct Relief and Charge for the two Railways. Surplus or Deficit.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1884–85	1,750,000	319,300	7,350	1,541,007	—	1,548,357	— 386,446	1,154,561	1,154,561
1885–86	1,500,000	508,100	40,695	1,459,305	29,271	1,529,271	—2,801,726	—1,313,150	—1,342,421
1886–87	1,500,000	182,200	1,041	307,979	151,812	460,832	178,427	638,218	486,406
1887–88	322,500	16,700	402	91,006	285,199	376,607	—2,028,832	—1,652,627	—1,937,826
1888–89	569,100	— 698,000	7,799	70,537	430,182	508,518	37,018	537,737	107,555
1889–90	711,800	106,300	68,288	531,712	462,009	1,062,009	2,612,033	3,605,754	3,143,745
1890–91	1,032,800	270,400	5,579	594,421	482,350	1,082,350	3,688,171	4,764,942	4,282,592
1891–92	1,500,000	115,600	23,423	1,244,896	231,681	1,500,000	467,535	1,944,112	1,712,431
1892–93	1,500,000	146,600	70,841	1,045,262	383,897	1,500,000	— 833,412	595,747	211,850
1893–94	1,500,000	—1,595,100	496	1,117,305	371,768	1,489,569	—1,546,998	— 57,925	— 429,693
1894–95	423,800	— 301,900	10,258	599,877	389,735	1,000,000	693,110	1,682,852	1,293,087
Revised, 1895–96	421,800	46,200	10,500	575,000	414,500	1,000,000	951,400	1,940,900	1,526,400
Budget, 1896–97	1,000,000	463,100	75,000	523,500	401,500	1,000,000	463,100	1,388,100	986,600
Total of 13 years	13,731,800	— 420,500	321,672	9,701,907	4,033,934	14,057,513	1,493,380	15,229,221	11,195,287

APPENDIX No. 40.

Paper put in by Sir Henry Waterfield with reference to Question 12,162.

RATES OF EXCHANGE FROM 1837–38.

The Official Rate is the rate fixed annually in communication with the Treasury for the adjustment of transactions between the British and Indian Exchequers.

The Budget Rate is the rate assumed in the Indian Budget for each year.

The Rate Realized is the average rate actually obtained for Bills and Transfers on India sold in London.

Year.	Rates.		Year.	Rates.		
	Official.	Realized.		Official.	Budget.	Realized.
	s. d.	s. d.		s. d.	s. d.	s. d.
1837–38	1 11	1 11·070	1869–70	2 0	1 11·743	1 11·267
1838–39	1 11	1 11·658	1870–71	2 0	1 11·25	1 10·495
1839–40	2 0½	1 11·449	1871–72	1 11	1 10·75	1 11·126
1840–41	2 0½	1 11·507	1872–73	1 11½	1 11·111	1 10·754
1841–42	2 0	1 10·541	1873–74	1 11	1 10·566	1 10·351
1842–43	2 0	1 11·554	1874–75	1 10	1 10·333	1 10·156
1843–44	2 0	1 11·012	1875–76	1 10 1/16	1 9·875	1 9·626
1844–45	1 11½	1 9·632	1876–77	1 9 3/4	1 8·5	1 8·508
1845–46	1 10½	1 9·689	1877–78	1 9½	1 9·227	1 8·791
1846–47	1 10½	1 10·677	1878–79	1 9	1 8·4	1 7·794
1847–48	1 11	1 9·976	1879–80	1 7½	1 6·995	1 7·961
1848–49	1 11	1 9·094	1880–81	1 8½	1 8	1 7·956
1849–50	1 10	1 10·495	1881–82	1 8	1 8	1 7·895
1850–51	1 10	2 0·286	1882–83	1 8	1 8	1 7·525
1851–52	2 0	2 0·144	1883–84	1 7 3/4	1 7·5	1 7·536
1852–53	2 0	1 11·904	1884–85	1 7½	1 7·5	1 7·308
1853–54	2 0	2 0·146	1885–86	1 7 1/4	1 7	1 6·254
1854–55	2 0½	1 11·141	1886–87	1 6 1/4	1 6	1 5·441
1855–56	1 11	2 0·159	1887–88	1 6	1 5·5	1 4·898
1856–57	2 0½	2 0·178	1888–89	1 5	1 4·9	1 4·379
1857–58	2 1	2 0·584	1889–90	1 4½	1 4·38	1 4·566
1858–59	2 1½	2 1·710	1890–91	1 5	1 4·552	1 6·089
1859–60	2 0	2 2·028	1891–92	1 6 1/16	1 5·25	1 4·733
1860–61	2 0	2 2·035	1892–93	1 4 3/4	1 4	1 2·985
1861–62	2 0	1 11·867	1893–94	1 2 3/4	1 2¾	1 2·547
1862–63	2 0	1 11·920	1894–95 { April to January	1 3 1/4	1 2	1 1·100
1863–64	2 0	1 11·908	1894–95 { July to March	1 1 1/4		
1864–65	2 0	1 11·877	1895–96	1 1 1/4	1 1·09	1 1·641
1865–66	2 0	1 11·836	1896–97	1 1 3/16	1 1¾	
1866–67	2 0	1 11·065				
1867–68	2 0	1 11·189				
1868–69	2 0	1 11·197				

APPENDIX No. 41.

Paper handed in by Sir Henry Waterfield.

(With reference to Question 12,180.)

PAYMENTS in connection with CHITRAL, as shown in the FINANCIAL STATEMENT for 1896–97.

Years.	Expedition.	Occupation.	Political, including enrolment of levies to hold the Road.	Military Works.	Total.	
1894-95 - - - Rx	67,200	—	—	—	*Rx. 67.200	
1895-96 - - - Rx.	India: 1,647,500	102,200	20,000	—	1,769.700	
£	England: 16,000	—	—	—	16,000	1,797,600
Rx.	Exchange: 11.900	—	—	—	11,900	
1896-97 - - Rx.	20,000	231,700	22,000	21,600	295,300	
Total for the 3 years Rx.	1,762,600	333,900	42,000	21,600	2,160,100	

APPENDIX No. 42.

Papers handed in by Sir Henry Waterfield, with reference to Q. 12,196.

TERMS FOR CONSTRUCTION OF RAILWAYS IN INDIA BY COMPANIES.

Attached are copies of Resolutions by the Government of India, dated respectively the 15th September 1893, the 29th March 1895, and the 17th April 1896, formulating the terms on which offers may be made for the construction of branch railways and extensions by private agency.

Since 1893, three companies have been formed in this country to construct railways on the general lines of these resolutions, viz.: the Southern Punjab, the South Behar, and the Ahmedabad-Prantej, while a fourth, the Tapti Valley, is on the point of formation. The actual terms settled in the case of each of the three lines mentioned as having been already undertaken, will be found in the appended abstract of the contracts with the companies. All these lines are still under construction, so that no financial results can be given.

The Southern Punjab Railway is a chord of the North-Western Railway system, shortening the distance between Delhi and Karachi. Its length is 400 miles, and it is estimated that it will cost Rs. 213,97,670 (excluding rolling stock). The South Behar Railway forms a chord to a portion of the East Indian Railway, connecting Gya with Luckieserai. Its length is 83 miles, and its estimated cost is Rs. 109,63,690 (excluding rolling stock). The Ahmedabad-Prantej Railway is a branch of the Bombay, Baroda, and Central India Railway, 47½ miles long. Its cost is estimated at Rs. 18,38,993 (excluding rolling stock).

Inquiry is being made of the Government of India as to any applications for concessions made, and any companies formed in India under the terms offered in the Resolutions.

C. S. COLVIN,
P. W. Secretary.

26th June 1896.

No. 924 R.—C

Government of India.

Public Works Department.

Railway Construction.

Simla, 15th September 1893.

TERMS on which the GOVERNMENT OF INDIA are prepared to consider offers for the CONSTRUCTION, by the AGENCY of PRIVATE COMPANIES, of BRANCH LINES or EXTENSIONS of existing RAILWAYS, to be worked, when constructed, by the MAIN LINE ADMINISTRATIONS.

Read—

Government of India Circular Resolution No. 1366 R. C., dated 30th December 1887.

Observations.—His Excellency the Governor-General in Council has had under consideration the question of the extension of railways in India, and has determined to provide additional encouragement for the investment of private capital in the construction of branch lines and extensions of existing railways. It has been resolved accordingly to revise the concessions previously offered to persons willing to embark upon such undertakings, and to publish for general information the terms and conditions on which projects will be entertained.

2. The concessions offered are—

(1) the free use of land;

(2) the provision of rolling stock and the maintenance and working of the new lines at favourable rates by the main line administrations;

(3) the free use of surveys, &c., made at State expense;

(4) the carriage of stores and materials over State lines at favourable rates;

(5) the grant of a limited rebate from the main line earnings towards ensuring the proprietors of the new lines a dividend of 4 per cent. per annum on the approved capital expenditure.

3. In addition to the above, if it can be legally arranged, authority will be given to charge to the capital account of the branch railway during construction and until the close of the half-year next following the half-year in which the branch railway may be fully opened for traffic, such sum as, together with any net receipts from working, will suffice to pay interest at the rate of 4 per cent. per annum on the paid-up capital. The payment of interest out of capital as a part of the constitution of a company cannot, however, at present be recognized except under parliamentary sanction. The question of applying to Parliament for power to enable the Secretary of State for India in Council to recognize such payments in respect to Indian undertakings is under consideration.

4. It is not the intention of the Government of India to grant in every case the *maximum* concessions mentioned in this Resolution. Each project presented will be separately examined, and will be treated on its merits. No concession will be given for any project unless it is shown to possess reasonable prospects of financial success. His Excellency the Governor General in Council deems it essential to insist in all cases in view of the extent to which the new lines will be subsidised at the cost of State revenues, and in order to secure a proper return for that expenditure, that the new lines shall be worked as if they were part and parcel of the main line undertakings, and in a manner that will give the public the benefit of cheap transport

over them, and at the same time attract new traffic to the main lines. For that purpose ultimate control over the rates and fares charged for the carriage over the new lines of passengers and goods will be retained in the hands of the Government.

5. The Government of India are prepared to undertake the construction by its Department of Public Works of branch lines or extensions of existing railways on behalf of persons who may have provided the necessary capital.

6. Applications for concessions to construct branch lines or extensions under the terms of this Resolution should be submitted, in the form prescribed by Memorandum A., hereto attached, to the address of the Secretary to Government of India, Public Works Department.

Resolution.—Proposals for the construction of branch lines or extensions of existing railways made by persons who satisfy the Government that they are in a position to command substantial financial support will be considered on the under-mentioned terms and conditions, viz.:—

(1.) The proposed railway (herein-after called the "branch railway") must be built in accordance with the fixed and moving dimensions for the time being prescribed by the Governor-General in Council, and on plans and estimates that have been approved by that authority.

(2.) The extent and details of the concessions to be granted in each case will be settled by agreement.

Lines to be connected with State Railways.

The following terms will apply to projects for the construction of branch railways to be connected with State railways:—

(3.) Access will be given, on application and free of charge, to all information, plans, or estimates in the possession of Government that relate to railways whose construction the Government is prepared to entrust to companies; but no responsibility will be accepted by Government for the accuracy of any information, plan, or estimate thus made available.

(4.) The use of such land as is necessary, in the opinion of the Government of India, for the construction of the branch railway, and for the stations, station yards, offices, warehouses, houses for employés, conveniences, and works necessary or proper for the purposes of the railway, as well as for quarrying, ballast, brickfields, and kindred purposes, will be provided by Government free of charge.

(5.) The branch railway will be maintained and worked by the main line administration during the full currency of the contract to be entered into for the purpose at a fixed ratio of expenses to earnings in each half-year. The ratio will, when the branch railway is of the same gauge as that of the working railway, usually be that obtaining on the whole system, including the branch railway, and will not ordinarily exceed 50 per cent. of the gross earnings of the branch from all sources, and will be inclusive of charges for the use of the main line rolling-stock. Charges for Home Board direction of the branch railway will be excluded from the arrangement, and will have to be defrayed out of the share of the earnings pertaining to the branch railway.

(6.) Railway materials for the branch railway will be carried over State lines at the special rates prescribed for such materials belonging to State railways.

(7.) A return will be made to the branch line by the main line of such a sum from the traffic interchanged with it as shall out of the gross earnings of the main line, together with the branch company's share of branch earnings, be sufficient to give the branch company a dividend of 4 per cent. per annum on the actual expenditure charged in the capital account of the branch railway company as entered in the Company's books in India; provided always, that the return so made to the branch company shall in no case exceed 10 per cent. of the gross earnings of the main line from traffic interchanged between the main and branch lines. This rebate will be granted from the first earning of revenue by the branch line, such payment being calculated at the close of the "calendar" year, payments on account, however, subject to adjustment, being permissible at the close of the first half of each year.

(8.) Funds for the execution of new works—properly chargeable to capital—found necessary after the branch railway has been opened to traffic shall be provided by the branch railway company. Such works and their cost must be agreed upon between the branch railway company and the main line administration before they are put in hand. In the event of any difference of opinion arising between the branch line and the main line administration as to the necessity for and the cost of any new work, the matter will be referred to the Director General of Railways as arbitrator, and his decision shall be final.

(9.) Rates and fares upon the branch railway shall be within the limits of the schedule of maximum and minimum rates that may be from time to time authorised by Government for the main line, and shall be controlled by the main line administration. Ordinarily the rates and fares charged on the branch railway shall be not more than the highest nor less than the lowest mileage rates charged for the time being for similar traffic on the main line. Deviations outside of these mileage rate limits will not be permissible except with the special sanction of Government in each case.

(10.) Government will have the right, on giving 12 months notice, to purchase the branch railway either—

(i) at the expiration of 21 years from the date of opening to traffic of the branch railway, and thereafter at successive intervals of 10 years, at 25 years' purchase, based on the average net earnings of the branch for the five years immediately preceding the purchase, provided that the price shall not in any case exceed the total capital expenditure by more than 20 per cent., and shall not be less than the capital expenditure; or

(ii) at the expiration of 50 years from the date of opening to traffic of the branch railway on payment of the actual capital expenditure.

(11.) Electric telegraphs and telegraphic appliances will be supplied and maintained by the Government of India: the charges for rent, maintenance, and inspection of telegraphic works and appliances will be included in the working expenses. Free passes shall be granted over the branch railway for persons employed by the Government of India on the construction, maintenance, working, and inspection of the telegraphs.

(12.) The rates and arrangements in force on State railways in the matter of services rendered to the Postal Department, to the Military, Police, and other Departments of the State, and to high Government officials shall be applicable to the branch railway.

(13.) The general character of the supervision and control that will be exercised by the Government of India over the branch railway, apart from the provisions of the Railway Acts and the preceding provisions of this Resolution, is indicated in the following paragraphs:

(i) The route of the line and the situation of the stations, and other similar details, will be determined by the Government of India.

The line, while under construction, shall be inspected when and so often as an inspecting officer appointed for that purpose by the Government of India shall consider desirable with a view to ensure the construction of the line up to the standard agreed on.

(ii) The branch railway company, if required, shall keep capital accounts and statistics in forms approved by the Secretary of State, and shall render, free of cost, all accounts and statistics required by Government. The accounts and books will be subject to audit on behalf of Government.

(iii.) No capital expenditure by the branch railway company will be allowed as between the Secretary of State and the company unless the prior sanction of the Secretary of State has been obtained.

(iv.) The company shall have no power to increase its share or stock capital without the sanction of the Secretary of State, or to borrow money except within a fixed limit and on specified conditions.

Lines to be connected with Railways belonging to, or worked by, Guaranteed or Assisted Companies.

As regards branch railways connecting with railways belonging or leased to Guaranteed or Assisted Companies:

(14.) Land necessary, in the opinion of the Government of India, for the purposes of the railway will be provided by Government free of charge as indicated in para. (4) above.

(15.) The term under which the branch railway will be maintained and worked by the main line administration will be subject in each case to agreement between the main line and branch line companies and to the approval of Government. The Government will endeavour to obtain for the branch railway company terms approximating to those that would be granted under the terms of this Resolution if the branch railway were connected with a State railway.

(16.) Other relevant concessions and stipulations contemplated by this Resolution in the case of branch railways connecting with State railways will be applied.

Alternative Terms and Surveys.

2. The Government of India will be prepared to consider proposals for working branch lines on terms other than the above which may be put forward by promoters.

3. If, after consideration of the question on its merits, it be decided that the gauge of any branch line shall be different from that of the main line, the question of the ratio of expenses to earnings at which the branch shall be worked will be subject to arrangement in each case, but in such cases the branch line must be fully supplied with necessary rolling-stock and workshops by the branch railway company.

4. When application is made for permission to construct a branch line which the Government is inclined to entrust to a company on a route which has not been surveyed, the survey will, if so desired, be carried out by the Public Works Department of the Government of India on the applicants undertaking to pay the cost of such survey and depositing the estimated amount thereof on the understanding that, if permission is eventually given for the construction of the line, the actual cost of the survey may be included in the capital cost of the undertaking.

Applications for permission to carry out surveys for the construction of branch lines should be submitted to the address of the Secretary to Government of India, Public Works Department, in the form prescribed by Memorandum B. hereto attached.

ORDER.—Ordered, that this Resolution be communicated to Local Governments and Administrations and to the officers marginally noted* for information, and to the Department of Finance and Commerce.

Also that it be published in the "Gazette of India" for general information.

F. L. O'CALLAGHAN,
Secretary to the
Government of India.

Documents accompanying.

Memorandum for the guidance of persons or syndicates desirous of submitting proposals for the construction of railways in India, with appendices, referred to in paragraph 6.

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* The Governments of Madras, Bombay, Bengal, the North-Western Provinces and Oudh, and the Punjab.
The Chief Commissioners of the Central Provinces, Burma, and Assam.
The Residents at Hyderabad and in Mysore.
The Agents to the Governor General in Central India, Rajputana, and Baluchistan.
The Accountant General, Public Works Department.
The Director General of Railways.
The Consulting Engineers to the Government of India for Railways, Calcutta, Lucknow, Central Division, and Assam.

Enclosure No. 1 (with Annexures) to Government of India Resolution No. 924 R.C. of 1893.

Memorandum A.

For the guidance of Persons or Syndicates desirous of submitting Proposals for the construction of Railways in India.

1. All applications for leave to construct a railway in any part of British India are to be addressed to the Secretary to the Government of India, Public Works Department.

2. All such applications shall be printed, and shall be drawn up, as far as may be, in Form A. attached hereto, and shall specify—

(*a*) the company, person, or syndicate by whom the application is preferred; the proposed amount of capital, the number of shares, and the amount of each share;

(*b*) all the termini, together with the names of all the principal towns from, through, into, or near which the railway is intended to be constructed, as well as the names of each civil division and district to be traversed by the proposed alignment;

(*c*) the length, so far as known, of the proposed railway;

(*d*) the gauge, the weight of rails, &c.;

(*e*) the motive power to be employed;

(*f*) the maximum tolls, rates, and fares proposed to be charged on the projected railway;

(*g*) the proposals for working the railway when constructed; and if any agreement is under contemplation, or has been provisionally arranged with any existing Railway Administration under which the proposed line, when constructed, is to be leased out for working by such Railway Administration, the exact nature and terms of such agreement;

(*h*) Any further information that may be required to enable Government to thoroughly understand the scope of the proposals.

3. Every such application shall be accompanied by a map to a scale of one mile to one inch, with the line of the proposed railway delineated thereon, so as to show its general course and direction, and also by an estimate, as correct as may be, of the works proposed to be authorised.

4. When the applicants draw up their own detailed plans and estimates, these documents are invariably to be prepared in strict accordance with the rules for the preparation of railway projects issued under the authority of the Government of India, of which copies may be obtained on payment from the Superintendent of Government Printing, Calcutta.

5. List of all routes in British India along which new lines of railway have at any time been proposed, and which have for railway purposes been either reconnoitred or surveyed, may be had on application to the Superintendent of Government Printing, Calcutta, on payment of a fee of Rs. 5.

6. Upon written application to the Director-General of Railways, permission will also be accorded to inspect at all reasonable hours the detailed plans, sections, and estimates at the disposal of Government in regard to any particular route already surveyed, provided that they relate to railways the construction of which the Government is prepared to entrust to companies; and copies of such plans, sections, and estimates will be furnished on payment of the cost of copying.

7. But in regard to all such information, statistics, plans, sections, or estimates which may be furnished, it is to be recognised that the information thus offered to any person interested in the matter is simply the best information of the kind at the disposal of Government, and that Government cannot accept any responsibility whatever in regard to the accuracy of any of the documents.

FORM A.

To accompany all applications for leave to construct railways to any part of British India.

	Nature of Particulars to be specified.	Particulars.
1	The name of the Company, person, or persons by whom the application is preferred; the proposed amount of capital, the number of shares, and the amount of each share.	
2	The termini, together with the names of all the principal towns from, in, through, or into, or near which the railway is intended to be constructed.	*Reference to an Appendix* (vide *Sub-Appendix A.*) *may be here given if necessary.*
3	The length, as far as known, of the proposed railway.	
4	The gauge proposed and weight of rails, &c.	
5	The motive power to be employed.	
6	The maximum tolls, rates, and fares intended to be charged on the proposed railway.	*Reference to an Appendix* (vide *Sub-Appendix B.*) *may be here given if necessary.*
7	Details of any agreement which may have been provisionally arranged, or which it is desired to enter into, under which the proposed line, when constructed, is to be leased out for working to any existing Railway Administration.	*Reference to an Appendix* (vide *Sub-Appendix C.*) *may be here given if necessary.*
8	Any further information that may be required to enable the Government of India to thoroughly understand the scope of the proposals.	

SUB-APPENDIX A.

ALIGNMENT of proposed RAILWAY.

Termini of main line of proposed railway_____ and_____.

Branches—(1) From_____on the main line to_____.

(2) From_____on the main line to_____.

Principal towns and district or provinces through which the projected railway will pass :—

	Towns.	Districts or Provinces.
Main line -		
Branch No. 1 -		
Branch No. 2 -		

SUB-APPENDIX B.

SCHEDULE of Maxima and Minima RATES and FARES intended to be charged on the proposed RAILWAY.

	Maximum. Pies per Mile.	Minimum. Pies per Mile.
Passenger Fares—		
1st class - - -		
2nd class - - -		
Intermediate class - -		
3rd or lowest class - -		
	Maximum. Pies per Maund per Mile.	**Minimum. Pies per Maund per Mile.**
Luggage - - - -		
	Maximum. Pies per Mile	**Minimum. Pies per Mile.**
Carriage—		
Single carriages - -		
	Maximum. Pies per Truck.	**Minimum. Pies per Truck.**
Two or more carriages on one truck.		
	Maximum. Pies per Mile.	**Minimum. Pies per Mile.**
Horses—		
Single horse - - -		
	Maximum. Pies per 50 Miles or portion thereof.	**Minimum. Pies per 50 Miles or portion thereof.**
Dogs—		
Each - - -		
	First 100 Miles.	**Every additional 100 Miles.**
	Annas.	**Annas.**
Parcels—		
Not exceeding—		
5 seers or 1 cubic foot -		
10 „ 2 cubic feet - -		
20 „ 4 „ - -		
30 „ 6 „ - -		
40 „ 8 „ - -		
For every additional 10 seers or 2 cubic feet, or portion of 10 seers or 2 cubic feet -		
	Maximum Pies per Maund per Mile.	**Minimum. Pies per Maund per Mile.**
Goods rates—		
5th class - - -		
4th „ - - -		
3rd „ - - -		
2nd „ - - -		
1st „ - - -		
Coal, edible grain, and other low-priced staples to be carried at special rates - -		

SUB-APPENDIX C.

WORKING of proposed RAILWAY.

No agreement has yet been arranged with any existing Railway Administration under which the projected railway is to be worked, but, when completed, it is proposed to offer the working to the_____ Railway Company on the following terms :—

(i)_____

(ii)_____

(iii), &c._____

Or,

It has been provisionally arranged with the _____ Railway Company to work the projected railway, when completed, on the following terms:—

(i) _____

_____

(ii) _____

_____

(iii), &c. _____

_____

_____

Enclosure No. 2 to Government of India Resolution No. 924 R.C. of 1893.

Memorandum B.

For the guidance of Persons or Syndicates desirous of obtaining Authority to carry out Surveys for Lines of Railways in India.

1. All applications for leave to survey proposed railway routes in any part of British India are to be addressed to the Secretary to the Government of India, Public Works Department.

2. All such applications shall specify—

(*a*) the company, person, or syndicate by whom the application is preferred;

(*b*) all the termini, together with the names of all the principal towns from, through, into, or near which the survey is intended to be carried, as well as the names of each civil division and district to be traversed by the proposed alignment;

(*c*) the length, so far as known, of the proposed railway;

(*d*) the gauge and the motive power to be employed;

(*e*) the intentions of the applicants as to the working of the railway when constructed. If it is intended that the working shall be leased to any existing railway administration, the nature of the contemplated agreement shall be specified.

3. Every such application shall be accompanied by a map to a scale of one mile to one inch, with the line of the proposed survey delineated thereon, so as to show its general course and direction.

4. If the detailed plans and estimates are submitted to Government, these documents are invariably to be prepared in strict accordance with the rules for the preparation of railway projects issued under the authority of the Government of India, of which copies may be obtained on payment from the Superintendent of Government Printing, Calcutta.

5. List of all routes in British India along which new lines of railway have at any time been proposed, and which have for railway purposes been either reconnoitred or surveyed, may be had on application to the Superintendent of Government Printing, Calcutta, on payment of a fee of Rs. 5.

6. Upon written application to the Director General of Railways, permission will also be accorded to inspect at all reasonable hours the detailed plans, sections, and estimates at the disposal of Government in regard to any particular route already surveyed, provided that they relate to railways the construction of which the Government is prepared to entrust to companies; and copies of such plans, sections, and estimates will be furnished on payment of the cost of copying.

7. But in regard to all such information, statistics, plans, sections, or estimates which may be furnished, it is to be recognised that the information thus offered to any person interested in the matter is simply the best information of the kind at the disposal of Government, and that Government cannot accept any responsibility whatever in regard to the accuracy of any of the documents.'

No. R. C.

Government of India.

Public Works Department.

Railway Construction.

Calcutta, the 29th March 1895.

TERMS on which the GOVERNMENT OF INDIA are prepared to consider offers for the CONSTRUCTION, by the AGENCY of PRIVATE COMPANIES, of BRANCH LINES or EXTENSIONS of existing RAILWAYS, to be worked, when constructed, by the MAIN LINE ADMINISTRATIONS.

Read—

Government of India Circular Resolution No. 924 R.C., dated 15th September 1893.

Observations.—His Excellency the Governor General in Council has had under consideration the terms offered in the above Resolution. The following modifications thereof are published for the general information of persons desiring to undertake the construction of branch lines or the extension of existing railways in India.

The Indian Railway Act of 1894 and the Indian Railway Companies Act of 1895, which have been enacted since the Resolution under consideration was passed, now permit payment of interest out of capital during construction.

Resolution.—The following alterations of, and additions to, Resolution No. 924 R.C., dated 15th September 1893, are hereby made:—

1. The following clauses are added to the Resolution:—

1. (4) A. Where application is made for a concession for a project which has not been surveyed, or the construction of which has not been approved by the Government of India, the applicants will be required to deposit the cost of the surveys, estimates, and collection of statistics necessary for the proper consideration of the project as a condition preliminary to the acceptance for consideration of their proposals. In the event of the construction of the project being sanctioned, the costs incurred on this account will be admitted on capital account.

The cost will depend on the difficulty of the route, and will vary from Rs. 250 per mile in very easy country to Rs. 500 in ordinary country, not including Ghat surveys.

1. (4) B. Provision will be made for including in the approved expenditure of the branch line railway company such expenses on account of the board of direction of the Company as may be incurred with the sanction of the Secretary of State.

(*a.*) During the construction of the branch line, these expenses of direction may be charged to the capital account of the branch line company.

(*b.*) After the opening for public traffic of the branch railway, these expenses of direction will be met from the general receipts of the branch line company.

2. To clause 1 (10) of the Resolution above quoted, the following proviso is added as 1 (10) (iii.):—

Provided always that in calculating the purchase price the average net earnings of the branch shall not include, for the purposes of this clause, the payments by way of rebate under the new clause 1 (7).

3. *With respect to projects the capital of which is reckoned in rupees*, the following changes are made:—

(1) In clause 2 (5) of the Observations the rate of dividend is reduced from 4 per cent. to 3½ per cent.

(2) For clause 1 (7) of the Resolution the following clause is substituted:—

A return will be made to the branch line by the main line out of its net earnings from traffic interchanged with the branch to the extent necessary, together with the branch company's

share of branch earnings, to give the branch company a dividend of 3½ per cent. per annum on the actual expenditure charged in the capital account of the branch railway company as entered in the Company's books in India; provided always that the return so made to the branch company shall in no case exceed the net earnings of the main line from interchanged traffic, This rebate will be granted from the first earning of revenue by the branch line, such payment being calculated at the close of the "calendar" year, payments on account, however, subject to adjustment, being permissible at the close of the first half of each year.*

Note.—The net earnings of the main line from traffic interchanged with it from the branch line are assumed to bear the same proportion to the gross earnings from that traffic as the net earnings of the whole system bear to the gross earnings of the whole system.

ORDER.—Ordered that this Resolution be communicated to local governments and administrations and to officers marginally noted* for information, and to the Department of Finance and Commerce.

Also that it be published in the "Gazette of India" for general information.

W. S. S. BISSET,
Lieutenant-Colonel, R.E.
Secretary to the Government of India.

No. 514 R. C., dated Simla, the 17th April 1896.

Resolution by the Government of India,
Public Works Department.

TERMS on which the GOVERNMENE OF INDIA are prepared to consider offers for the CONSTRUCTION, by the AGENCY of PRIVATE COMPANIES of BRANCH LINES forming feeders either to STATE LINES worked by the STATE or to RAILWAYS worked by COMPANIES.

Read—

Public Works Department Resolution No. 924 R. C., dated 15th September 1893.

Also Public Works Department Resolution dated 29th March 1895.

Observations.—Many of the applications made under the above Resolutions show that the terms for the construction of branch or feeder lines of railway have not been fully understood.

The Government of India have accordingly resolved to cancel the previous Resolutions above quoted upon this subject, and to issue a fresh Resolution embodying a summary of the concessions which (the previous assent of any railway company concerned having been first obtained) they are now prepared to give for the construction of branch or feeder railways, such concessions being usually confined to lines not exceeding 100 miles in length.

2. It should be clearly understood that these concessions are not applicable to the larger or more important railways or to mountain branches, for which separate negotiations are in all cases necessary.

Resolution.—Branch lines forming feeders, whether to State lines worked by the State or to railways worked by companies, will ordinarily be made by the main line administrations, who shall have a prior right to construct them.

The Government of India will from time to time publish a list of branch lines, for the construction of which they are prepared to receive tenders.

They will consider and dispose of any application for the inclusion in the said list of any other line which can properly be described as a branch or feeder line, and which does not, except in special circumstances, exceed 100 miles in length.

2. Proposals for the construction of branch lines under this Resolution must conform to the following terms and conditions:—

(i.) Applicants must satisfy the Government that they are in a position to command substantial financial support.

(ii.) The gauge to be adopted must be approved by the Government in each case.

(iii.) The proposed railway shall be subject to the provisions of all Acts of the Legislature applicable to Indian railways.

(iv.) The proposed railway shall be built in accordance with the fixed and moving dimensions for the time being prescribed by the Governor-General in Council, and on plans and estimates that have been approved by that authority. The route of the line, the situation of stations, and other similar details, shall be subject to approval by the Government.

(v.) The line, while under construction, shall be inspected when and so often as an inspecting officer appointed for that purpose by the Government may consider desirable with a view to ensure the construction of the line up to the standard agreed upon.

(vi.) Inasmuch as these railways are chiefly required for the development of country hitherto deficient in means of communication, and the anticipated profits may not therefore at once be fully realised, the Government of India are prepared to give financial assistance as set forth below. Proposals for financial concessions may be made in one or other of the following alternative forms:—

(*a*)* It may be stipulated that, after the opening of the railway for traffic, the Government shall guarantee, out of the revenues of India, a fixed yearly minimum dividend in rupees on the actual expenditure charged in the capital account of the branch railway company as entered in rupees in the company's books in India, with such share of the surplus net profits as may be agreed upon. The minimum dividend to be guaranteed in each particular case will depend upon consideration of the circumstances, but for the present no offer will be entertained that requires a guarantee exceeding 3 per cent.; or

(*b*)† It may be provided that a payment be made to the branch company by the main line to the extent necessary, together with the branch company's share of branch earnings [*see* Section (5) of paragraph 3] to give the branch company a dividend of 3½ per cent. per annum on the actual expenditure charged in the capital account of the branch railway company as entered in rupees in the company's books in India; provided always that the payment so made to the branch company shall in no case exceed the net earnings of the main line from traffic interchanged with the branch. This rebate will be granted from the first earnings of revenue by the branch, such payment being calculated at the close of the year, payments on account, however, subject to adjustment, being permissible at the close of the first half of each year. The net earnings of the main line from traffic interchanged with the branch are assumed to bear the same proportion to the gross earnings of the main line from such traffic as the net earnings of the whole system, including the branch, bear to the gross earnings thereof. If the net earnings of the branch line equal or exceed 3½ per cent. on the actual expenditure as above, the whole of such earnings will go to the branch company.

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* The Governments of Madras, Bombay, Bengal, the North-Western Provinces and Oudh, and the Punjab.
The Chief Commissioners of the Central Provinces, Burma, and Assam.
The Residents at Hyderabad and in Mysore.
The Agents to the Governor General in Central India, Rajputana, and Baluchistan,
The Accountant General, Public Works Department.
The Director General of Railways.
The Consulting Engineer to the Government of India for Railways, Calcutta, Lucknow, Central Division, and Assam.

* Under (*a*) the Company will receive an absolute guarantee of interest at a rate not exceeding 3 per cent., and a higher return if the net earnings of the branch are sufficient to pay more than the guaranteed dividend.

† Under (*b*) the Company will receive a dividend of 3½ per cent. provided that the amount of the net earnings from local and interchanged traffic be sufficient, and a higher return if the net earnings of the branch from its own traffic be sufficient to pay a higher dividend.

In either of the above cases (*a*) or (*b*), if the capital is raised in sterling, the capital to be entered in rupees in the company's books in India shall be the actual amount realised in rupees from time to time by the several remittances of funds to provide for expenditure in India, together with the sterling outlay from time to time in England converted into rupees at the average rate of exchange obtained by the Secretary of State for his remittances during the half year preceding that in which the outlay shall have been incurred, and the capital expenditure in rupees on which the interest is from time to time to be calculated for the purposes of the guarantee or rebate, as the case may be, shall be the total outlay whether in India or England up to any such time as thereto charged.

(vii.) The general character of the supervision and control that will be exercised by the Government over the branch railway, apart from the provisions of the Railway Acts and the preceding provisions of this Resolution, shall be as follows:

(*a*) No capital expenditure by the branch railway company will be allowed as between the Secretary of State and the company unless the prior sanction of the Secretary of State shall have been obtained. The company shall have no power to increase its share or stock capital without the sanction of the Secretary of State, or to borrow money except within a fixed limit and on specified conditions.

(*b*) The branch railway company, if required, shall keep capital accounts and statistics in forms approved by the Secretary of State; and shall render, free of cost, all accounts and statistics required by the Government. The accounts and books will be subject to audit on behalf of Government.

(viii.) Funds for the execution of new works, properly chargeable to capital, found necessary after the branch railway has been opened to public traffic shall be provided by the branch railway company. Such works and their cost shall be agreed upon between the branch railway company and the main line administration before they are put in hand. In the event of any difference of opinion arising between the branch railway company and the main line administration as to the necessity for and the cost of any new work, the matter shall be referred to the Director General of Railways as arbitrator, and his decision shall be final.

(ix.) The rates and arrangements in force on State railways in the matter of services rendered to all Departments of the State shall apply.

3. The following are the principal additional concessions admissible for the branch or feeder railways for the construction of which tenders may be invited:

(1.) The Secretary of State for India in Council, or the Government of India respectively, will permit the charge of interest, at a rate to be agreed upon in each case, during construction to the capital account of the railway under the terms of the Indian Railways Act of 1894 (57 and 58 Vict. Chapter 12), or the Indian Railway Companies Act X. of 1895.

(2.) The land required for the construction of the branch railway will be provided free of cost. Such grant shall not include land required for quarrying, ballast, brickfields, and kindred purposes.

(3.) Electric telegraphs and telegraphic appliances will be supplied and maintained by the Government of India at the usual charges for such works.

(4.) The results of existing surveys will be made available free of charge. When desired, fresh surveys will be made by the Public Works Department of the Government of India of any branch railway on the applicants depositing the estimated cost thereof in a Government Treasury, on the understanding that no preferential claim to a concession is thereby established. If permission be eventually given for the construction of the line, the actual cost of all such surveys, as well as of those made at the cost of Government, may be included in the capital cost of the railway. No responsibility will be accepted by Government for the accuracy of any survey, plan, estimate, or other information supplied.

(5.) The branch railway may be constructed by the main line administration, and will be maintained and worked by that administration during the full currency of the contract to be entered into for the purpose, at a fixed ratio of expenses to earnings in each half-year. The ratio will, when the branch railway is of the same gauge as that of the working railway, usually be that obtaining on the whole system as from time to time existing including the branch railway, but will not exceed 50 per cent. of the gross earnings of the branch from all sources, and will be inclusive of charges for the use of the main line rolling-stock.

(6.) Such expenses on account of the board of direction of the branch line railway company as may be incurred with the sanction of the Secretary of State may be charged—

(*a.*) during construction to the capital account of the branch line company;

(*b.*) after opening, and until the minimum dividend under paragraph 2 (vi.) (*a*) or (*b*) is received by the branch line company, as part of the working expenses to be met out of the stipulated percentage of the earnings of the branch taken by the working railway;

(*c*) and thereafter out of the general receipts of the branch line company.

(7.) Railway materials for the branch railway will be carried over State lines at the special rates prescribed for such materials belonging to State railways.

4. The Government of India reserve the right to purchase all such branch railways at the expiry of 21 years, or at subsequent intervals of 10 years, on 12 months' notice the purchase price being 25 times the yearly average net earnings, not including rebate payments, of the three years preceding the purchase, with a maximum price of 120 and a minimum of 100 per cent. of cost price on a rupee basis.

5. The Government also reserve—

(i.) the right to fix and vary from time to time the classification of goods, and maximum and minimum rates for each class of goods, as well as of passengers; and

(ii.) a general control in respect to the number and timing of trains.

6. Applications for concessions to construct branch railways under the terms of this Resolution should be submitted, in the form prescribed by Memorandum A., hereto attached, to the address of the Secretary to the Government of India, Public Works Department.

7. Applications for fresh surveys to be carried out on the terms detailed in condition 3 (4) above should be submitted, in the manner prescribed by Memorandum B., hereto attached, to the address of the Secretary to the Government of India, Public Works Department.

ORDER.—Ordered that this Resolution be forwarded for information to the Local Governments and Administrations and to the officers marginally noted.*

Also that it be published for general information in the "Gazette of India."

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* The Governments of Madras, Bombay, Bengal, the North-Western Provinces and Oudh, and the Punjab.
The Chief Commissioners of the Central Provinces, Burma, and Assam.
The Resident at Hyderabad.
The Resident in Mysore.
The Agents to the Governor General in Central India, Rajputana, and Baluchistan.
The Director General of Railways.
The Consulting Engineers to the Government of India for Railways, Calcutta, Lucknow, and Assam.
The Accountant General, Public Works Department.

Enclosure No. 1 (with Form A. and Appendices A., B., and C.) to Government of India Resolution, No. 514 R.C., of 1896.

Memorandum A.

For the guidance of Persons or Syndicates desirous of submitting proposals for the Construction of Branch Railways in India forming feeders either to State Lines, worked by the State, or to Railways worked by Companies.

1. All applications for leave to construct a branch or feeder railway in any part of British India are to be addressed to the Secretary to the Government of India, Public Works Department.

2. All such applications shall be printed, and shall be drawn up, as far as may be, in Form A., attached hereto, and shall specify—

(*a*) the company, person, or syndicate by whom the application is preferred, the proposed amount of capital, the number of shares, and the amount of each share;

(*b*) all the termini, together with the names of all the principal towns from, through, into, or near which the railway is intended to be constructed, as well as the names of each civil division and district to be traversed by the proposed alignment;

(*c*) the length, so far as known, of the proposed railway;

(*d*) the gauge, the weight of rails, &c.;

(*e*) the motive power to be employed;

(*f*) the maximum tolls, rates, and fares proposed to be charged on the projected railway;

(*g*) the proposals for working the railway when constructed, and if any agreement is under contemplation, or has been provisionally arranged with any existing railway administration under which the proposed line, when constructed, is to be leased out for working by such railway administration, the exact nature and terms of such agreement;

(*h*) any further information that may be required to enable Government to thoroughly understand the scope of the proposals.

3. Every such application shall be accompanied by a map to a scale of one mile to one inch, with the line of the proposed railway delineated thereon, so as to show its general course and direction, and also by an estimate, as correct as may be, of the works proposed to be authorised.

4. When the applicants draw up their own detailed plans and estimates, these documents are invariably to be prepared in strict accordance with the rules for the preparation of railway projects issued under the authority of the Government of India, of which copies may be obtained on payment from the Superintendent of Government Printing, Calcutta.

5. Lists will be published from time to time of the branch railways forming feeders, whether to State lines worked by the State or to railways worked by companies, for the construction of which the Government of India are prepared to receive tenders. Copies of such lists can be obtained on application addressed to the Secretary to the Government of India, Public Works Department.

6. Upon written application to the Director General of railways, permission will also be accorded to inspect, at all reasonable hours, the detailed plans, sections, and estimates at the disposal of Government in regard to any particular route already surveyed, provided that they relate to branch railways the construction of which the Government is prepared to entrust to companies; and copies of such plans, sections, and estimates will be furnished on payment of the cost of copying.

7. But in regard to all such information, statistics, plans, sections, or estimates, which may be furnished, it is to be recognised that the information thus offered to any person interested in the matter is simply the best information of the kind at the disposal of Government, and that Government cannot accept any responsibilty whatever in regard to the accuracy of any of the documents.

Form A.

To accompany all applications for leave to construct a branch or feeder railway in any part of British India.

	Nature of Particulars to be specified.	Particulars.
1	The name of the Company, person, or persons by whom the application is preferred; the proposed amount of capital, the number of shares, and the amount of each share.	
2	The termini, together with the names of all the principal towns, from, in, through, or into, or near which the railway is intended to be constructed.	*Reference to an Appendix* (vide *Appendix A.*) *may be here given if necessary.*
3	The length, as far as known, of the proposed railway.	
4	The gauge proposed and weight of rails, &c.	
5	The motive power to be employed.	
6	The maximum tolls, rates, and fares intended to be charged on the proposed railway.	*Reference to an Appendix* (vide *Appendix B.*) *may be here given if necessary.*
7	Details of any agreement which may have been provisionally arranged, or which it is desired to enter into, under which the proposed line, when constructed, is to be leased out for working to any existing Railway Administration.	*Reference to an Appendix* (vide *Appendix C.*) *may be here given if necessary.*
8	Any further information that may be required to enable the Government of India to thoroughly understand the scope of the proposals.	

Sub-Appendix A.

Alignment of proposed Branch Railway.

From _____ to _____.

Principal towns and districts or provinces through which the projected railway will pass.

Towns.	Districts or Provinces.

SUB-APPENDIX B.

SCHEDULE of Maximum and Minimum RATES and FARES intended to be charged on the proposed BRANCH RAILWAY.

	Maximum. Pies per Mile.	Minimum. Pies per Mile.
Passenger Fares—		
1st class		
2nd class		
Intermediate class		
3rd or lowest class		
	Maximum. Pies per Maund per Mile.	Minimum. Pies per Maund per Mile.
Luggage		
	Maximum. Pies per Mile.	Minimum. Pies per Mile.
Carriages—		
Single carriages		
	Maximum. Pies per Truck.	Minimum. Pies per Truck.
Two or more carriages on one truck.		
	Maximum. Pies per Mile.	Minimum. Pies per Mile.
Horses—		
Single horse		
	Maximum. Pies per 50 Miles or portion thereof.	Minimum. Pies per 50 Miles or portion thereof.
Dogs—		
Each		
	First 100 Miles.	Every additional 100 Miles.
Parcels—	Annas.	Annas.
Not exceeding—		
5 seers or 1 cubic foot		
10 „ 2 cubic feet		
20 „ 4 „		
30 „ 6 „		
40 „ 8 „		
For every additional 10 seers or 2 cubic feet, or portion of 10 seers or 2 cubic feet		
	Maximum. Pies per Maund per Mile.	Minimum. Pies per Maund per Mile.
Goods rates—		
5th class		
4th „		
3rd „		
2nd „		
1st „		
Coal, edible grain, and other low-priced staples to be carried at special rates		

SUB-APPENDIX C.

WORKING of proposed BRANCH RAILWAY.

No agreement has yet been arranged with any existing Railway Administration under which the projected branch railway is to be worked, but, when completed, it is proposed to offer the working to the_____ Railway Company, on the following terms:—

(i)_____

(ii)_____

(iii), &c._____

Or,

It has been provisionally arranged with the_____ Railway Company to work the projected branch railway, when completed, on the following terms:—

(i)_____

(ii)_____

(iii), &c._____

Enclosure No. 2 to Government of India Resolution No. 514 R.C. of 1896.

Memorandum B.

For the guidance of persons or syndicates desirous of having surveys for branch or feeder lines of railway in India carried out at their expense by the Public Works Department.

1. All applications for the survey of proposed branch or feeder railway routes in any part of British India are to be addressed to the Secretary to the Government of India, Public Works Department.

2. All such applications shall specify—

(*a*) the company, person, or syndicate, by whom the application is preferred;

(*b*) all the termini, together with the names of all the principal towns from, through, into, or near which the survey is intended to be carried, as well as the names of each civil division and district to be traversed by the proposed alignment;

(*c*) the length, so far as known, of the proposed railway;

(*d*) the gauge and the motive power to be employed;

(*e*) the intentions of the applicants as to the construction and working of the railway. If it is intended that the working shall be leased to any existing railway administration, the nature of the contemplated agreement shall be specified.

3. Every such application shall be accompanied by a map to a scale of one mile to one inch, with the line of the proposed survey delineated thereon, so as to show its general course and direction.

4. If the detailed plans and estimates are submitted to Government, these documents are invariably to be prepared in strict accordance with the rules for the preparation of railway projects issued under the authority of the Government of India, of which copies may be obtained on payment from the Superintendent of Government Printing, Calcutta.

5. Upon written application to the Director General of Railways, permission will also be accorded to inspect at all reasonable hours the detailed plans, sections, and estimates at the disposal of Government in regard to any particular route already surveyed, provided that they relate to branch or feeder railways, the construction of which the Government is prepared to entrust to companies; and copies of such plans, sections, and estimates will be furnished on payment of the cost of copying.

6. But in regard to all such information, statistics, plans, sections, or estimates which may be furnished, it is to be recognised that the information thus offered to any person interested in the matter is simply the best information of the kind at the disposal of Government, and that Government cannot accept any responsibility whatever in regard to the accuracy of any of the documents.

W. S. S. BISSET, Colonel, R.E.,
Secretary to the Government of India.

ABSTRACT of CONTRACTS with the SOUTH BEHAR, SOUTHERN PUNJAB, and AHMEDABAD-PRANTEJ RAILWAY COMPANIES.

Railway Company.	Government Aid.		Distribution of Profits.	Obligations of Company in respect of			Determination of Contract.
	Land.	Guarantee or Subsidy.		Mails.	Troops, Officials, Stores, &c.	Fares and Rates.	Power of Government to Purchase, and to determine Contract.
SOUTH BEHAR (7 Aug. 1895.)	Free	Government undertakes to *construct* (*from* funds supplied by the Company), maintain, and work the railway, either through a working agency or by State agency. (The agency selected is the East Indian Railway Company, with which an agreement for the purpose was entered into by the Government on the 22 Aug. 1895.) For the first two years after the opening of any section the *cost* of maintenance is to be a charge against capital, and the Government is to retain only 35 per cent. of the gross earnings for providing rolling stock and working the line, the remaining 65 per cent. going to the Company. Thereafter the Government will retain 45 per cent. of the gross earnings to meet the cost of maintaining, stocking, and working the line, the Company taking the remaining 55 per cent. By agreement with the East Indian Railway Company, the Government will, in respect of each half year, allow to the South Behar Railway Company, by way of rebate on the share attributable to the East Indian Railway of the receipts from traffic interchanged between the two railways, such a sum not exceeding 30 per cent. of such share as will, together with the net earnings of the South Behar Company for the half year, make up an amount equal to interest for the half year at a rate of 4 per cent. per annum on the actual capital expenditure on the South Behar Railway. For the purpose of calculating this rebate, the capital expenditure is to be regarded as not exceeding Rs. 120 lakhs, and the amount towards making up which the rebate is to be allowed is to be limited to Rs. 2,40,000 in any half year.		—	—	The rates and fares are to be such as may from time to time be agreed upon between the Government and the working agency, subject to the conditions that they are to be within the maximum and minimum rates and fares in force on the East Indian Railway, and that the classification of goods is to be in accordance with that on the East Indian Railway.	Government may determine the contract if, before the line is open, the Company fail to supply funds or materials for the completion of the work. In the event of the contract being terminated from this cause, the Government undertakes to pay to the Company in rupees the fair value of the railway, works, and stores given up by the Company. The Government also has power to determine the contract on the 30 June 1919, or at the end of any subsequent period of 10 years from that date, by giving 12 months' notice. In case of such determination the Government will pay to the Company in England an amount equal to the total paid-up capital in sterling, so far as such capital has been expended on the undertaking with the authorisation of the Secretary of State.
SOUTHERN PUNJAB (13 Aug. 1895.)	Free	Government undertakes to maintain the line (except during the first 12 months after opening, for which period the cost of maintenance will be borne by the Company), and also to provide rolling stock and work the line. For these services the Government will retain 52 per cent. of the gross earnings. The Government will allow to the Company, in respect of each half year, by way of rebate on the net earnings of the North-Western Railway from traffic interchanged with the Southern Punjab Railway and from through traffic between stations of the N.-W. Railway sent over the Southern Punjab Railway, such a sum (not exceeding the amount of such net earnings of the N.-W. Railway) as will, together with the Company's net earnings, make up an amount equal to interest for the year at a rate of 3½ per cent. on the actual expenditure charged in the capital account.	Surplus profits in excess of 3¾ per cent. per annum on the total capital expenditure in sterling are divisible equally at the close of each year between Government and the Company.	Rates and arrangements in force on State railways to be applicable.		Rates and fares to be within the maximum and minimum rates and fares in force on the North-Western State Railway, and the same terminals as on the North-Western Railway to be allowed.	If the railway shall not be constructed in accordance with the provisions of the contract, and completed and ready and fit for opening by the 31 Dec. 1898, the Government may determine the contract and take possession of the railway, works, materials, &c., paying the Company in sterling the equivalent of the fair value of the property. The Government may also, by giving 12 months' notice, determine the contract— (i.) on the 31 December 1919 or at the end of any subsequent period of 10 years. In this case the Government undertakes to pay to the Company in sterling a sum equal to 25 times the yearly average of the Company's share of the net earnings of the railway during the last preceding five years, provided that such sum shall not exceed by more than 20 per cent. the total capital expenditure of the Company in sterling, nor be less than such capital expenditure; or (ii.) on the 31 Dec. 1948. In this case the Government undertakes to pay to the Company in sterling a sum equal to the total capital expenditure in sterling.
AHMEDABAD-PRANTEJ (13 March 1896.)	Free	Government undertakes to construct (from funds supplied by the Company), work, and maintain the line, through State or other agency, the necessary rolling stock being supplied by the working agency. (The agency selected is the B. B. and C. I. Railway Company, with which an agreement for the purpose was entered into by Government on the 4th June 1896.) The charge to the Ahmedabad-Prantej Company for the working, stocking, and maintenance of the line is to be calculated half yearly at the same percentage of gross earnings as obtains on the Rajputana-Malwa undertaking, but it is provided that the charge shall not in any year exceed 50 per cent. of the gross earnings for that year. The residue of the gross earnings, after deduction of the charge for working, &c., is payable to the A.-P. Company. By agreement with the B. B. and C. I. Railway Company, the Government will allow to the Ahmedabad-Prantej Company in respect of each calendar year, by way of rebate, such a sum, not exceeding 10 per cent. of the combined shares attributable to the B. B. and C. I. and Rajputana-Malwa Railways of the gross earnings from traffic interchanged between those railways, or either of them, and the A.-P. Railway, as will, together with the net earnings of the A.-P. Company, make up an amount equal to interest for the year at the rate of 4 per cent. per annum on the actual capital expenditure. The Government will also allow the Company the sum of Rs. 5,000 per annum towards the Company's office expenses and expenses of management.		—	—	Rates and fares are to be such as may from time to time be arranged between the Government and the working agency, but it is provided that they shall be within the maximum and minimum rates and fares for the time being in force on the R.-M. Railway. The classification of goods is to be in conformity with that in force on the R.M. Railway.	Government may determine the contract if, before the line is open for traffic, the Company fail on demand to supply the funds required for its completion. In case of such determination the Government will pay the Company in rupees the fair value of the railway, works, and stores given up. Government may also, by giving 12 months' notice, determine the contract— (i.) on the 31 Dec. 1917 or at the end of any subsequent period of 10 years. In this case the Government undertakes to pay to the Company in rupees a sum equal to 25 times the average yearly net earnings of the Company during the last preceding five years, provided that such sum shall not exceed by more than 20 per cent. the total capital expenditure of the Company, nor be less than such capital expenditure; or (ii.) on the 31 Dec. 1946. In this case the Government will pay to the Company in rupees an amount equal to the total capital expenditure.

APPENDIX

Handed in by Sir Henry

(With reference to

STATEMENT showing the DISBURSEMENTS of the HOME TREASURY of the GOVERNMENT OF INDIA in each Year,

Year.	Disbursements.						
	Discharge of Debt.	Indian Railway Companies.			Other Disbursements. Net.	Total.	
		Annuities and Interest.	Net Withdrawals.	Payments in connection with Purchase of Undertakings.			
	£	£	£	£	£	£	
1873–74	-	-	-	-	-	-	1
1874–75	1,000	4,609,772 49,983*	781,648	83,800	9,603,518	15,129,721	2
1875–76	—	4,606,013 49,983*	1,210,175	4,250	9,601,962	15,472,383	3
1876–77	500,000	4,636,768 49,983*	1,553,238	—	10,377,910	17,117,899	4
1877–78	—	4,635,491 49,983*	312,956	—	11,112,476	16,110,906	5
1878–79	3,374,500	4,689,276 49,983*	925,545	—	10,530,826	19,570,130	6
1879–80	2,609,500	4,736,876 49,983*	498,502 *13,623*†*	—	10,658,693	18,539,931	7
1880–81	1,444,911	4,591,671 49,983*	1,261,414 51*	1,000,000	10,743,107	19,091,137	8
1881–82	5,717,328	4,859,122 49,983*	1,328,194	—	10,333,497	22,288,124	9
1882–83	4,317,185	4,884,652 24,903*	*875,366*†	1,939,600 1,404,154*	9,879,242	21,574,370	10
1883–84	2,256,284	4,824,108	808,852	10,400 12,785*	11,254,029	19,166,458	11
1884–85	3,757,063	4,827,046	352,835	202,450 702*	10,396,500	19,536,596	12
1885–86	1,006,000	5,066,807	*4,543,766*†	200 2,144*	11,151,274	12,682,659	13
1886–87	1,127,292	5,284,356	*741,362*†	409,700	10,785,352	16,865,338	14
1887–88	2,812	5,399,392	*2,091,892*†	—	11,458,557	14,768,869	15
1888–89	3,667,626	5,652,240	1,105,923	6,921,049	10,508,512	27,855,350	16
1889–90	912,865	5,609,354	657,808	—	10,337,806	17,517,833	17
1890–91	85,976	5,701,472	2,557,007	3,697,557	10,854,326	22,896,338	18
1891–92	1,390,262	5,652,181	1,783,274	117,100	11,209,108	20,151,925	19
1892–93	1,340	5,723,490	10,312	1,920,300	11,987,071	19,642,513	20
1893–94	4,752,015	5,744,313	1,071,249	1,249,200	11,098,701	23,915,478	21
1894–95	7,005,000	5,738,998	985,397	—	10,953,864	24,683,259	22
1895–96	2,001,600	5,747,782	560,656	—	10,464,326	18,774,364	23
Total	45,930,559	113,645,947	9,499,027	18,975,391	235,300,657	423,351,581	

* Transactions of the Madras Irrigation and Canal Company.

No. 43.

Waterfield, K.C.S.I., C.B.
Question 12,237.)
from 1874–75 to 1893–94, inclusive, and the Mode in which Provision was made for those Disbursements.

	Mode in which Provision was made for those Disbursements.								Cash Balance at the close of the Year.
	Bills of Exchange and Telegraphic Transfers on India.	Debt incurred (Money raised).	Bills on London purchased in India.	Bullion Remittances, Gold.	Grants from the Imperial Government in Aid of Expeditions.			Total.	
					Mediterranean.	Afghanistan.	Egypt and Soudan.		
	£	£	£	£	£	£	£	£	£
1	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2,013,638
2	10,841,614	5,070,839	—	—	—	—	—	15,912,453	2,796,370
3	12,389,613	1,206,299	—	—	—	—	—	13,595,912	919,890
4	12,695,799	6,216,168	—	—	—	—	—	18,911,967	2,713,967
5	10,134,455	4,339,141	—	—	—	—	—	14,473,596	1,076,657
6	13,948,565	3,746,640	1,516,193	—	400,000	—	—	19,611,398	1,117,925
7	15,261,810	1,893,356	—	486,947	50,000	2,000,000	—	19,692,113	2,270,107
8	15,239,677	5,209,102	—	—	—	500,000	—	20,948,779	4,127,749
9	18,412,429	1,868,855	—	—	—	500,000	—	20,781,284	2,620,909
10	15,120,521	6,262,814	—	—	—	500,000	500,000	22,383,335	3,429,874
11	17,599,805	1,250,000	—	—	—	1,000,000	—	19,849,805	4,113,221
12	13,758,909	3,663,844	—	—	—	250,000	—	17,672,753	2,249,378
13	10,292,692	3,984,986	—	—	—	250,000	632,188	15,159,866	4,726,585
14	12,136,279	5,207,446	—	—	—	—	75,857	17,419,582	5,280,829
15	15,358,577	—	—	—	—	—	30,160	15,388,737	5,900,697
16	14,262,859	10,951,727	—	—	—	—	—	25,214,586	3,259,933
17	15,474,496	4,186,277	—	—	—	—	—	19,660,773	5,402,873
18	15,969,034	5,359,481	—	—	—	—	—	21,328,515	3,835,050
19	16,093,854	4,345,647	—	—	—	—	—	20,439,501	4,122,626
20	16,532,215	1,256,060	—	—	—	—	—	17,788,275	2,268,388
21	9,530,295	13,417,419	—	—	—	—	—	22,947,654	1,300,564
22	16,905,102	8,980,717	—	—	—	—	—	25,885,819	2,503,124
23	17,664,492	2,000,000	—	—	—	—	—	19,664,492	3,393,252
	315,623,032	100,416,813	1,516,193	486,947	450,000	5,000,000	1,238,205	424,731,195	—

† The receipts exceeded the withdrawals by this sum.

APPENDIX No. 44.

Increases in the Sterling Expenditure.

Paper handed in by Sir Henry Waterfield.

(With reference to Question 12,237.)

It would be a very troublesome calculation to attempt in detail to show the exact increase of expenditure since 1884-85 that might possibly have been avoided; and accuracy is impossible. But the following may be taken as an approximate statement of the increase in the sterling payments made in 1894-95 over the payments 10 years before:—

New Obligations.

	£	£
Interest and Discount Sinking Fund	438,863	
Management of Debt	19,932	
New Railway Companies	834,654	
Bengal and Madras Civil Funds (In 1884-85 146,000*l.* on this account was paid as a remittance not charged on the revenue.)	198,337	
Army Effective Charges: Increase of the force by one-sixth	109,000	
Furlough Pay and Superannuation: Payment at fixed minimum rates	131,501	
Zanzibar-Mauritius Telegraph	10,000	
Manning of Defence Vessels	59,600	
Passages of crews for ditto (not covered by the subsidy)	1,048	
Cataloguing records in the India Office	978	
India Office Provident Fund	2,276	
Passage of Assistant Superintendents of Police to India	850	
Technical Instruction of Officers of Indian Marine	931	
Scholarships at the University for Natives of India	1,226	
Brought forward	1,809,196	
Subsidy for Navigation of Karun river	1,000	
Imperial Institute: Grant	1,000	
Medical Delegate at Alexandria	125	
Allowance for Officers studying the Russian language	1,842	
Outfit for Lady Nurses	39	
		1,813,202

Exceptional Payments.

Conversion of Rupee Loans	11,838	
Restoration of a Portrait for Government House at Calcutta	20	
Pay of Officer reporting on Explorations in Kafiristan	382	
Reproduction of the Ajanta Cave Paintings	500	
Medical Delegate at Alexandria: Arrears	250	
Paris Sanitary Conference	149	
Competitions for Design for a Mule Cart	1,229	
Payment in lieu of Royalty on Ordnance Telescopic Sights	833	
Committee on administration of Cantonment regulations	89	
Stores for Special Defence Works	82,176	
		97,466
		1,910,668

On the other hand, there were in 1884-85 obligations to the amount of 62,576*l.* which have now ceased, as well as exceptional payments amounting to 32,274*l.*

APPENDICES Nos. 45 to 65.

SECTION III.

APPORTIONMENT OF EXPENDITURE.

Section III.—Apportionment.

APPENDIX No. 45.

Apportionment of Military Charges between the Home and Indian Governments.

Handed in by the India Office.

No. 1.

No. 70, dated 25th March 1890.

From the GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA.

We have the honour to acknowledge your Lordship's despatches noted below,* on the claims of the War Office against Indian revenues on account of army effective services, for the three years 1885–86, 1886–87, 1887–88. In your Despatch, No. 332, dated 20th December 1888, you mentioned that the claims† exceed the amounts previously stated, and that reductions might be made by Lord Northbrook's Commission. Your Lordship asked for our opinion in respect to the general principles on which the charge to be borne by India for the British troops supplied from England is arrived at by the War Office. With the despatch of 4th July you forwarded a report of the Special Committee at the India Office, and with Despatch No. 216 of the 3rd October 1889, a copy of the War Office claim for 1887–83, and a memorandum by the Accountant-General of the War Office on the method employed in calculating the charges against India. In the latter, or third despatch, you inform us that the report of Lord Northbrook's Commission on the charges for 1885–86 and 1886–87 has not yet been officially received, but that the claims, amounting to 1,543,619*l.*, including deferred pay, will probably be reduced by about 165,000*l.* In continuation of Despatch, No. 216, you forward with your Financial Despatch, No. 235, of the 17th October 1889, further papers from the War Office, giving certain details in explanation of the claims for 1887–88. The charge made against India for that year is 742,101*l.*, as shown below.‡

2. We may explain at the outset that upon receipt of the despatch of December 1888, the War Office claims were examined by the Accountant-General, and the accompanying memorandum was drawn up in the Military Department, but before we were able to submit our conclusions on the subject, your Lordship's subsequent despatches were received; this necessitated a revision of the memorandum, and we are now only in a position to deal with the whole matter.

3. In the memorandum, which we forward for the consideration of your Lordship in Council, the later history of the discussion on the War Office charges against Indian revenues is dealt with; the principles which have from time to time been formulated by the Government of India are stated, and the claims put forward by the War Office are examined. We hope that an examination of the matter set forth in that paper will lead your Lordship in Council to concur in the opinion we have arrived at, that the claim made by the War Office against the revenues of India for the service of the British troops employed in this country should admit of considerable abatement.

4. We proceed first to deal with the principles upon which the War Office base their claims against India; next to indicate the principles which in our opinion should be followed, and lastly to sum up the reductions which we consider should be made. But before doing this, it may be well to recall the fact that this charge for "effective" army services is only a portion of the charge against the Indian revenues on account of the British Army in India. The sum which is directly due to charges on account of the British Army in India is for 1889–90, 903,700*l.* under "effective," and for 1890–91, 850,000*l.*; while under "non-effective" there is a charge for the retired pay, &c., of British troops for service in India, amounting to 283,500*l.* in 1889-90 and 335,000*l.* in 1890–91. In addition to these direct charges, there is the whole of the charge for Her Majesty's Indian troopships, which amounts for 1889–90 to 220,700*l.*, and for 1890–91 to 226,800*l.* The total estimated charge, therefore, for British troops is for 1889–90, 1,411,900*l.*, and for 1890–91, 1,411,800*l.* It will be remembered that this large sum is only for the cost of the training in England of the officers and men sent out annually, for their transport to and from India in ships which are the property of the Indian Government, and for a share of pension charges. Over and above these charges, the Indian revenues bear the entire cost of the British soldier from the day he leaves England until his return, and every item of his arms, clothing, and equipment is paid for by India, besides his pay, maintenance, and training in this country.

5. The principles upon which the claims against Indian revenues are founded may be gathered from the War Office papers, but are more especially set forth in the War Office memorandum of the 26th April 1889, endorsed by the Secretary of State for War. These principles are thus stated: the actual cost to the British Exchequer is the cost of raising, paying, and maintaining the force in the United Kingdom, which would not be maintained if the Indian Army had not to be kept up; all the difficulties in the organisation of the British Army during recent years, and the grants of additional inducements to men to join the army, have been mainly due to the necessity for keeping a largely increased European force in India; the 11,500 young soldiers to be annually despatched to India (excluding the cadres of old soldiers who are exchanged on the relief of a regiment or battery,) form a portion of the 16,000 officers and men maintained in England for the purposes of India, and are the first reserve for the Indian Army in the event of active operations; to avoid the necessity for employing them on Imperial service the Home Government pay nearly 500,000*l.* a year for the Army Reserve; and with the object of providing the force for India as economically as possible, the short-service system has been introduced, a system which is described as most beneficial to Indian revenues, and a mode of calculating the depôt charges has been proposed, which relieves Indian revenues of more than one-third the actual cost incurred; and generally, although the validity of the arguments used on the side of India is not admitted, yet in deference to those arguments, "there has been every desire to treat the "Indian Government with as much generosity as was "defensible."

6. The War Office state that calculating the payment made during the time of the East India Company, taking the period 1834–57, the cost for the service of British troops, at the rates then paid, allowing for improved pay, would now be 530,000*l.* per annum. Further, the War Office assume that the real annual cost of the troops (16,000) maintained in England for Indian purposes is 1,081,000*l.*

The proposal of the War Office is, that—

(1.) India shall pay 600,000*l.* annually.

(2.) A deduction of 50*l.* to be made for every man deficient on the Indian establishment on the 1st May.

(3.) A direct charge to be made against India for deferred pay.

The conclusion is, on the side of the War Office, that although the charge for the depôts is built up artificially, the result—surrendering nearly 500,000*l.* to the Indian Exchequer—is so favourable to the Indian Government that no force can be allowed to criticism upon

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* No. 332, dated 20th December 1888. No. 144, dated 4th July 1889. No. 216, dated 3rd October 1889. No. 235, dated 17th October 1889.

† | | £
---|---
1885–86 | 831,751
1886–87 | 712,000
| 1,543,751

‡

	£
1. Capitation on 11,696 troops embarked	230,823
2. Charges for depôts	359,597
3. Agency	3,763
4. Charges for men deserted, or died, or discharged	8,766
5. Maintenance of young officers in England before embarking for India	8,500
6. Cost of young officers, Royal Engineers, while under instruction	5,415
7. Cost of training veterinary surgeons	600
8. Cost of examining candidates for Indian Medical Service	432
9. Share of cost of educational establishments	45,187
10. Advance of pay	9,708
11. Expenses of men awaiting discharge and of invalids	19,497
12. Share of cost of hospitals and discharge depôts	30,425
13. Deferred pay	140,030
862,743
Deductions for men short trained, or more than one year's service, for men transferred to Home service from depôts, and for men returning from India for service with colours or reserve	120,642
£742,101

minute details, and that no further diminution of the claim can be consented to.

The result would be that the annual claim against India for army effective services, when the item of deferred pay reaches the normal amount 211,000*l.*, would amount to 811,000*l.*

7. The actual cost to the British Exchequer, if calculated by a purely arithmetical method, is undoubtedly the cost of the force in the United Kingdom, which would not need to be kept up if the Empire of India did not exist, and no army had to be maintained in India; but it is nowhere proved that the charges raised on account of that force represent the actual extra cost to the British Exchequer, while there are many other conditions which would have to be considered before this method of calculation could be accepted. The difficulties in the organisation of the British Army, and the necessity for inducing men to join the army, cannot be admitted to arise from the presence of a portion of the army in India. These difficulties, we apprehend, arise from a variety of causes, which have no direct relation to India; and in India Office Letter No. 161 W., dated 21st March 1876, Lord Salisbury distinctly declined to accept the contention of the War Office on this head. Nor can we accept without question the statement that the Indian drafts are the first reserve for the Indian Army, and that in order to avoid employing these elsewhere, the Home Government pay 500,000*l.* a year for the army reserve. In the first place, it must be pointed out that the regiments, batteries, and drafts, sent out to India are despatched during the whole of the trooping season to supply the places of men being sent home discharged to the reserve or invalided, and to make good the annual waste of life; so that the assumption of the War Office, in assuming that these 11,500 men referred to in paragraph 5 will be efficient as a "first reserve" for India, could hold good only if war were imminent at a particular moment before the commencement of the trooping season. If war broke out after the trooping season had closed, say after the 1st May, a much more probable date under certain contingencies than the beginning of winter, these 11,500 men would not be available as a "first reserve." In the second place, Mr. Stanhope informed your Lordship in War Office Letter No. 40,116-639, dated 14th February 1888,* that it was "far from "improbable that the same circumstances which "necessitated a mobilisation in India might also "render it impossible for this country to part with "any considerable portion of the small number of "regular troops in the United Kingdom." We infer from this statement that India cannot reckon with certainty on receiving even these 11,500 men in case of emergency. If this inference be correct, then it seems to us, it cannot be alleged with accuracy, that the reserve is kept up because the services of these 11,500 men are hypothecated to India, and generally, it appears hardly reasonable to assume that in regulating the strength of the reserve of the British Army, the annual drafts for India, which are raised for the most part between May and November and sent out to India during the winter; have been or ought to be considered in fixing the strength of the army reserve. We do not understand that 16,000 men are kept up all the year round, and the army reserve was instituted in order to give the British Army a reserve of trained soldiers, and to enable a reduced army to be maintained at home; the interests of India were in no way especially considered.

8. The statement made by the War Office, that one of the objects of introducing the short-service system was to provide the force for India as economically as possible, and that it is a most beneficial measure to Indian revenues, is an important one, and needs to be dealt with at some length. We may first observe that the short-service system was established because men could not be obtained, or could not be obtained under existing conditions, under the long-service system, and that the Government of the day believed that short service with reserves was better suited to the circumstances of the times than the existing system. It was no consideration for the efficiency of the army in India that evoked the short-service system, and its suitability to the conditions of Indian requirements has been gravely questioned on more than one occasion. The subject was discussed between the India Office and War Office in 1876, and the then Secretary of State for India, the Marquis of Salisbury, expressed in the India Office letter of the 21st March 1876,† to Mr. Gathorne Hardy "his reasons for apprehending serious detriment "to the public interest, and specially to the security "of our Indian possessions, from the application of "the regulations in question to the British soldiers "in that country." The defects of the system were fully explained in the letter, and Lord Salisbury pointed out the directions in which changes were necessary.

9. In reply to this representation, Mr. Hardy furnished Lord Salisbury with a report by a committee, presided over by Lord Cadogan, which had been appointed by the War Office to consider the question of modifying the short-service system to meet the requirements of military service in India. The proposals of this committee were referred to the Government of India for opinion,‡ with the Secretary of State's Despatch No. 180, dated 13th July 1876. Sir Henry Norman, then a member of the Council of the Governor-General, in a minute dated 1st November 1876, reviewed the opinions of the various distinguished and experienced officers who had been consulted, and placed on record his own views on the question. The modifications suggested by Lord Cadogan's Committee were not considered sufficient to meet Indian requirements, and Sir Henry Norman indicated the arrangements which seemed to him to be absolutely necessary for the purpose of providing efficient soldiers for India under the short-service system. The Government of India concurred in Sir Henry Norman's minute, and transmitted it to the Secretary of State for consideration.‡

10. Lord Salisbury, in renewing the discussion with the War Office, said that there was a limit beyond which the Government of India could not go in military expenditure,§ and that to accept the proposals of Lord Cadogan's Committee as they stood, would be to go beyond that limit. His Lordship protested against the already overtaxed Indian military budget being burdened with new charges through the working of the short-service system as proposed by that committee, and suggested certain modifications in connection therewith. The Secretary of State for War, however, decided to first test the effect of clause 189 of the Army Circulars of 1878,‖ which he said had been prepared for the purpose of carrying out the wishes of the India Office on this subject, so far as could be done consistently with Imperial interests. This action was not considered sufficient, and a further communication¶ was made to the effect that "it is with extreme regret "that the Secretary of State for India in Council "learns the decision of the War Office on the repre-"sentations made by the Government of India more "than two years since." It was added that "the "measures now put forward as comprising all that "can be done towards meeting those views are, in the "opinion of the Secretary of State for India in Council, "quite inadequate," and the necessity for some further steps in the matter was again urged on the Secretary of State for War. The outcome of this last protest was that the War Office** at length consented to make certain modifications in order "to meet the just claims, "both financial and military, of the Indian Govern-"ment, without unduly burdening the Imperial "Exchequer, or injuriously affecting the formation "and maintenance of an adequate body of first-class "reserves" in England, a matter to which, it was said, Her Majesty's Government attached the highest importance. These modifications were to secure that (1) no man should be embarked who had not served for six months, and was not 20 years of age, or of the physical standard of that age; (2) that a tour of seven years' Indian service should be obtained from every man.

11. It will be seen from the above that so far from the short-service system having been introduced in the interests of India, strong objections, both financial and military, have from time to time been raised against its application to this country. Nearly ten years ago the Indian Army Commission of 1879, composed of civilians and British and Indian Officers of the highest standing, recorded their opinion as follows:

(Para. 183.) * * * "The recent change in the system of recruitment for the British Army, under which soldiers are engaged for short terms

* Secretary of State's Despatch No. 119, dated 17th May 1888.

* Despatch to Government of India, No. 180, dated 13th July 1876.
† War Office Letter, No. 352, dated 9th June 1876.
‡ Despatch No. 361, dated 6th November 1876.
§ India Office Letter, No. 252 W., dated 3rd May 1877.
‖ War Office Letter, No. 27 General, 3795, dated 10th April 1879.
¶ India Office Letter, No. 365 W., dated 9th July 1879.
** War Office Letter, No. 27, General, 4360, dated 24th December 1889.

of six years, has caused great extra expense for recruits and for homeward passages of time-expired soldiers; while the short-service system, as now administered, has materially impaired the efficiency of British regiments in India, by maintaining a constant stream of boy-recruits who succumb to the Indian climate, and by substituting youthful non-commissioned officers for the seasoned and experienced sergeants and corporals of former days.

* * * (Para. 209.) "It has been already mentioned that the short-service system recently introduced into the British Army has increased the cost, and has materially reduced the efficiency of the British troops in India. We cannot resist the feeling that, in the introduction of this system, the interests of the Indian taxpayer were entirely left out of consideration. It is absolutely necessary, if Her Majesty's line regiments are to continue to be employed in India, that the injury done to this country by the change of system should be promptly remedied; and we therefore have no hesitation in recommending that until the short-service system, as at present administered, be altered, no soldier under three years' standing be embarked for service in India; that no men be allowed to proceed to India who have not extended their service with the colours to a period of nine years; that any men, or non-commissioned officers, who may desire to remain in India may be allowed to volunteer, on a bounty, for a further period of six years' service with the colours in India, and may be permitted to join any battalion with not less than six years' service in India before it."

12. The average service of men in India was originally calculated by the War Office actuaries at $5\frac{4}{21}$ years, and it is probably not more than six years at the outside, taking the whole of the men who come out. And, although sanitary improvements—better barracks, the creation or development of hill stations for the troops, improved water-supply and drainage—executed at great cost to Indian revenues, have done much to reduce the percentage of deaths and invaliding, the fact remains that the soldiers sent to India are too young, and that they are therefore unduly subject to climatic effects. In support of this opinion we may quote the following passages from the Report on Sanitary Measures in India in 1887–88, presented to both Houses of Parliament, 1889. With regard to the influence of age and length of residence in India upon the invaliding of British soldiers, it is mentioned at page 4 of the report that "49·41 per cent. of the number "(invalided) were under 25 years of age, against "43·92 in 1886, while 25·02 per cent. had been less "than two years in India, and 52·88 per cent. had "from two to five years' service. In the whole army "73 per cent. of the men had not more than five years' "Indian service, and 77·90 per cent. of the total "number invalided had been less than five years in "India." At pages 50–53 of the appendix to the report, Surgeon-General Sir Benjamin Simpson remarks as follows:—

"Enteric fever is the most fatal of all the diseases to which the European soldier in India is liable. The ratio of mortality from this cause is much higher than that from cholera." * * * * "the high average mortality is shown to be due to the large proportion of young men under 25 comprising the bulk of the European Army in India, and the short-service system which permits of an excessive number of youths being passed into service in a sub-tropical climate at a period of life when they are most susceptible to particular diseases, and specially to enteric fever."

Pensions are reduced under the short-service system, but the loss by mortality and invaliding, the increase in the number of passages to be provided, deferred pay and other inducements to serve, go a long way to counterbalance any economy. But if we were to admit, which we cannot do, that a short-service army for India costs less than a long-service one, it can hardly be said that immature soldiers are as effective for service in India as men of a higher average of years and service, and while "the cost of the recruit has "been increased, the term of his service has been "diminished. India, therefore, for a larger charge, "receives a less service." (Despatch to the Secretary of State, No. 94 of 1873.) We do not desire to pursue this part of the subject further, but we have felt it our duty to protest against the proposition of the War Office that one of the reasons for the introduction of the short-service system was to provide the force for India "as economically as possible."

13. In respect to the mode of calculating the depot charges, which it is said relieves our revenues of more than one-third of the actual cost, we need only invite attention to paragraphs 28 to 37 of the memorandum attached. The total cost to India of the depots is 359,597*l.* for 1887–88; the cavalry depot at Canterbury alone cost India 93,310*l.*, and supplied 410 men to Indian service.

14. We do not propose to discuss at any length the hypothesis put forward by the War Office, that the real cost to the English Exchequer of the 16,000 men maintained in the United Kingdom for India is 1,081,000*l.* per annum. If the details be examined, it will be seen that they are not based upon actual numbers or conditions, and the mode of calculation employed cannot therefore be accepted. Moreover, until the principles upon which the calculations are made are proved to be correct, it is superfluous to examine hypothetical details. Similarly, the statement that certain rates were paid in 1854–57, and that on these rates the present establishment would cost, allowing for increased pay, 530,000*l.*, does not appear to be material. We think we have clearly shown that the principles supported by the War Office cannot be accepted, and it does not seem necessary to discuss the details of the hypothetical cost of the 16,000 men.

15. For a lengthened examination of the principles upon which we conceive the claims against India should rest, we must refer your Lordship in Council to the memorandum forwarded herewith and to the various despatches in which the views of successive Governments of India have been expressed. We may especially lay stress on the fact that the Indian Army supplies a great addition of military power to England, that a large part of the British Army is trained at the expense of India, and that the whole of the men passed into the reserve from the 70,000 troops in this country have been maintained entirely out of Indian revenues from the date of their first recruitment. It is true that on the men joining the reserve their pay is henceforward charged to the English estimates, but this forms a very small part of the whole expense which has been incurred on their account, and therefore it will be seen that India contributes largely to the maintenance of a force which is not available for Indian requirements. This consideration alone will show how necessary it is to deal with this subject in a different spirit from that adopted in the War Office papers. The guiding policy in this matter should be that of true reciprocation, and the expenditure charged by England should be limited not by arithmetical details, but by statesmanlike and broad appreciation of the conditions of the two countries.

16. In proceeding to comment upon the various charges, it is impossible to avoid the conclusion arrived at in the memorandum, that the capitation rates and depôt charges are in excess of reasonable amounts, and that the minor charges, aggregating to a large sum, are beyond what should properly be made. We will now deal with these briefly in order, but for the details must refer your Lordship to the paragraphs of the memorandum quoted—

* (i.) The Government of India on more than one occasion have objected to the largeness of the capitation rate, and reasons are given in the memorandum why a considerable reduction should be made.

(ii.) The depôt charges are dealt with in paragraphs 28 to 37, and we think it will be admitted that the depôts are organised on a scale far larger and more expensive than is warranted by Indian requirements, while there is evidence to show that India does not receive trained soldiers. In this connection, we would invite your Lordship's attention to the despatch of Lord Northbrook's Government, No. 94, *Military*, of the 15 May 1873, and specially to the following passage, in paragraph 15 of that despatch:—"Soldiers discharged from Indian "service will therefore be of no further value "to India, but they will form a highly trained "and valuable portion of the home reserves.

* The numbers are those referring to the claims for 1885-86 and 1886-87 as dealt with in the memorandum attached. Paragraphs 22 to 27.

"If the whole cost of their recruitment and "training be charged to India, while so "valuable a portion of their service is devoted "to Great Britain, the revenues of India will "indirectly be made to contribute towards the "military expenditure of Great Britain, a "course which would be contrary to law and "to the policy of the Imperial Government."

(iii.) The agency charges should be withdrawn, paragraph 38.

(iv.) India should not be charged for men who deserted, died, or were discharged with less than one year's service.*

(v.) In paragraph 40 of the memorandum, the reasons are given why Indian revenues should be relieved of a portion of the charge for the maintenance of young officers serving in England before embarking for India.

(vi.) In the same way we may ask that India should be relieved of a portion of the cost of young officers of Royal Engineers at Chatham.†

(vii.) Indian revenues should not be charged for the employment of lieutenant-colonels of Royal Engineers at home, seeing that the War Office not long since laid great stress on their want of officers of this rank for home service.‡

(viii.) The charge for the training of veterinary surgeons is a small one, but should be withdrawn, as these officers are employed in England before they come to India, and we might as reasonably charge the War Office for the more extensive training veterinary surgeons receive while in India before they are re-transferred to the home service.§

(ix.) We consider that the cost of examining candidates for the Indian Medical Service should be reduced.‖

(x.) The cost of the educational establishments and the charges which are made against Indian revenues on their account are dealt with in paragraphs 45 to 52 of the memorandum. The charges are larger than they should be, and sufficient reasons are given for their reduction to a considerable extent. The mode of calculating the charges is not a fair one to India. Indian revenues should not be called upon to pay interest on such items as the purchase of part of Woolwich Common and of Sandhurst Estate in 1804; and generally the charges should be made with a just appreciation of the fact that the establishments have to be kept up, whether the officers of the Indian Army are educated or not in these particular institutions, and that India does not charge the War Office for the schools of instruction in India.

(xi.) Advance of pay.—No remarks.

(xii.) and (xiii.) The charge for men awaiting discharge, and for invalids returning from India, and for the hospital and discharge depôts, amounts for 1887–88 to close upon 50,000*l.* Reasons are given in paragraphs 54 and 55 of the memorandum for thinking that these charges are placed on a high scale. The charges appear to be estimated and not actual charges; and it would be as logical for India to ask the War Office to pay for men who land sick in India, or to charge for the cost of the military hospitals and the depôt at Deolali, as it is for the War Office to charge these excessive amounts upon the invaliding and discharge of men returning from India, it being borne in mind that no rebate is allowed for a man arriving from India if he is discharged as an invalid.

(xiv.) For various reasons¶ a rebate is allowed by the War Office on the capitation. The Government of India have protested on several occasions against the inadequacy of the rates proposed by Mr. Bouverie's Committee, but these are more favourable than the rates which have been adopted by the War Office, and although it is contemplated that the average Indian service to be got from each soldier should be seven years, it is well known that this is not obtained, and a liberal allowance would probably be six years.* Consequently, every effective infantry soldier who enlists for 12 years with the colours and reserve serves the War Office for one-half of his service, and although the latter part of his service is passed in the reserve, that is no reason why India should not have a proportionate rebate on the capitation originally paid. As pointed out before, under the short-service system a great part of the reserve of the British Army consists of men whose entire military training is acquired at the expense of the people of India. We consider, therefore, that one-half should be allowed by the War Office as a rebate on the capitation rate, and further, that this should be calculated not merely upon certain charges included in the capitation, but upon the charges for the depôts as well, that is to say, the rebate should be made on the sums actually paid by India for every soldier embarked, and this rebate should be one-half instead of one-third. If, however, the charges against India are regulated in future according to the plan we propose, the question of rebate will not arise.

(xv.) In respect to deferred pay, which will gradually increase to 211,000*l.* per annum, according to the War Office actuaries, or 3*l.* per man per annum on the British establishment in India, we are unable to determine whether this charge is based on actuals.† Deferred pay was one of those charges which were imposed upon India without the consent of our Government; and the claim is apparently based upon the calculation of the amount earned by service in India, added to the amount earned during the period of training chargeable against India. It is possible that some reduction might be effected if the mode of calculation is examined, as we observe that a separate charge for deferred pay is made in the amounts claimed on account of the depôts.

17. To sum up, the reductions which appear to be justified as proposed in the memorandum, taking the the year 1887–88 as an example, would be as follows:—

——	War Office Claim.	Reduction.
	£	£
*1. Capitation on troops embarked for India.	230,823	100,000
2. Charges for depôts	359,597	100,000
3. Agency	3,763	3,763
4. Charges for men deserted, died, or discharged.	8,766	8,766
5. Maintenance of young officers in England previous to embarking for India.	8,500	3,000
6. Cost of Royal Engineer officers while under instruction.	5,415	2,700
7. Cost of training veterinary surgeons	600	600
8. Cost of examining candidates for Indian Medical Service.	432	200
9. Educational establishments	45,187	15,186
10. Advance of pay	9,708	—
11. Expenses of men awaiting discharge, &c.	19,197	10,000
12. Share of cost of hospitals and discharge depôts.	30,425	16,000
	722,713	260,215

* These numbers refer to those in paragraph 1 of this Despatch.

The reductions as stated in Annexure A. to this Despatch should be—

For 1885–86, 268,916*l.* on a charge of 770,497*l.*
„ 1886–86, 275,640*l.* „ 641,712*l.*
„ 1887–88, 260,215*l.* „ 722,713*l.*

The total sum to be deducted from the aggregate claims of the War Office for these three years would, therefore, be 804,771*l.*, but this amount would be subject to some reduction, as certain credits would be due to the War Office on account of a lesser rebate being given on the reduced claims.

18. The charges for the year 1887–88, as above set forth, are about 722,000*l.* exclusive of deferred pay. From this a rebate is made of about 120,000*l.*, leaving

* Paragraph 39. † Paragraph 41. ‡ Paragraph 42.
§ Paragraph 43. ‖ Paragraph 44.
¶ Deductions for men short trained or more than one year's service, for men transferred to home service from depôts, and for men returning from India for service with the colours or reserve.

* Paragraph 56. † Paragraph 57.

the net charge at about 600,000*l.* The reductions which we have suggested in this charge may be set down in round numbers at 260,000*l.*, leaving a proper net charge of 340,000*l.* The reductions proposed (260,215*l.*), although affecting the rebate of 120,000*l.*, will not materially alter the net War Office claim, as explained in paragraph 60 of the memorandum, which, according to our view, may equitably be taken at 350,000*l.*

19. The correspondence which has taken place during past years upon the subject herein dealt with, and the considerations set forth in this despatch, show the difficulty of arriving at a settlement of these accounts, based upon considerations and assumptions which are necessarily in a great measure hypothetical and open to question. It appears, therefore, very desirable that for the future the payments to be made by India for the British troops serving in this country should be determined by a capitation rate. The reduced amount, 350,000*l.*, would represent, with the present established strength of 70,000 British troops in India, a capitation rate of 5*l.* per man, which accordingly we recommend should be taken as the basis of calculation in the future, this rate to be calculated on the actual strength of the British Army in India on the 1st of May in each year, that is, after the reliefs have been completed and the drafts of the year have all arrived in the country, and before the establishment has begun to be reduced by casualties. It is, therefore, a date most favourable to the British Exchequer. In addition to this capitation rate there would be also a direct payment to be made in India on account of deferred pay, the estimated amount of which will eventually be as much as 211,000*l.*

20. We are aware that our opinions are not likely to be acceptable from what may be called the departmental point of view. It is natural that departments charged with the interest of the whole, or a portion of, British finances should repudiate any but a strict and limited view of the question. The Treasury have lately declined to consent to an arrangement regarding the charge for the fortifications at Aden, which your Lordship and the Secretary of State for War considered perfectly just; in another case, the War Office have been informed by your Lordship that for 20 years the payments by India for military stores have been made under protest because the rates are excessive, and that India is ready to submit to any impartial tribunal; to this arbitration the War Office will not consent. From time to time the Government of India have challenged the conclusions arrived at by various committees, the Secretary of State for India has protested against proposals which have been made by these bodies, the Treasury* itself has allowed that a time might come when India would be forced to ask for relief from a portion of the home military expenditure; and Lord Northbrook's Commission has been engaged for many years in endeavouring to settle the charges made by the War Office. But no real diminution of these charges has been effected. We cannot, therefore, hope that the claims of India will be heard unless your Lordship in Council can move Her Majesty's Government to deal with the question as an Imperial one. We trust that this may now be done, and that, with the valuable and powerful aid which we feel confident Lord Northbrook and his colleagues will give to the consideration of this question, a conclusion may be arrived at which will be fair to both sides.

21. The revenues of India have been charged with the cost of many changes in organisation not specially necessary for the efficiency of the army in this country, and with the cost of troops employed on Imperial service beyond the limits of India. Millions of money have been spent on increasing the army in India, on armaments and on fortifications, to provide for the security of India, not against domestic enemies, or to prevent the incursions of the warlike peoples of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all these great and costly measures reaches far beyond Indian limits, and the policy which dictates them is an Imperial policy. We claim, therefore, that in the maintenance of the British forces in this country a just and even liberal view should be taken of the charges which should legitimately be made against Indian revenues.

22. In conclusion, it is imperative, in our opinion, that this long standing question should be settled, and that the people of India, who have no voice in the matter, should not be able to complain that an excessive military tribute is demanded from the revenues of this country, while, on her side, England, with whom rests the final decision, should be able to show that this settlement has been effected in a spirit of justice and consideration to India.

* Treasury Minute, 2nd July 1878.

A.

	War Office Claim for 1885–6.	War Office Claim for 1886–87.	War Office Claim for 1887–88.	Approximate Reduction proposed by Government of India for each Year.	Total Reduction proposed by the Government of India for the Three Years.
	£ (*a*)	£ (*b*)	£ (*c*)	£	£
Capitation on troops embarked for India	426,637	283,173	230,823	100,000	300,000
Charges for depôts	211,012	215,501	359,597	100,000	300,000
Agency	4,708	4,955	3,763	(*a*) 4,708 (*b*) 4,955 (*c*) 3,763	13,426
Charges for men deserted, died, or discharged	18,016	18,275	8,766*	(*a*) 18,016 (*b*) 18,275 (*c*) 8,766	45,057
Maintenance of young officers in England previous to embarking for India.	10,154	7,372	8,500	(*a*) 10,154 (*b*) 7,372 (*c*) 3,000	20,526
Cost of young Royal Engineer officers while under instruction.	4,332	12,273	5,415	(*a*) 2,000 (*b*) 6,000 (*c*) 2,700	10,700
Pay of certain officers	971	971	—	(*a*) 971 (*b*) 971	1,942
Cost of training veterinary surgeons	600	600	600	600	1,800
Cost of examining candidates for Indian Medical Service.	410	416	432	200	600
Educational establishments — Sandhurst	16,927	16,927	16,451	5,000	15,000
Woolwich	10,113	10,113	9,951	3,000	9,000
Staff College	2,822	2,822	2,166	1,764	5,292
Netley	3,710	3,710	3,710	—	—
Shoeburyness	4,983	4,983	5,063	2,500	7,500
School of Military Engineering.	2,357	2,357	2,664	500	1,500
Hythe	2,503	2,503	2,422	(*a*) 2,503 (*b*) 2,503 (*c*) 2,422	7,428
Artillery College	—	—	2,760	—	—

* Infantry and garrison artillery only.

	War Office Claim for 1885–86.	War Office Claim for 1886–87.	War Office Claim for 1887–88.	Approximate Reduction proposed by Government of India for each Year.	Total Reduction proposed by the Government of India for the Three Years.
	£ (a)	£ (b)	£ (c)	£	£
Advance of pay	16,715	11,209	9,708	—	—
Expenses of men awaiting discharge, &c.	20,917	20,349	19,497	10,000	30,000
Share of cost of hospitals and discharge depôts	12,607	23,199	30,425	(a) 7,000 (b) 12,000 (c) 16,000	35,000
Total	770,497	641,712	722,713	(a) 268,916 (b) 275,640 (c) 260,215	804,771
				804,771	
Deduct—					
Rebate for men returning from India for service with colors or reserve, including, for 1887–88, deductions for men short trained or more than one year's service, and for men transferred to home service from depôts.	41,910	47,450	120,642		
Add—	728,586	594,261	602,071		
Deferred pay	102,985	117,785	140,030		
Total Net Claim	831,571	712,047	742,101		

MEMORANDUM prepared in the Military Department of the Government of India on the War Office Claims against Indian Revenues for Army effective Services.

From Secretary of State, No. 332, Financial, dated 20th December 1888.
From Secretary of State, No. 144, Financial, dated 4th July 1889.
From Secretary of State, No. 216, Financial, dated 3rd October 1889.
From Secretary of State, No. 235, Financial, dated 17th October 1889.

The revised claims made by the War Office on account of army effective services for the years 1885–86 and 1886–87, were forwarded with the Secretary of State's Despatch, No. 332, dated 20th December 1888, for the information of the Governor-General in Council. These claims exceeded by 24,627*l.* the amounts previously stated; but Lord Cross said that it was possible that considerable reductions might be made by Lord Northbrook's Commission in the examination of the charges, and that he was in hopes that a capitation rate might be fixed in the adjustment of the charges for these and subsequent years. Finally, he asked for the opinion of the Government of India as to the general principles on which the charge to be borne by India, in respect to the European troops supplied from England, is arrived at by the War Office. The information which has been supplied, although not complete, is sufficient to enable the Government of India to express their opinion regarding the principles upon which these charges are founded. The Secretary of State has also in his possession at the India Office a series of despatches* in which the Government of India have from time to time expressed their views on the manner in which the War Office claims are raised against Indian revenues.

2. The report of the Special Committee at the India Office on home charges (military payments) is forwarded with Despatch, No. 144, of the 4th July, and has been of much value in the discussions of the questions at issue. The Secretary of State's Despatches, No. 216, of 3rd October 1889, and No. 235, of 17th October 1889, give further information in respect to the claims for 1887–88, and the principles on which these are based.

It may be convenient, at the outset, to state the total home charges, on account of the army in India, as estimated for 1889–90 and 1890–91.

The effective and non-effective charges in 1889–90 and 1890–91, are as follow:—

	Revised Estimate, 1889–90.	Estimate, 1890–91.
Effective.	£	£
Home charges of British forces serving in India.	968,700	850,000
Furlough allowances of officers of the Indian service.	205,000	205,000
Indian troop service	220,700	226,800
Passage of officers and troops otherwise than in troopships.	4,700	5,800
Miscellaneous	18,500	21,000
Stores for India	707,800	1,210,200
Total effective	2,060,400	2,518,800
Non-effective.		
Retired pay, &c., of British forces on account of service in India.	288,500	335,000
Pay and pensions of non-effective and retired officers of the Indian service.	1,665,000	1,700,000
Miscellaneous pensions, including those from Lord Clive's Fund, &c.	95,000	94,000
Indian Military Service Family Pensions	12,000	13,000
Total non-effective	2,060,500	2,142,000
Total effective and non-effective	4,120,900	4,660,800

The present memorandum deals only with the home effective charges of British forces serving in India.

3. It is proposed to give a brief outline of the later history of the demands upon Indian revenues for the service of that portion of the British Army which is stationed in India, and it will be necessary to re-state the principles which the Government of India have considered should rule the relations between England and India, and then to examine the particular charges in order to determine whether they are founded on correct principles, such as should govern the relations between the Imperial Government and the dependent empire.

The Later History of the Discussion on War Office Claims.

4. The report of the India Office Committee, alluded to in paragraph 2, also recites the narrative of past proceedings and describes the present position. We have, therefore, firstly, the various despatches in which

* Military Despatch, No. 94, dated 15th May 1873. Financial Despatch, No. 406, dated 22nd September 1874. Military Despatch, No. 63, dated 10th March 1876. Financial Despatch, No. 66, dated 8th February 1878. Financial Despatch, No. 96, dated 21st March 1879.

the question of these charges has been discussed, with the reports of Home Committees; secondly, the report of the Special Committee on Home Charges at the India Office; and thirdly, the present papers. The narrative of the question need not, therefore, be repeated at any length, but it will be well to mention the features of the late history—

In 1883 the Secretary of State forwarded, for the information and guidance of the Government of India, a "memorandum of arrangement* between the India "Office and the War Office, showing more particularly "the transactions excluded from the payments by the "India Office to the Treasury for effective and non-"effective services generaliy, and the charges and "credits which are to be matters of account between "the departments and the mode of their adjustment." This memorandum† applied to the period from 1st April 1879 to 31st March 1883. In 1884 a fresh memorandum was issued, which was to have effect from the 1st April 1883 until further notice, but this was revised in 1886.

As Lord Northbrook's Commission has not yet been able to make a final report‡ in respect to the basis on which payments should be made by Indian revenues on account of the effective Home charges of British troops serving in India, Lord Randolph Churchill suggested to the Treasury in 1885 that the Commission should be requested to report the amount which it would be fair to fix in respect of each of the years 1882–83, 1883–84, and, if possible, 1884–85, pending the submission of their complete report on the whole question. Both the Treasury and the War Office having agreed to this proposal, Lord Northbrook was asked by the Treasury to report on the point.

On the 28th December 1885, Lord Northbrook's Commission reported‡ that the sums payable by Indian revenues for the Home effective charges of the British troops serving in India, excluding deferred pay, would be—

	£
For the year 1882–83 - -	416,971
,, 1883–84 - -	416,628
,, 1884–85 - -	421,000

The Secretary of State for India accepted this report,‡ and informed the Government of India that the further claims of the War Office, on account of deferred pay, for this period, would be dealt with hereafter.

After several inquiries by the Government of India as to whether any final settlement had been made of the War Office claims for the years 1882–83, 1883–84, and 1884–85, the Secretary of State forwarded, on the 15th December 1887,§ correspondence showing that the investigation suggested by Lord Northbrook's Commission of the War Office claims on account of deferred pay for that period had now been completed, and that those claims, together with the War Office claims for 1885–86 and 1886–87 (including deferred pay), would be referred to the Commission for report.

The Commission having considered the claims on account of deferred pay for the three years ending 1884–85, reported on them on the 31st July 1888,‖ and their conclusions have been accepted by the Treasury.

In the above-quoted report the Commission remarked as follows:—

"It now remains for us to ascertain the payments to be made by India in respect of all effective charges, including deferred pay, for the years 1885–86 and 1886–87, and to endeavour to establish a permanent basis on which the payments for future years may be calculated."

Revised claims have, however, since been submitted for these years,¶ in which the War Office explain how the claims have been arrived at, and these explanations form the subject of the present reference from the Secretary of State.

With the Secretary of State's Despatch, No. 216, dated 3rd October 1889, was forwarded the War Office statement of claims for 1887–88, amounting to 740,105*l.*, and in a subsequent Despatch, No. 235, dated 17th October 1889, the details of this claim, which had been raised to 742,101*l.*, were furnished. In the former despatch it is stated that the Report of Lord Northbrook's Commission on the charges for 1885–86 and 1886–87 has not yet been officially received, but the claims, which amounted to 1,543,619*l.*, including deferred pay, will probably be reduced by about 165,000*l.*

The claim for the year 1887–88 differs from those for the preceding years in the following respect:—

(*a.*) The whole cost is charged of the cavalry depôt and the depôts of the horse and field artillery, instead of, as heretofore, the cost of the staff employed at the above depôts, with a capitation rate for each recruit sent out to India.

At the same time an allowance has been made for every man transferred from these depôts to serve with regiments or batteries on the Imperial Establishment.

(*b.*) A reduction is made in certain cases from the full capitation rate for men despatched to India either before the completion of the training period or with more than one year's service.

(*c.*) The rebate allowed for men returned for further service with the colours or reserve, in the case of the cavalry, horse, and field artillery, is calculated on the cost of a recruit for one year instead of nine months.

With the latter despatch is forwarded a confidential memorandum by the Accountant-General at the War Office, proposing the basis on which these claims should for the future be settled.

The proposal is—

(1.) That the Indian Government shall pay a contribution of 600,000*l.* a year in quarterly instalments on account of the Home charges stated.

(2.) That for every man deficient in the establishment of the army in India, on 1st May in each year, a deduction of 50*l.* shall be made from the quarterly instalment next due.

(3.) That a direct charge be made against the Indian Government for deferred pay.

The Secretary of State for War concurs in the opinions expressed in this memorandum.

It is known what basis the Commission proposes to adopt; and although it is probable that the claims for 1882–83, 1883–84, and 1884–85 (which have now been so far settled by Lord Northbrook's Commission), were prepared by the War Office on the same principle as those for 1885–86 and 1886–87, there is nothing to show whether the Commission accepted those principles or have formed their conclusions on other grounds.

Recently the War Office remarked,* in connection with another case, that "the basis of the effective "charge against India is, and has been since the year "1875, the calculation made by the Committee over "which the Right Hon. E. P. Bouverie presided." The proposals of that Committee will be found in the enclosure of the Secretary of State's Financial Despatch, No. 454, dated the 9th September 1875. Notwithstanding, therefore, the objections raised by the Government of India in their Military Despatch, No. 63, of 10th March 1876, against the proposals of that Committee, it would seem that, with the exception of some slight modifications here and there, they have been adopted in the past, and form the basis for the calculation of the Home effective charges in the future. This is a point of great importance, and should be carefully borne in mind in the consideration of the claims.

The Principles upon which the Claims should be based.

5. Having thus traced the later history of the claims, we may proceed to consider the principles upon which they should be founded. It is now just over a century since an Act of Parliament† legalised the charge upon the revenues of India for the expenses incurred in raising, transporting, and maintaining such forces as were sent to India for the security of the territories and possessions of the East India Company; and in 1793 it was enacted that all sums issued on account of his Majesty's forces serving in India, or for raising and supplying recruits for the same, should be repaid by the East India Company, and that the actual expenses for the support and maintenance of the troops should

* Financial Despatch, No. 159, dated India Office, the 31st May 1883.
† Financial Despatch, No. 374, dated India Office, the 27th November 1884. Financial Despatch, No. 209, dated India Office, the 22nd July 1886.
‡ *Vide* enclosures of Financial Despatch, No. 120, dated India Office, the 22nd April 1886.
§ Financial Despatch, No. 319, dated India Office, the 15th December 1887.
‖ Financial Despatch, No. 296, dated India Office, the 22nd December 1888.
¶ These amount to—
1885–86 - 831,571*l.* 12*s.* 9*d.* Includes on account of deferred pay, 102,985*l.*
1886–87 - 712,047*l.* 8*s.* 1*d.* Includes on account of deferred pay, 117,785 12*s.*
1887–88 - 742,101*l.* Includes on account of deferred pay, 140,030*l.*

* War Office Letter, No. 67, General, No. 1,274, dated 2nd June 1887. (*Vide* enclosure of Secretary of State's Financial Despatch, No. 311, dated 20th December 1888.)
† Act 28, Geo. III., cap. 8.

be borne and defrayed by the Company. The interpretation of these Acts, upon expansive but not liberal principles, so far as India is concerned, with a strict and literal adherence to the words of their provisions, has been the *fons et origo* of the long discussion which has taken place between the War Office and the India Office on the part of the Government of India. It has been forgotten that the provisions of these Acts deal with conditions long since passed away, with a comparatively trifling sum of money drawn from an Eastern country which had at that time few recognised claims for moral and material improvement, and that the East India Company and its army, although controlled in a measure by England, was the separate administration by a Company of a large and distant Empire. Many committees have considered the question under discussion. In some cases the recommendations would have thrown an excessive burden upon Indian finances, and in those instances, in which their opinions were accepted, the result has been to heighten the charges which are made by the War Office. In 1871 the Secretary of State himself protested against the rates arrived at by Sir Thomas Seccombe's Committee, which submitted no less than five reports.

In 1872 the Secretary of State for India pointed out to the Secretary of State for War that England borrowed troops from India more often than India borrowed them from England, and that when troops were lent from India the Imperial Government did not usually pay for them, while India was called upon to pay the uttermost farthing, and he further dwelt upon the fact that under the short-service system, a great part of the reserve of the English Army would consist of men whose entire military training was acquired at the expense of the people of India. In the meanwhile, the Government of India, in their Despatch No. 94, of 15th May 1873, also protested against the rates arrived at by the above-mentioned committee; but no results were obtained from this correspondence, nor were any general principles arrived at for the limitation of the claims of the Imperial Government on the revenues of India.

6. The Select Committee of the House of Commons on East India Finance reported, on the 27th July 1874, that they had received an impression that charges were imposed on India which ought to have been borne by England, and that some of the witnesses had admitted, in their evidence, that India had been called upon, for a considerable time, to pay at an unnecessarily high rate on account of some of the charges connected with Her Majesty's forces in India. Another Committee was appointed, known as Mr. Bouverie's Committee, which reported in 1875. The Government of India again objected, in 1876, to the rates fixed by this committee. Previous to this, however, the Government of India had, as mentioned above, in their Despatch, No. 94, dated 15th May 1873, taken strong objection to the three reports of the joint committee appointed by the India and War Offices. They assumed that the sums claimed by the War Office from India should only comprise the actual expenditure entailed in raising and equipping troops for India, and that the contribution levied on this account should not be based on the cost entailed by the distribution of troops at Home, made for Imperial purposes and not necessary for the provision of troops for India. It is necessary to bring this particular point to notice, because it will be found in the papers which have been received from the Secretary of State, that there is good reason to believe that the remarks made in 1873 in respect to the expense of the depôts must be repeated in 1889. The Government of India pointed out that when recruits were enlisted for long service, India had the advantage of their services for many years; that the cost of the recruit had been increased; that under the short-service system the term of his service has been diminished; that India for a larger sum received a less service; and that by the introduction of the reserve system Great Britain was enabled to diminish the strength of her Home battalions, and the revenues of India were indirectly made to contribute towards her Home military expenditure.

7. But perhaps the fullest exposition of the principles which should govern the relations between India and England, on this question was made in Financial Despatch, No. 66, dated 8th February 1878. In that despatch the great increase in the Home charges, practically controlled by the War Office, was pointed out, and it was shown that these were mainly due to important changes in the organisation of the British Army; that the sums demanded from India have been gradually increased; and that intolerable delay took place in the settlement of the claims. The Government of India of that day were constrained to represent to Her Majesty's Government that the burden thrown upon India on account of the British troops was excessive, and beyond what an impartial judgment would assign, considering the relative material wealth of the two countries and the mutual obligations which subsist between them. They showed that it was certain that England, on its part, had derived many great advantages from her connexion with India; that India had for many years supplied a field for the practical instruction of the army—instruction which could not be elsewhere obtained; that the army of India is a most efficient reserve of strength, maintained without expense to England, which could be rapidly and extensively increased for operations out of India. The sea transport, provided and maintained by India, furnished England with a useful adjunct to its resources; and they declared that it was not just that the relations of the two Governments should be governed only by the ratio of the number of men employed by each. The Government of India rejected the principle of a rateable distribution of the charges, and they appealed to the British Government for an impartial review of the relative financial capacity of the two countries to bear the charges arising from the maintenance of the army of Great Britain and for a generous consideration of the share to be assigned by the wealthiest nation in the world to a dependency so comparatively poor and so little advanced as India. The question was, they urged, to be decided, not by the mere rules of arithmetic, but on broad and statesmanlike views of public policy, which should fairly adjust the claims of England to the capacities of India.

8. In 1879, the Government of India again reiterated their opinion* that the capitation rate for effective services could not be fixed merely on a consideration of the number of troops serving in India or of the recruits supplied for that service, but must be settled with some regard to the advantages which Her Majesty's Government derive from the maintenance of a large army, both British and Native, in India, which in time of need has often been available as a reserve for Imperial purposes, and from the presence in England of officers and men connected with the depôts of British regiments and batteries. They were further of opinion that India should not be charged with any Home expenditure which is not an actual extra expense, arising from the employment of British troops in India; and they considered that the Home charges should be assessed on broad principles of mutual advantage to England and to India, rather than on mere statistical and arithmetical details.

9. The keynote of the difficulty, a difficulty which has caused an excessive burden to be thrown upon the revenues of India, is sounded in the Treasury Minute of the 2nd July 1878.† In this minute the Treasury speak of the Imperial and Indian Governments as *quasi*-independent powers; that there is no generally accepted definition of Imperial, as compared with Indian, services; and that there is, therefore, a disposition on the part of the authorities on each side to advance claims which those on the other side cannot accept; and in fact that the question whether the Imperial Government demands too much from India, is justified or not, according as the limit of Imperial duty to India is extended or contracted. Colonel Stanley, who was Financial Secretary to the Treasury in 1877, pointed out that the tendency of the various changes which had been made in the army, rendered it probable that the expense thrown on India had by no means reached its maximum; he entertained little doubt, for example, that the system of short service and reserve would ultimately cause considerable expense towards India; and he thought it by no means impossible that unless the Indian revenues could meet the Home military charges, a time must come when India would ask *in formâ pauperis* to relieve her of a portion, at all events, of her military expenditure.

10. The question alluded to by the Financial Secretary to the Treasury in 1877, whether the short-service system is an expense to India, is a very important factor in the discussion of the Home charges. Quite recently we have been informed that it has never been definitely accepted that the short-service system has caused any increase in Indian military expenditure;

* Financial Despatch, No. 96, of 21st March 1879.

† Enclosure of Secretary of State's Financial Despatch, No. 282, dated 22nd August 1878.

but that, on the contrary, the War Office claim that, allowing for the large reduction in the non-effective charges, the result will be a considerable saving to India; and that there has never been any understanding that the revenues of India were to be charged with extra expense on the condition that a proportion of the army reserve would be available for India. It will have to be decided whether this important question is to be separately dealt with, but it is not proposed to do more than allude to the subject in this paper. It may be noticed, however, that in a memorandum by the Accountant-General of the War Office, dated 26th April 1889, it is said that the system of short service was introduced as "a measure most beneficial to Indian revenues." Whatever may be the opinions now expressed on this question, it must be remembered that in 1877, and also in a previous communication,* the Secretary of State for India (Lord Salisbury) referred to the great burden imposed upon Indian finances owing to the military charges having been enhanced by recent War Office regulations; he showed that the acceptance of the then weak state of the battalions by the Secretary of State for India was a concession to Imperial military requirements, entailing very great and, as far as India was concerned, needless expense on the finances of that country; and he pointed out the importance of the observance of the rule that only thoroughly drilled soldiers should be sent to India. In 1882–83, when the War Office failed to send out recruits to India, a bounty had to be given of Rs. 120 to soldiers between four and six years' service to extend their service to 10 years; and so the Government of India considered that the claim of India to have the depôt charges revised with reference to the number of soldiers actually supplied, should be admitted. It was, however, decided that the Indian revenues should bear this bounty charge.

11. It must be apparent to those who are called upon to review the long discussions, not yet terminated, on this difficult question, that the principles which should govern the settlement of matters under dispute have been lost sight of; the details, in fact, have overpowered the principles. It is desirable therefore to re-state these principles before passing to an examination of the particular charges. India is no longer administered by a Company which has its own interests specially to consider. It is held practically by Her Majesty's Government; and India is an integral part of the dominions of the Queen. As a part of the British Empire, England can no more surrender her responsibilities for India than she can surrender the responsibilities for any other part, whether home or foreign, of that Empire.

12. India opens a vast field for British enterprise, and enriches the mother country by her trade. India no longer pays tribute to England; but a large expenditure derived from the revenues of the former country is made in England, amounting to many millions per annum, for interest on public debt, and on guaranteed railway capital, and on account of stores, arms, materials for railways, troops, and public departments; on account of claims for the British Army in India, and for the despatch of troops, and for pensions to retired public servants and soldiers. The Indian customs duties on English goods have been gradually reduced until, as lately pointed out by Sir John Strachey, India is more a free trade country than any in the world. England, on the other hand, derives, it is said, a revenue of one million sterling from the duty on Indian tea. But, besides all this, a large amount of money is spent in England from the resources of persons paid from the revenues of India; and it is not too much to say that in thousands of families in England some member of the family is earning his living in India or drawing his income from this country. We are told that 30 years ago, 40 millions sterling represented the total foreign trade of India; for 1887–88 there were 90 millions of exports and 65 millions of imports, or 155 millions of total trade. In "The Trade of the British Empire," by Sir Rawson Rawson, it is stated that if the total trade of the Empire is 1,000 millions sterling, the contribution of the United Kingdom is 61 per cent., that of India 16 per cent., and all the colonies only 23 per cent.

13. To speak, however, only of the plain and obvious military advantages to England. The British Army is, it may be said, in a great measure trained in India, and many of its officers and men have served in this country, and have profited by the experience which it gives. India trains officers and men for the ordinary duties of soldiers, and specially in manœuvres, musketry, signalling, telegraphy, &c., and it is at the expense of India that England is enabled to pass trained soldiers to the army reserve. While the employment of a large portion of the British Army in India is of the greatest advantage to the British Army as a whole, it is a special attraction to the army, for Indian service is popular, and if a separate local army were maintained, the British Army would be shorn of much of its importance. But beyond all this, the army of India affords (as indeed it has been clearly stated in bygone years by the Government of India) a great reservoir of military strength to England. This reservoir has frequently been drawn upon; and it must be briefly indicated how differently the revenues of the two countries are treated, when Her Majesty's troops are lent for service to India, and when Indian troops are lent for external service on account of the Imperial Government.

14. When Her Majesty's troops are lent for service in India, whether for a long or short term, India pays every farthing of their cost from the day they embark to the day they return to England. England, as Lord Lawrence said, paid no portion of the heavy expenditure of the first Afghan War, nor of the Mutiny. All the troops and all the material which were sent from England to aid in putting down the Mutiny in 1857–58 were paid for out of Indian revenues. It was never urged at the time, that because this measure afforded a temporary relief to the British Exchequer, a portion of the ordinary cost of these troops should be paid by England. In the case of the Persian Expedition in 1856, India bore the whole of the ordinary and half of the extraordinary expenditure. In the first China War of 1839–40, India contributed the ordinary pay of the troops; and it was only in the second and third China Wars that the Imperial Government bore the whole of the charges. In the Abyssinian Expedition, the ordinary pay of the troops was a charge upon the Indian Exchequer; and although a large body of troops was withdrawn from India for a considerable time, no charge was made against the British Government on that account. It was on this occasion, during the discussion in the House of Commons, on November 26th, 1867, that the Marquess of Salisbury (then Viscount Cranborne) expressed the opinion which has been often quoted, that India should not be looked upon as an English barrack in the Oriental seas, from which any number of troops could be drawn by England without paying for them.

15. In the case of the Perak Expedition of 1875 in the Malay Peninsula, with which India was practically unconnected, the ordinary expenses of the troops lent by India were charged to its revenues. In the case of the despatch of troops to Malta in 1878, the whole cost of the troops was borne by the Imperial Government. In the last Afghan War a sum of five millions was contributed by England out of 15 millions, the direct expenditure. This grant was made as a matter of policy, because the war was not an exclusively Indian war, and as Mr. Gladstone stated in the House, the grant was to meet a moral obligation. In 1882 Her Majesty's Government proposed that all the expenses of the Indian Contingent for service in Egypt against Arabi Pasha should be borne by Indian revenues. A protest was made by the Government of India, and Her Majesty's Government then proposed that a grant of 500,000*l.* should be made towards the total cost of the Indian Contingent, which was reckoned at 1,142,000*l.*, and that sum was voted by Parliament. In 1885, India was again drawn upon for a contingent to send to Suakin on the Red Sea, for operations in the Eastern Soudan. The Government of India addressed the Secretary of State in their Despatch, No. 52, dated 17th February 1885, and claimed entire exemption from all share in the cost. Meanwhile, however, before the receipt of the despatch, an agreement was ratified by the House of Commons, under which Her Majesty's Government was to bear the extra cost, exclusive of the ordinary pay of the Indian troops sent out; the Indian Exchequer was to bear the ordinary expenses of the Indian troops and the ordinary charges of the vessels employed, and this was accepted.

16. When the troops were withdrawn from Suakin in May 1885, the Indian troops were left in garrison at that place. It was understood that this garrison was left in order to relieve Her Majesty's Government from the difficulty inseparable from leaving a British garrison in an unhealthy station in the hot weather, and the Government of India considered that it would be

* Letter, No. 161, W., of the 22nd March 1876, from India Office to War Office, *vide* Correspondence with the Secretary of State's Military Despatch, No. 185, dated 9th June 1881.

unjustifiable to charge the Indian revenues with the ordinary cost of the Indian troops employed. That opinion was not acquiesced in by Her Majesty's Government, who decided that the ordinary cost of the troops and vessels should be borne by India up to the date of their relief, which was to take place early in May, *i.e.*, India maintained a garrison at Suakin for Imperial purposes, the ordinary cost of the troops being borne by India, although the purposes of the garrison were distinctly of an Imperial nature. This brief account of the financial arrangements made when Indian troops have been employed by the Imperial Government shows clearly that, in nearly every instance, India has contributed both troops and money for the Imperial service; and on reviewing the circumstances, it will be admitted that the advantage has not been on the side of the Indian Exchequer.

17. Some statesmen who have discussed the question of the employment of Indian troops, have held the opinion that India should not be looked upon as a reserve from which military forces can be drawn for the use of the Imperial Government. That opinion is, however, not now generally accepted; and the views now held lean more to the side of the patent advantages which England possesses, in having so large a military force in India, which can, under ordinary circumstances, afford help to the British Army in operations beyond the actual confines of the Indian Empire. It is submitted that this is the true principle to accept. It is certainly supported by the facts quoted, of the use made of Indian troops by England; and however much in the past the opinion may have been justified that India should not be drawn upon for soldiers, it cannot be denied that India has supplied troops on various important occasions with great advantage to the Imperial Government. The reasonable view to be taken is that the army of India and the British Army elsewhere constitute one Imperial body for service for the defence of Her Majesty's Empire; that a portion of that army—the British and Native troops in India—is retained ordinarily for service in India, all the expenses in this country being borne by Indian revenues.

18. The constant changes in the organisation of the British Army, and various improvements, have undoubtedly caused a corresponding increase to military expenditure in India. The Government of India were not consulted in respect to a great many of these changes, some of which can hardly be considered to involve legitimate charges on Indian revenues; and this has been dwelt upon on more than one occasion in connexion with the charges which are made by the War Office against Indian revenues for the services of the British Army in India.* One conspicuous charge, the grant of deferred pay to soldiers, that is, presenting them with a certain sum of money on their discharge, has thrown a very large charge on Indian revenues without any corresponding benefit, while, as many are now of opinion, this grant of deferred pay is a very questionable boon to the soldier.

19. But at the same time it would be impossible not to admit that India must pay in fair proportion for the changes which are made with a view to the improvement of the British Army at large, provided those responsible for the application of the revenues of India are consulted beforehand. In effect India has paid and very considerably, even when the additional expenditure confers no benefit on India, but is rather incidental to changes made for the benefit of the organization of the Home force. The real point of difference is the definition of what this fair proportion should be. India practically pays for her own troops when they are employed by England out of India; she pays not only for the service in India of the British Army, but largely for changes which have been introduced without reference to India, and above all, she pays what will be found to be, on examination of the present papers, an excessive tribute on account of the expense to which, it is said, the War Office is put by the presence of a portion of the British Army in this country.

20. The true principles upon which the relations between England and India should rest are, that the Indian Army should be considered a branch of Her Majesty's Imperial Army; that when circumstances and the safety of India permit, aid should be freely given to the Imperial Government; but when the objects of the expedition or campaign are unconnected with India, the whole of the expenses of the troops drawn from India should be paid by the Imperial exchequer, just as the whole of the expenses of the troops drawn from England for an Indian expedition would be paid by Indian revenues. And, further, that beyond paying all charges absolutely dependent on the service of the British Army in this country, the Indian revenues should be strictly applied only to those items of expenditure which are necessarily a direct charge against the British troops serving in this country. India is incurring great expenditure in the increase of the army, and in armaments and defences for the maintenance of British supremacy in the East; it is surely not unreasonable to consider that England should bear a share of this burden. The principle should be that of true reciprocation, and India should not be charged on account of expenditure which must necessarily be incurred by England for the maintenance of her army and the empire at large.

Having thus stated the principles which should be maintained, we may now investigate the details of the charges which are made against the Indian revenues by the War Office on account of the British Army in India.

Examination of the War Office claims.

21. The claims of the War Office are for 1885–86, 831,571*l.*; for 1886–87, 712,047*l.*; and for 1887–88, 742,101*l.* The charges are given in considerable detail in the schedules attached to the Secretary of State's despatches transmitting those claims; they are grouped under 15 heads in the claims for the two former years, and may be dealt with in the order in which the charges are entered in the schedule. The first head is—

I.—*Capitation on Troops embarked for India.*

22. The principle adopted in calculating this charge is explained in Appendix I. of the War Office claims for 1885–86, the details being given under the separate heads A. to J. of those claims.

This charge represents the cost of training a recruit, and is levied on every soldier who embarks for India, whether with a regiment proceeding to India on relief, or with a draft to fill vacancies in batteries or corps already on the Indian establishment. The rate varies according to the arm of the service to which the recruit belongs, *i.e.*, from 20*l.* odd in the case of an infantry soldier to 125*l.* in the case of a corporal of Engineers, and is based on the period considered to be necessary for a recruit to be under training. This period is nine months in the case of mounted* men and six months for dismounted† men.

23. In the year 1885–86, the claim amounted to 426,637*l.*, and in 1886–87 to 283,173*l.*; the diminution in the charge being accounted for by the fact that in the former year 17,665 troops embarked for India, including the first instalment of the 10,000 men added to the British force in India; and in the latter year 11,579 men. In the year 1887–88, the claim is only 230,823*l.* This decrease is due to capitation not having been charged on soldiers who proceeded to India with detachments to fill vacancies in batteries of horse and field artillery and regiments of cavalry already on the Indian establishment; the charges on their account have been included in the depôt charges.

24. Assuming that India should pay for the training of men sent to India, one main point for consideration in connection with this charge, is what is the minimum period of training necessary for a recruit before he embarks for India. In reviewing the proposals of Mr. Bouverie's Committee, the Government of India, in their Despatch, No. 63, of 10th March 1876, apparently accepted six months as the period of training of an infantry recruit. The terms of enlistment were practically the same then as now, *vide* footnote. ‡ They, however, stipulated that if such a recruit is

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* *See* Sub-Appendix.

* Horse, field artillery, and cavalry.
† Garrison artillery and infantry.

‡ *Terms of enlistment of Recruits in* 1874.

Cavalry and artillery	Twelve years' army service, or 8 years' army service and 4 years' reserve service.
Infantry	Twelve years' army service, or 6 years' army service and 6 years' reserve service.

Terms of Enlistment in 1888.

All men of artillery, cavalry, and infantry are enlisted for short service, *i.e.*, 7 years' army and 5 years' reserve service. If, however, the army service expires whilst serving abroad, the army service is extended to 8 years.

sent to India with less than six months' training, a proportionate reduction should be made in the capitation charge.

In the India Office letter, dated 23rd February 1881, one of the enclosures of the Secretary of State's Military Despatch, No. 185, of 9th June 1881, it is stated that no man should be embarked for India "who has "not the physical standard proper for a man of 20 "years of age, and that six months be rigidly fixed as "the minimum period of training for the recruit "before embarkation." It is presumed that these conditions were intended to apply to men of all arms of the service.

25. No definite information in regard to the period of training that a recruit has to undergo at home before he is received into the ranks can be obtained, but from the regulations quoted below,* it would appear that the maximum period an infantry recruit is required to remain at the depôt is three months, and the minimum period two-and-a-half months. After this he is transferred to a battalion, and from paragraph 222, S. of Section VII. of the Queen's Regulations, it would appear that, after a month's course with the battalion, he is to be subjected to an examination. Apparently, therefore, an infantry recruit has completed his training in four months.

As regards the cavalry recruit, paragraph 44, Section XVIII., Queen's Regulations, lays down that his training at the depôt troop must be such as to render him "as efficient as possible and ready to join the "ranks" when he arrives at the service troops. But how long he is required to be under training in the depôt troop is not stated.

The period of training of a Royal Artillery recruit is not known. But in Royal Artillery Regimental Order, No. 38, of 1884, by His Royal Highness the Field Marshal Commanding-in-Chief, it is laid down that a field artillery recruit is on the completion of 130 days' drill to be returned for duty; it is therefore presumed that his period of training is not more than five months. In the case of the horse artillery recruit the period may perhaps be six months.

26. There is no doubt that many recruits have not undergone the prescribed periods of training in England before embarkation for India, nevertheless the capitation claim is based on the assumption that they have. It is known on the very best authority, the War Office itself, that in the case of the men of the Royal Horse Artillery, who have lately come out to India, this has not been the case. In the correspondence, No. 2, accompanying the Secretary of State's Military Despatch, No. 58, of the 14th March 1889, dealing with the question of the extension of the grant of bounty to men of the Royal Artillery in India, the following passage occurs:—

> "Adverting to your letter of 21st January 1889, I have further to inform you that all men of the Royal Horse Artillery going out as drafts to India this season will have nine months' service by the time they arrive in India, and that the average service is higher than has been the case in previous years."

India pays all charges from date of embarkation, so that when these men had completed nine months' service, India had paid them for ten months, *i.e.*, for nine months included in the capitation rates, *plus* one month during the voyage to India. If this was the case with the horse artillerymen, who probably require as much, if not more training than the cavalry recruits, it would appear more than probable that the cavalry, garrison artillery, and infantry recruits who have come out to India of late years had less than the prescribed periods of training when they were embarked for India. It does not appear equitable that India should be charged for a longer period of training than the men really undergo. If during the last year and previous years it was found practicable to send men to India with less service than is charged to India, there would appear to be no reason why a large reduction should not be made in the supposed training periods of recruits in England; and the relief to the Indian revenues would be great. The drafts that join corps out here may be supposed to be trained soldiers, but as a matter of fact they are all put through a course of drill on joining their corps in India. It is difficult to say what reduction should be made; probably it should be not less than 100,000*l.*

* *Infantry Recruits.*

Paragraphs 222 A., 222 C., Section VII., and paragraphs 8 K and 29 of Section XVIII. of the Queen's Regulations.

It is, however, to be noted that in the War Office claims for 1887-88 some modification has been made. India has been allowed a rebate for men embarked with service short of the fixed training period, and also for men embarked with more than one years' service, and in the case of the mounted men six months has been taken as the minimum period. The same principle should be adopted as regards the claims for the two previous years.

27. The changes advocated in the principles to be adopted in calculating the capitation rate on troops embarked for India are—

(*a.*) That six months should be fixed as the minimum period of training soldiers for both the mounted and dismounted branches of the army.

(*b.*) That in the case of men embarking for India with less than six months' training, India should only be charged for the actual period of training.

(*c.*) That the accounts for the three years under review should be revised accordingly.

(*d.*) That the services of these men on the British establishment before embarking for India be allowed for.

II.—*Charges for Depôts for training Recruits.*

28. The principle adopted by the War Office in calculating this charge in their claim for 1885-86 and 1886-87 is explained in Appendix II. of the claim for the former year.

The following statement shows how the rates proposed by Mr. Bouverie's Committee compared with those now adopted by the War Office:—

	Rates proposed by Mr. Bouverie's Committee.	Rates now adopted by War Office.
Royal Horse Artillery.	Total cost of two depôt batteries *plus* two-twelfths of the cost of the depôt brigade staff.	Total cost of two depôt batteries.
Riding establishment, Royal Artillery.	Half the total cost of the riding establishment.	Five-twelfths of the total cost of the riding establishment.
Field artillery -	Cost of three depôt batteries *plus* three-twelfths of the cost of the depôt brigade staff.	Cost of four depôt batteries, there being four brigades of Royal Artillery in India.
Garrison artillery	Two-fifths of the cost of seven garrison artillery depôts, including seven-twelfths of the depôt brigade staff.	One sixth of the cost of eleven garrison artillery depôts *plus* the cost of the militia permanent staff stationed at those depôts.
Cavalry - -	The actual expenses of the depôts of Indian regiments and depôt staff, the expenses of repairs and buildings, and one-fourth of the cost of cavalry riding establishment.	The total cost of the depôt.
Infantry - -	5*l.* per diem for each of the brigade depôts having an Indian depôt attached. Should any battalion be added to the 50 now on the Indian establishment an additional payment of 5*l.* to be made from date of such battalion embarking for India; or should a battalion be reduced on the Indian establishment, 5*l.* a day less will be paid by Indian revenues from the date of embarkation in India of the battalion so reduced, or brought home without relief.	One-fifth of the cost of 53 depôts.

The views of the Government of India on the report of Mr. Bouverie's Committee are contained in their Military Despatch, No. 63, of the 10th March 1876.

29. The principle adopted in calculating the claims for 1887-88 is the same as in previous years, excepting that India has been charged with the whole cost of the cavalry depôt and the depôts of the horse and field artillery, instead of, as heretofore, only the cost of the staff employed at the above depôts, with a capitation rate for each recruit sent out to India. At the same time an allowance has been made for every man transferred from these depôts to serve with regiments or batteries on the Imperial establishment.

The reason given for this change is, that "both the "cavalry depôt and the horse and field artillery depôts "have been organised and exist solely to meet Indian

"requirements, and that, as the establishments maintained are only just sufficient to supply the annual drafts required for India, it is impossible to absorb in the home regiments and batteries those who are left behind at the end of the trooping season, by reason of their not complying with the stringent conditions imposed by the Indian Government in respect of age and service."

It is urged by the War Office that these depôts are maintained in England merely to supply recruits for batteries and corps in India. But it is to be noted that until recently England was unable to furnish the number of men that India required, and in consequence, a bounty had to be offered to induce men to remain serving in India for an additional two years. In connection with this point, the Government of India, in their Military Despatch, No. 15, of 5th February 1884, addressed the Secretary of State as follows:—

"Paragraph 3.—We would also invite your Lordship's attention to the claim of India to have the depôt charges revised with reference to the numbers of soldiers actually supplied. India pays 64,000*l.* a year for the cavalry depôt, and 5*l.* a day for each infantry brigade depôt; but as this arrangement was entered into on the assumption that these depôts were maintained to supply the recruits ordinarily required, the revenues of this country may, with justice, claim a reduction in the above charges if the recruits are not supplied, or are not needed, in consequence of the grant of a bounty (paid by India) to induce men to extend their term of service in India."

The Secretary of State in reply* to this despatch forwarded a note by Sir T. L. Seccombe, in which it was stated that "the very heavy charges for the "cavalry depôt and those on account of the infantry "brigade depôts are constantly kept in view in the "discussion in Lord Northbrook's Commission."

30. The total annual charge against India for the depôts is as follows:—

	£
1885-86	211,012
1886-87	215,501
1887-88	359,597

The total number of officers and men serving with the depôts, for whom India is required to pay, is given below. From this it will be seen that these depôts form a very substantial addition to the military forces of Great Britain. There are the whole of the officers and men, and it must be also borne in mind that nearly 1,000 horses are kept up at the expense of India; they would certainly be drawn upon for active service should occasion arise.

——	1885-86.	1886-87.	1887-88.
Cavalry depôt	256	283	1,394
Royal Horse Artillery depôt	141	141	451
Field Artillery depôt	432	432	1,629
Garrison Artillery depôt	145	153	153
Infantry depôt	1,251	1,251	1,251
Riding Establishment, Artillery	57	57	57
Total	2,282	2,317	4,935

31. The total annual charges on account of the depôts for each arm of the service, taking them in order, are as follows:—

Royal Horse Artillery.

	£
1885-86	19,788
1886-87	19,310
1887-88	35,544

For the first two years India has been charged the cost of the permanent staff of the depôt batteries maintained on the Home establishments, *plus* a fixed sum for each man embarked for India; this latter charge is shown under Head I.—Capitation for Troops embarked for India.

The number of men embarked for India in those years is shown below:—

1885-86	223
1886-87	138

* Military Despatch, No. 93, dated 3rd April 1884.

The depôt charges per head, therefore, average about—

	£
1885-86	89
1886-87	140

To these amounts should be added the capitation rate for horse artillery embarked for India in those years, and it will be found that each horse artillery recruit cost in training:—

	£
1885-86	128
1886-87	179

It is open to question whether this amount is not excessive. The horse artillery recruits, for instance, are certainly not all that time at the depôts, and both Royal Horse Artillery and Royal Artillery recruits are enlisted during the year. A large number of the so-called trained men for the mounted artilleries have never crossed a horse before being landed in this country. If we go into details, we may take as an example *practice ammunition* for recruits. As regards the Horse Artillery depôt, this is believed to be an incorrect charge, as in some years no ammunition is either fired or even *drawn*. It does not form part of the equipment allowed to a depôt, and there would be neither time to teach the use of it, nor a range on which to fire it. It should be ascertained whether this also applies to all the field and garrison artillery depôts.

Of the drafts which landed in India for the artillery in a recent year, only 252 out of 753 had fired their ammunition; and they were older soldiers belonging to *service* batteries who had volunteered for India. It was pointed out to the Secretary of State that the artillery recruits were not trained. [Paragraph 9, General Letter to Secretary of State, dated 15th June 1889.]

In charging for barrack accommodation for each recruit at 7*l.* 14*s.* a year, it is assumed that the capital expenditure per head per recruit is "110*l.* *or more if* "*the depôts be taken into consideration;*" regarding this, as also the charges for barrack accommodation for officers, it seems that the original charge was "110*l.* or more" for the number of men serving in the army at the time the barracks were built, and it is scarcely correct to assume this sum as the capital charge for all the men who have passed through the army.

To go further into details of the cost of the Royal Horse Artillery depôt. The share (15*s.*) of paymaster's pay is too high; he pays a large number of batteries besides the two Royal Horse Artillery depôts; and his whole pay is either 1*l.* or 1*l.* 5*s.* a day. The whole pay of a veterinary surgeon is charged against the Royal Horse Artillery depôt. He has at least six or eight batteries in his charge, and the rest are service batteries.

On the other hand, although India is nominally charged the whole expenses of the depôt, Royal Horse Artillery, only 23 sergeants and 102 rank and file are charged for; whereas the strength is 22 sergeants and 380 rank and file; so it is possible that some of the men are regarded as properly chargeable to England. Many of the men never come to India at all, but are drafted to batteries at Home; but if this is so, why is the whole pay of the 16 officers charged? The footnote says the total cost of the Royal Horse Artillery depôt is chargeable to India. 1,000*l.* is charged for 25 horses for Royal Horse Artillery depôt, at 40*l.* a horse; both in horse artillery and field depôts none but old horses drafted out of other batteries as unfit are allowed. It is believed that a large number of these are over 16 years of age, and those that are younger are unsound horses from service batteries.

These depôts are organised on too large a scale for the duties they have to perform. In 1886-87, the two horse artillery depôt batteries cost 19,311*l.* 14*s.* 11*d.*, the whole of which is charged to India; and so far as can be seen, all they had to do in return was to send 138 recruits to India.

For the year 1887-88, India has been charged with the whole cost of the Royal Horse Artillery depôt, on the ground that it has been organised and exists solely to meet Indian requirements. The details of this charge are given in Appendix D. of the War Office claims for that year. As regards the first two items* in that

	£
* Charge for regimental pay and other miscellaneous items in the pay lists of depôt, Royal Horse Artillery	12,318
Pay of officers (departmental and regimental)	4,580

Appendix, there is nothing to indicate whether or not they represent actual charges. In addition to these, India is charged with certain estimated charges based on an average of 435 men on pay during the whole year. These men are, it is understood, supposed to represent those recruits who were left behind at the end of the trooping season, "by reason of their not "complying with the stringent conditions imposed by "the Indian Government in respect of age and service, "and whom it was impossible to absorb in the Home "* * batteries."

From Appendix A. of the War Office claim for 1887–88, it appears that 313 horse artillery recruits were sent out to India as drafts during that year, and that the strength at the depôt on the 31st March 1888 was 231 as shown in Appendix T.; the average of 435 men throughout the year on which the estimated charges are based, therefore, seems high. It is not possible to criticise the various estimated charges, but it is not understood why a charge has been made for deferred pay. Such an item was not included formerly in the "capitation" on troops embarked for India, and it is not apparent why such a charge has now been made. The charges under the heads given below appear excessive, and should be reduced, if not altogether omitted, for the reasons mentioned above.

	£
Purchase of horses	960
Ammunition	331
Barrack accommodation	2,670

Considering, therefore, that only 313 recruits as drafts were sent out to India during 1887–88, their training cost the Indian Government about 113*l.* per man. This amount is slightly reduced by the credit of 80*l.* allowed by the War Office on account of men transferred from this depôt to the Home batteries, and compares favourably with the cost per recruit in the claims of the two previous years.

Field Artillery.

32. The annual charges for the field artillery depôts are as follows:—

	£
1885–86	44,321
1886–87	43,498
1887–88	105,773

For the first two years India has been charged the cost of the permanent staff at the four depôt batteries maintained on the Home establishment, *plus* a fixed sum for each man embarked for India with detachments; this latter charge is shown under Head I.—"Capitation."

The number of men embarked for India with detachments in those years is shown below:—

1885–86	786
1886–87	619

The depôt charges per head are therefore about—

	£
1885–86	56
1886–87	70

To these amounts should be added the capitation rate for field artillery embarked for India in each year, the result being that each field artillery recruit costs in training as follows:—

	£
1885–86	93
1886–87	106

As in the case of the horse artillery depôts, the field artillery depôts are organised on a scale which is scarcely warranted. Each battery, in addition to its own officers, viz., major, captain, and three subalterns, has a staff consisting of a lieutenant-colonel, an adjutant, a riding master, and a quartermaster. The four depôts for which India pays are stationed at separate places. If collected together, one set of staff officers would be sufficient, and the cost of three sets would be saved.

For the year 1887–88, India has been charged with the whole cost of the field artillery depôts for similar reasons to those given in paragraph 29. The details of this charge are in Appendix E. of the War Office claims for that year, and on the grounds stated in paragraph 31, exception may be taken to the following items:—

	£
Deferred pay	4,791
Purchase of horses	1,760
Ammunition	920
Barrack accommodation	9,774

Considering that only 887 field artillery recruits were sent out to India as drafts during 1887–88, their training cost India about 119*l.* each, or deducting the 3,220*l.* credited by the War Office on account of men transferred from these depôts to the Home batteries, 116*l.* each. This amount is high compared with the average cost per man of the two preceding years.

Garrison Artillery.

33. The annual charges on account of the garrison artillery depôts are as follows:—

	£
1885–86	12,840
1886–87	13,727
1887–88	14,012

The number of men sent out with detachments in each of these years is given below:—

1885–86	422
1886–87	346
1887–88	567

The average cost of the annual depôt charges per man being about—

	£
1885–86	30
1886–87	39
1887–88	24

These figures do not, however, represent the total cost of training, and to ascertain this, they should be increased by the capitation rates for garrison artillery embarked for India during each of those years. This addition gives the average annual cost per man at about—

	£
1885–86	55
1886–87	64
1887–88	49

Each of the 11 garrison depôt batteries, the cost of which India has to share, has a staff attached consisting of one lieutenant-colonel, one adjutant, and a staff paymaster. The cost is higher than necessary, and these 11 batteries, which are all at different stations, might well be collected in three batteries, and the cost of eight sets of staff officers saved.

Moreover, it is to be observed that the depôt charges are calculated with reference to certain fixed establishments, but it is not unreasonable to suppose that there were fluctuations among them during the year, and yet India derives no benefit by such fluctuations, which it appears only right that she should do. This remark applies to all the depôt charges.

It will be seen from the above remarks that the cost of each recruit of each branch of the Royal Artillery is very high.

Doubtless, in the case of the Royal Artillery, the new arrangements introduced from the 1st July 1889, by which the depôts would be small and concentrated at Woolwich, may have an effect in reducing these charges; but the necessity for the reduction should be strongly impressed on Her Majesty's Government.

Riding Establishment, Royal Artillery.

34. The annual charges for the riding establishment Royal Artillery, are as follows:—

	£
1885–86	5,164
1886–87	5,039
1887–88	5,062

India is required to pay a proportion of the cost of this establishment, with reference to the number of officers of Royal Artillery and Royal Engineers employed on the British and Indian establishments, respectively. It is maintained to provide instruction to a few rough-riders and to the cadets. Many of the cadets come out quite unable to ride, young officers can be taught in India, and they all have to go to a riding school *de novo* when they join. Some reduction of this charge may reasonably be asked for.

Cavalry.

35. The annual charge on account of the cavalry depôt is—

	£
1885–86	29,123
1886–87	30,444
1887–88	93,310

For the first two years the charge against India is on the same principle as that adopted in the case of horse and field batteries in those years. The number of men embarked for India, with detachments, in these two years is given.:—

1885–86	1,038
1886–87	1,067

The depôt charges per head were in—

	£
1885–86	28
1865–87	28

To these amounts should be added the capitation rate for cavalry embarked for India in those years. The result is that each recruit costs in training—

	£
1885–86	65
1886–87	65

For the year 1887–88 India has been charged with the whole cost of the cavalry depôt, or the ground that it has been organised and exists solely to meet Indian requirements. From Appendix C. of the War Office claims for that year, it appears that the actual charge included in the pay lists of the cavalry depôt for 1887–88 has been debited to India. India has also been charged with the pay of officers, departmental and staff, but there is nothing to show whether this is actual expenditure, and it is impossible to ascertain how many men were actually at the depôt. In the War Office papers relating to the claim for 1887–88 it is said the strength of the depôt was 1,368; but apparently only 410 drafts were sent out. It is true that a cavalry regiment (583) was sent to India, but a capitation rate was charged for each of these men, and this capitation rate includes similar charges to those for the men at the depôts: The "estimated charges," on which the total is partially based, include the following items, to which exception has already been taken in paragraphs 31 and 32:—

	£
Deferred pay	4,100
Purchase of horses	1,120
Ammunition	1,026
Barrack accommodation	8,346

Considering, therefore, that only 410 recruits embarked for India as drafts during 1887–88, their training cost India about 227*l.* per man, or deducting the rebate of 5,200*l.* on account of men transferred from this depôt to home regiments, 215*l.* per man. Compared with the charge per man for the two preceding years, this rate is extraordinarily high.

As a cavalry recruit costs so much, it might be expected that, when he arrives in India, he would be perfectly trained. But it was only very recently that a report was made to the Government of India by the Commander-in-Chief that the officers who inspected the 8th Hussars and 17th Lancers had expressed their opinion that most of the recruits were unfit to join the ranks, and it was proposed that additional instructors should be provided at the charge of Indian revenues.

Infantry.

36. The annual charge for infantry depôts is as follows:—

	£
1885–86	99,774
1886–87	103,480
1887–88	105,896

The number of men sent out to India with detachments, in each of these years, is shown below:—

1885–86	10,404
1886–87	5,373
1887–88	5,114

The average cost of the annual depôt charges per man, is, therefore, about—

	£
1885–86	9
1886–87	16
1887–88	20

To ascertain the total cost of training, it is necessary to add to these amounts the capitation rates for infantry embarked for India. With this addition the result will be—

	£
1885–86	30
1886–87	36
1887–88	41

It appears from the accounts of the three years under review, that during each year the War Office charged the following amounts per man embarked, for enlisting, training, feeding, clothing, and moving them to the port of embarkation, viz.:—

		1885–86.	1886–87.	1887–88.
		£	£	£
For nine months	Horse Artillery	128	179	113
	Field „	93	106	116
	Cavalry	65	65	215
For six months	Garrison Artillery	55	64	49
	Infantry	30	36	41

In addition to the above the following charges were made by the War Office in each year under the head "Charge for men who deserted, died, or were discharged with less than one year's service" (*see* IV.):—

	£
1885–86	18,016
1886–87	18,275
1887–88	8,766

37. The conclusions which may be reasonably drawn are—

The depôt charges should be reduced on the grounds that the officers and men form part of the military strength of England, that depôts need not be specially kept up for India on so large a scale, and that many of the charges are excessive. It would be cheaper to have separate Indian depôts, like that at Warley (which supplied recruits at 20*l.* per man), and give the further training to the men out here. The expense would not be nearly as much as the present plan, which seems to lighten the English estimates by making India pay for training men in cavalry, artillery, and infantry depôts, organised on a far larger scale than she requires.

A protest should, it is submitted, be made against these depôt charges, and the expensive scale on which they are maintained. The depôt charges should be reduced by not less than 100,000*l.*

III.—*The Agency Charges.*

38. These are the allowances paid to regimental agents for regiments of cavalry and battalions of infantry on the Indian establishment. The charge is between 4,000*l.* and 5,000*l.* for 1885–86 and 1886–87 and 3,763*l.* for 1887–88, and India should certainly not be called upon to pay them; the Government of India may well object to Indian revenues being charged therewith.

IV.—*Charges for Men who deserted, died, or were discharged with less than one Year's Service.*

39. It is difficult to understand on what principle these charges, which amount to about 18,000*l.* a year, are paid for by India. A certain loss is sustained by deaths, desertion, and invaliding of men of less than one year's service, say about 2,800. It is assumed by the War Office that one-third of the men are raised for regiments in India; and a calculation is made by which India is charged for these losses. India has no means of knowing whether these losses might not have been prevented; in the old days of the Warley Depôt, it is believed, desertion was never heard of, and it appears somewhat extraordinary to charge India the cost of raising the men, as well as the capitation rate on every man, and, in addition, the cost of men she never receives. The charge under this head in the claims for 1887–88, is 8,766*l.*, which is considerably less than the charge of the two previous years. The reduction is, however, only apparent, as the similar charges for cavalry and horse and field artillery are included under Head II., Depôts, &c. It is submitted that the Government of India may ask that India should be relieved of these charges altogether.

V.—*Maintenance of young Officers on first Appointment to Regiments serving in India, previous to Embarkation.*

40. The principle upon which the charges are calculated, amounting to over 10,000*l.* in one year, over 7,000*l.* in the second year, and over 8,000*l.* in the third year, is given in Appendix V. of the War Office claims for 1885–86 and 1886–87, and in Appendix K. of the claims for 1887–88. The War Office take the number of commissions granted to officers of the different arms of the service in the year, and the number appointed to regiments and batteries in India. They assume that about half the number of officers of artillery and of cavalry were maintained for two months in England, and half for five months, and the cost of their pay is calculated accordingly. In regard to the infantry commissions, of which there were 393 in 1886–87, 98 were to fill vacancies in the Staff Corps, leaving 295 to fill vacancies in the Indian and British Army. They then enter the number of infantry officers employed on the two establishments, and assume that out of 295, the proportion for India is 102, which, together with 98 for the Staff Corps, gives a total of 200; and they take the pay of 100 officers for two months and 100 officers for five months, adding agency and barrack accommodation. Now, this mode of calculation is not based on actuals and is scarcely fair to India. During the time that these officers are in England they form part of the British Army, and, in some cases, whilst so retained, their services are made available for duty which would otherwise have to be performed by officers who would have to be paid for absolutely by Her Majesty's Government. The War Office has the use of the officers who join the Staff Corps from England, for the first year or two of their service, and they pay no portion of the pension of these officers which is accruing during that period; the War Office thus saves on the establishment of lieutenants, and also a portion of the liability for pension. As India also pays a large contribution for the training and education of the officers required for India, Indian revenues should be relieved of a portion of this charge for young officers.

VI.—*Cost of young Officers of Royal Engineers while under Instruction.*

41. The manner in which the War Office calculates this charge, which for 1886–87 amounts to 12,273, is given in Appendix VI. The War Office takes the average duration of the stay of these young officers prior to embarkation from the date of their first commission, and they charge India all their engineer pay, servants' allowances, barrack accommodation, mess allowance, and agency allowance at 1 per cent. of pay and servants' allowance. Their instruction is paid for by India, and India is also charged for their previous education. If it be urged that the officers are extra to the British establishment, it may, on the other hand, be pointed out that during the stay of those young officers in England they form an integral part of the strength of the Royal Engineers in England, and would be available by the Imperial Government, if required, for any service, while some of the charges will be incurred in any case, whether the officers are destined for Indian or Imperial service. India might equitably ask to be relieved of a portion of these charges, say half the sum claimed for each year.

VII.—*Difference between the Pay of two Colonels and one Lieut.-Colonel on the Indian Establishment of Royal Engineers, but employed at Home, and the Pay of three Lieutenants employed instead by India.*

42. This is a small charge, amounting only to 971*l.* odd, but it is a charge which India should not be called upon to pay. If these colonels and lieutenant-colonels are employed at Home, there is no apparent reason why India should have to pay for them, considering that the War Office has lately laid great stress on their want of lieutenant-colonels and other officers of a superior rank. It is to be observed that in the claims for 1887–88 no charge has appeared under this head.

VIII.—*Cost of training Veterinary Surgeons for India.*

43. The War Office estimates that each of the four supplied annually to India costs 150*l.* It is not understood how this charge is arrived at, but considering that the officers are employed in England during that time, that they render service to the horses on the British establishment, and that India makes no countercharge for their training in India, India might be relieved of this charge.

IX.—*Cost of Examination of Candidates for the Indian Medical Service.*

44. Here, again, we have no details as to how the charge of over 400*l.* in each year is arrived at, but it seems a large charge in view of the fact that the average number of surgeons on probation at Netley has been 30 during the last 15 years; and considering the very moderate fees which are allowed for examinations, it is thought that the charge should be reduced by 200*l.* in each year.

X.—*Educational Establishments.*

45. The total annual charges against India on account of educational establishments in England, taking them in order, are as follows:—

Royal Military College, Sandhurst.

	£
1885–86	16,927
1886–87	16,927
1887–88	16,451

The principle on which the charge is made is given at page 29 in Appendix VII. of the War Office claims for 1885–86. The total cost of the establishment is entered, and from that is deducted the contributions from cadets; the net result is 24,725*l.* Upon that they add interest on the total cost of land and buildings at 3½ per cent., *viz.*, 9,130*l.*; total, 33,855*l.* The War Office then takes the number of officers of cavalry and infantry on the Home and Indian establishments during 1886–87, which they say was as follows:—

British	3,606
Indian, including Staff Corps	3,668

They consequently charge India one-half, because there are it is stated the same numbers of officers of cavalry and infanty on the British and Indian establishments. To take first the items making up the total expenditure on account of Sandhurst, it may be objected that no charge should be made against India on account of the buildings erected in 1804, and the purchase of the estate, and for all the other buildings which have been added since. The charge is in any case hardly a fair one, and it must be remembered that up to 1861–62 India maintained the Military College at Addiscombe at her own expense for the training of officers for the Indian Army. Passing this by, and coming to the principle on which the charges are made, it is submitted that it is not in accordance with the actual expenditure on behalf of India to charge India in the proportion of one-half of the total expense. The officers of cavalry and infantry on the Indian establishment, including the Staff Corps, include, it must be supposed, a good many officers who never passed through Sandhurst at all; it is scarcely just that India should have to pay for the education of officers of the British Army, merely because their regiments are in India, and there would seem to be no reason why India should be charged on this empirical basis. If a charge is to be made, it should be made according to the number of officers who are appointed in each year to the Staff Corps and who have passed through Sandhurst, rejecting, of course, any charge for interest on the cost of lands and buildings, and allowing for the fact that many of the expenses would be incurred whether the Indian Army were supplied or not.' A reduction of at least 5,000*l.* should be made in the annual charge under this head.

Royal Military Academy.

	£
Net cost	17,130
Interest on land and buildings	7,142
Total	24,272

46. The same considerations as were stated in connexion with Sandhurst apply to Woolwich. The War Office takes the number of officers of artillery and engineers on the British and Indian establishments,

and charges India $\frac{5}{12}$ths of 24,272*l.*, or 10,113*l.*, accordingly, *i.e.*, in the proportion of 986 officers on the Indian against 1,320 on the British establishment. Some of the officers on the Indian establishment have not passed through the Royal Military Academy, but were educated at the expense of India, at Addiscombe, or passed direct. The charge for the Academy should be simply a charge according to the number of young artillery and engineer officers supplied to India annually, and with advertence to the fact that much of the expenditure would have to be incurred if India had its own college. In respect to engineers who subsequently adopt continuous service and intend to serve in India during the whole of their lives, the charge for their education might appear to be a fair one against Indian revenues; but it is submitted that with reference to the artillery the charge should be reduced, on the ground that India makes no charge for the officers when they pass back to the home service, although they may receive considerable further military education in India, not only at garrison classes, but in various other ways. India should not be charged interest on the original cost of a part of Woolwich Common in 1804, and on the various buildings and extensions since added. It is submitted that this charge should be reduced by about 3,000*l.*

Staff College.

	£
1885–86	2,822
1886–87	2,822
1887–88	2,166

47. The charges against the Indian Government for the maintenance of the Staff College appear to be excessive. India is charged, not in proportion to the number of officers of the Indian Army present at the Staff College, but in proportion to the number of officers of the British and Indian "establishments" who have passed through the Staff College and hold staff appointments. In 1886–87 the number of Staff College officers holding staff appointments on the two establishments was—

British (Home Army)	92
Indian (British and Staff Corps)	32

India was therefore charged one-fourth of the annual expenditure of 11,290*l.* 17*s.* 5*d.*, or 2,822*l.*

Only 16 Indian officers hold the Staff College certificate, and there is no reason why India should have to pay for British officers merely because they happen to have passed the Staff College years ago. There are 32 officers annually admitted to the Staff College, of whom three are of the Indian Service. As officers remain at the Staff College two years, there are 64 officers of whom six are Indian service or Staff Corps men. The charge against the Indian Government for 1885–86 and 1886–87 would, therefore, appear to be $\frac{6}{64}$ of 11,290*l.* 17*s.* 5*d.*, or 1,058*l.*, being 1,764*l.* less than the amount charged.

The training of officers is not completed at Woolwich and Sandhurst, and logically India ought to charge the War Office for our Military Education (Garrison Instruction, &c.) Department in India. On the whole, India may claim some reduction of these charges on this ground alone, say 1,764*l.* for each year.

Army Medical School, Netley.

48. The total cost in 1886–87 was 8,348*l.*, and the charge for that year against India was 3,710*l.*, being calculated apparently on the number of medical officers on the British and Indian establishments. Reading this appendix with paragraphs 31 to 36 of the report of the Special India Office Committee on home charges, dated 5th April 1889, received with Financial Despatch, No. 144, dated India Office, 4th July 1889, it is difficult to follow the method which is pursued in making the calculations. The Government of India have, however, objected to paying from Indian revenues on account of Netley, and the India Office Committee consider that as no surgeons have been appointed to the Army Medical Department since July 1887, and that as only four candidates were selected at the examination in August 1888, all of whom were for the Indian Service, it is necessary to guard against an undue proportion of the cost being charged against Indian revenues; and in the opinion of the committee this affords an additional reason for withdrawing altogether from the institution.

Objection may be taken to payment being made for the training of officers of the medical staff at Netley. It is true some of these may subsequently serve in India, but on the other hand, India only has their services for a short time. The question of the payment on account of the Indian Medical Service might be allowed for the present to merge in the general question of the disconnection of the Indian Service with that institution.

School of Gunnery, Shoeburyness.

49. The total charge for 1885–86 and 1886–87 was for each year, 14,950*l.*, and the War Office calculated that as there were 21,000 artillery on the British establishment and 11,000 on the Indian establishment, India should be charged with one-third of the cost, amounting to 4,983*l.* In the claims for 1887–88 this charge amounts to 5,063*l.* This appears to be an excessive charge, considering that the total charge includes the experimental branch as well as the instructional. England would be obliged in any case to keep up an establishment to carry out experiments, and she did so long before India was connected directly with the Home army. Nor should the numbers of artillery on the two establishments form the bases of calculation. The numbers employed in the two countries do not give a measure of the advantages gained by each from these establishments. If any charge is made it should be simply on the numbers of officers sent home from India to undergo a course of instruction at Shoeburyness. The charge should be reduced by at least 2,500*l.* in each year. The officers form part of the garrison of the United Kingdom while they are under instruction; they form part of the Royal Regiment of Artillery employed on service all over the world, and do not necessarily serve out their time in India.

School of Military Engineering.

50. The charges on this account are given in considerable detail in the Appendix, pages 33 and 34 of the War Office claims for 1885–86. In 1887–88 these charges have been increased to 23,878*l.* The charge made, viz., $\frac{2}{7}$ths of the total cost, or 2,357*l.* in 1885–86 and 1886–87, and 2,664*l.* in 1887–88, is somewhat difficult to understand, but it is scarcely fair to charge India so much for the instruction of the young officers of Royal Engineers, when these professors and instructors have to be kept up in any case, and the charge for recruits and trained men of Royal Engineers should not be made in addition to the charge for capitation, which has been shown to be very considerable, amounting in 1885–86 to 1,245*l.* for one corporal, two second corporals, and 10 lance-corporals of Royal Engineers. A reduction of 500*l.* should be made in this charge.

School of Musketry.

51. The total cost is 8,345*l.* in 1885–86, including every kind of charge, and the War Office takes the total number of all ranks on the British and Indian establishments, and charges India accordingly, *i.e.*, $\frac{3}{10}$ths, or 2,503*l.* This, as has been remarked before, is not a satisfactory method of calculation, because it cannot be supposed that the officers and men on the Indian establishment of the British Army have all enjoyed the training of the School of Musketry. India has to keep up schools of musketry of its own, and to train in shooting that portion of the British Army which is in India.

We do not charge the War Office for our schools of musketry in India where officers of the British Army receive instruction, and India may ask to be relieved of the charge for Hythe.

Artillery College, 1887–1888.

52. A charge of 2,760*l.* on the above account first appears in the claims for 1887–88. It is explained in Appendix L. that India has been charged with one-third of the total cost of the staff, &c. of the college, with reference to the numbers under instruction in the British and Indian establishments respectively. This charge is only justifiable if the officers of the Indian establishment return to India for their future career.

XI.—*Advance of 25 Days to Men embarked as Drafts to India.*

53. These are actual charges, and must be accepted.

XII.—*Expenses of Men awaiting Discharge, including travelling Expenses of Invalids.*

54. The charge under this head amounted in 1885–86 to 21,000*l.*, slightly less in 1886–87, and to about the same in 1887–88. In 1886–87 887 men arrived from India with regiments to join the army reserve or for discharge, and 3,145 with detachments, while 1,302 were invalided. India is charged for 60 days for men with regiments, and for 36 and 78 days respectively for men with detachments or invalids, these two latter periods including 28 days on board ship. The charges themselves include pay, rations, barrack accommodation, travelling expenses, and compensation in lieu of clothing. It is difficult to follow the calculations, but the number of days for which India is charged is excessive. There is no reason why India should pay the War Office for 32 days of a man's service in England before his transfer to the army reserve, assuming that he has spent 28 days on the voyage from India, or why India should pay for 50 days for invalids. The transfer of the men to the army reserve should be quickly accomplished, and Indian revenues should not be charged with the pay of the men for a single day after disembarkation, for they practically then come on the military strength of England. In the case of invalids before discharge, the actual amounts should be charged, and it should not be assumed that every invalid is detained for 50 days after arriving at Netley. It is submitted that a reduction of not less than 10,000*l.* should be made in these charges for each year.

XIII.—*Share of Cost of Pay and Allowances of Staff of Hospitals and Discharge Depôts, and Expenses of Invalids, except Pay and Travelling.*

55. The expenditure on this account charged against India by the War Office amounted in 1885–86 to 12,607*l.*, in 1886–87 to 23,199*l.*, and in 1887–88 to 30,425*l.* The way in which the calculations are worked out is shown in Appendix IX. to the claims of 1885–86, in Appendix VIII. to the claims for 1886–87, and in Appendix IV. for those for 1887–88. Every kind of charge is entered in the total amount, including divine service, military police, and buildings. In 1886–87 the total number of invalids admitted into Netley was 2,210; and of these 1,024 came from India, so that the War Office charged India $\frac{46}{55}$ths of 40,545*l.*, the total charge on account of Netley, or 18,530*l.* It is impossible to say whether the 1,024 who came from India remained as long at Netley as the balance who were admitted into Netley from elsewhere. If each invalid remained for the same time at Netley, then the calculation might be accepted, but in the absence of any information it cannot be seen whether the charge against India is justly made; and the same remark applies to the invalids at the Herbert Hospital. In 1886–87 the discharge depôt at Gosport cost 3,911*l.*, and by a similar calculation to that employed with the Netley and Herbert Hospitals, $\frac{11}{15}$ths of this, or 2,868*l.*, was charged against the revenues of India. We have not sufficient data to enable us to determine whether this is a legitimate charge, but it should not be accepted without further inquiry.

Some appeal should be made for the reduction of these charges. India maintains large military hospitals in India, and it appears just as logical to ask the War Office to pay for men who land sick in India, as many of them do, from venereal and other diseases, or to charge for the cost of the depôt at Deolali, as it is for the War Office to claim money from India on account of the hospitals and discharge depôts in England, when it is remembered that no rebate for a man arriving from India on the capitation originally paid is allowed if the man is not transferred to the reserve but is discharged as an invalid. The charges for each year should be reduced by one-half, and a reduction of at least 1,000*l.* should be made on account of the discharge depôt at Gosport.

XIV.—*Rebate on Men returning from India.*

56. This is the rebate allowed on the capitation originally paid by India according to certain rules. In 1885–86, the rebate amounted to nearly 42,000*l.*, in 1886–87 to 47,450*l.*, and in 1887–88 to 79,022*l.*; the large amount in the last year is due to the rebate in that year having been calculated with reference to the actual unexpired service of the men, to deductions for men short trained or more than one year's service, and for men transferred to Home service from depôts. The Government of India have protested against the inadequacy of the rates proposed by Mr. Bouverie's Committee, which are more favourable, however, than the all-round rate of one-third adopted by the War Office for 1885–86 and 1886–87, which is altogether too low. In the first place, the soldier enlists for 12 years, partly with the colours and partly with the reserve. The average period of his service in India is probably not more than six years, so that it may be said he serves the War Office for one-half the period of his service. That part of his service should be passed in the reserve is not a question which should enter into the calculation, because, for reasons very good in themselves, the War Office maintains a large reserve for Imperial purposes, instead of having a certain number of the men a longer time with the colours. Consequently, one-half should be allowed by the War Office from the capitation rate for men originally embarked, instead of one-third as they now give. But the capitation rate does not represent the charge to India of the men supplied to India, for to the capitation rate has to be added the charges for depôts for training recruits, which, as has been pointed out in a previous part of this memorandum, amount to a very large sum; and further, if the charge for men who deserted, died, or were discharged with less than one year's service, is to be taken into account, then a still larger sum is arrived at as the measure of the cost to India of the men landed for service in India. The charge for men who have deserted, &c., however, as previously pointed out, is objectionable. But even supposing that the charge is discontinued in the future, India should certainly claim that the rebate should be calculated on the amount actually paid by her per man embarked. There are two points, therefore, to be maintained: firstly, that the rebate should be made on the actual sums paid by India; secondly, one-half rebate should be allowed for every effective soldier disembarking in England. If, however, the proposed reduction in capitation is made for each of the three years under reference, then obviously the claim for the larger rebate would not hold good, although the principle would be maintained.

XV.—*Deferred Pay.*

57. In 1885–86 the claim is 102,985*l.*, in 1886–87 the revised claim is 117,785*l.*, and in 1887–88, 140,000*l.* This is one of the charges imposed upon India without the consent of the Government of India, and the claim is apparently made up by calculating the amount earned by service in India, and adding the amount earned during the period of training chargeable against India. How far this charge is based on actuals it is impossible to say, but it certainly appears that the rebate of one-third allowed for men passed to the army reserve is too low. In the report of the India Office Committee, it is pointed out that the eventual charge on account of deferred pay will be 3*l.* per man on the effective strength in India, or about 211,000*l.* per annum.

Conclusion and Proposed Reductions.

58. To sum up the whole case, it is submitted that the principles upon which these charges should be based are as follow: That India and its army should not be treated by the War Office as if it belonged to a separate empire; that as India has had to pay largely for changes introduced into the British service, without the consent of those responsible for the revenues of this country, liberality should be exercised in dealing with the charges for the supply and maintenance of British troops in India; that India should be considered as affording a training ground for the officers and men of the British Army; that the relative financial capacity of the two countries should be considered, and the whole matter adjusted on broad and statesmanlike views of public policy; and, lastly, that it should be recollected how great a reserve of military strength the army of India affords to the empire generally without the smallest charge on English revenues.

59. In respect to the particular charges which have been made in the claims against India, the following deductions should be made:—

	War Office Claim for 1885–86.	War Office Claim for 1886–87.	War Office Claim for 1887–88.	Approximate Reduction proposed by Government of India for each Year.	Total Reduction proposed by Government of India for the Three Years.
	£ (a)	£ (b)	£ (c)	£	£
Capitation on troops embarked for India	426,637	283,173	230,823	100,000	300,000
Charges for depôts	211,012	215,501	359,597	100,000	300,000
Agency	4,708	4,955	3,763	(a) 4,708; (b) 4,955; (c) 3,763	13,426
Charges for men deserted, died, or discharged	18,016	18,275	*8,766	(a) 18,016; (b) 18,275; (c) 8,766	45,075
Maintenance of young officers in England previous to embarking for India.	10,154	7,372	8,500	(a) 10,154; (b) 7,372; (c) 3,000	20,526
Cost of young Royal Engineer officers while under instruction.	4,332	12,273	5,415	(a) 2,000; (b) 6,000; (c) 2,700	10,700
Pay of certain officers	971	971	—	(a) 971; (b) 971	1,942
Cost of training veterinary surgeons	600	600	600	600	1,800
Cost of examining candidates for Indian Medical Service.	410	416	432	200	600
Educational establishments: Sandhurst	16,927	16,927	16,451	5,000	15,000
Educational establishments: Woolwich	10,113	10,113	9,951	3,000	9,000
Educational establishments: Staff College	2,822	2,822	2,166	1,764	5,292
Educational establishments: Netley	3,710	3,710	3,710	—	—
Educational establishments: Shoeburyness	4,983	4,983	5,063	2,500	7,500
Educational establishments: School of Military Engineering.	2,357	2,357	2,664	500	1,500
Educational establishments: Hythe	2,503	2,503	2,422	(a) 2,503; (b) 2,503; (c) 2,422	7,428
Educational establishments: Artillery College	—	—	2,760	—	—
Advance of pay	16,715	11,209	9,708	—	—
Expenses of men awaiting discharge, &c.	20,917	20,349	19,497	10,000	30,000
Share of cost of hospitals and discharge depôts	12,607	23,199	30,425	(a) 7,000; (b) 12,000; (c) 16,000	35,000
Total	770,497	641,712	722,713	(a) 268,916; (b) 275,640; (c) 260,215	804,771
Deduct— Rebate for men returning from India for service with colours or reserve, including for 1887–88 deductions for men short trained or more than one year's service, and for men transferred to Home service from depôts.	41,910	47,450	120,642		
	728,586	594,261	602,071		
Add— Deferred pay	102,985	117,785	140,030		
Total Net Claim	831,571	712,047	742,101		

* Infantry and garrison artillery only.

The foregoing deductions, amounting to 804,771*l.*, may reasonably be made from the charges put forward by the War Office for the three years ending 1887–88. It is not assumed that the figures given represent in every case exactly the amounts for which India may claim a reduction. The charges are obviously not identical in each of the years; there is a re-arrangement of the charges in 1887–88, but if there is any material alteration, it is in the way of increase. In some cases the amount may possibly be liable to diminution, in others to enhancement. All that can be said is that while in some instances the particular sums might be claimed, in other examples only general principles can guide us in arriving at a just conclusion.

60. Excluding deferred pay, as this will be altogether a separate charge, the following shows the net claims of the War Office for the three years ending 1887–88:—

	1885–86.	1886–87.	1887–88.
	£ s. d.	£ s. d.	£ s. d.
Total claim	770,497 3 10	641,712 14 7	772,713 0 0
Deduct— Rebate	41,910 11 1	47,450 18 6	120,642 0 0
Net claim exclusive of deferred pay.	728,586 12 9	594,261 16 1	602,071 0 0

The year 1885–86 was abnormal, and for the purpose of arriving at the net yearly charge it will, perhaps, be fairer to take the year 1887–88. The gross charge for this year, exclusive of deferred pay, is 722,713*l.*; from this a rebate is given of 120,642*l.*, making the net claim 602,071*l.* This amount, reduced by the amount of the proposed reduction of 260,215*l.*, leaves the net charge at 341,856*l.*, or roundly 350,000*l.*

It will, however, be necessary to ascertain whether this proposed reduction of 260,215*l.* will affect to any appreciable extent the rebate of 120,000*l.* given by the War Office, or the net charge of 350,000*l.* as above arrived at.

From their gross claim of 722,713*l.*, excluding deferred pay, the War Office allow a rebate of 120,642*l.*, the details of which are given below :—

Amount of War Office claim - - - -			£722,713
Deduct—	£	£	£
(*a*) For men embarked with service short of the training period.	1,300	27,747	27,747
(*b*) For men embarked with more than one year's service.	31,820		
(*c*) For men transferred from cavalry, horse, and field artillery depôts to Home regiments and batteries.	8,500		
(*d*) For men retained for further service with colours or reserve (including invalids who recovered).	79,022	52,682	79,022
Total - - -	120,642	80,429	106,769

The proposed reduction of 260,215*l.* will necessarily cause a decrease of about one-third in this amount, viz., from 120,642*l.* to 80,429*l.* On the other hand, the deduction under (*d*), which goes to make up the total rebate, will be counterbalanced by a proportionate increase, as the rebate under this head should, as explained in paragraph 56, be one-half instead of one-third. This addition, whilst raising the above reduced amount from 80,429*l.* to 106,769*l.*, will still be slightly less than the rebate of 120,642*l.* as given by the War Office.

With the above modification, the War Office claim for 1887–88 will stand as follows :—

	£
Gross amount of War Office claim, excluding deferred pay - -	722,713
Deduction proposed by Government of India - - - -	260,215
Reduced claim -	462,498
Deduct reduced rebate - -	106,769
Net reduced claim -	355,729

The smaller rebate does not materially affect the net War Office claim, which, after making the proposed reduction of 260,215*l.*, may equitably be taken at 350,000*l.*, in round numbers. Including deferred pay, the charge against India for 1887–88 would be 490,000*l.*

61. The charge for 70,000 men at 350,000*l.* would be at the rate of 5*l.* per head, and this is the basis upon which the Government of India may fairly ask that the charges of the War Office may be made, viz., that for every man on the actual strength of the British Army in India on the 1st May, a charge of 5*l.* per annum may be made, and that in addition a direct charge will be admitted against India for deferred pay.

62. Although it has been urged in this memorandum that the charges for the three years under consideration should be revised according to the deductions claimed, the Government of India will probably desire to meet the War Office half way, and to waive a portion of the reduction which might equitably be pressed, if an agreement be arrived at for the future as proposed in the last paragraph.

63. It is imperative in the interests of the military administration of both countries that the discussion of this vexed question should be brought to a close. It is even a more imperious necessity that the people of India should have this cause of complaint removed, while England should on her part be able to show that her treatment of India in this matter is just and considerate.

EDWIN H. H. COLLEN,
Secy. to the Govt. of India.
W. R. L. ANDERSON,
Deputy Acctt. General.

Military Dept., Govt. of India,
Calcutta, the 19th March 1890.

APPENDIX.

STATEMENT SHOWING THE CHARGES WHICH HAVE BEEN IMPOSED UPON INDIAN REVENUES AGAINST THE WISHES OR WITHOUT THE PREVIOUS CONSENT OF THE GOVERNMENT OF INDIA.

Year.	Item.	Amount.
		£
1864–65 - -	Increased rates of pay to medical officers, British service in India.	20,000
1864–65 - -	Revised scale of clothing and compensation to British Army.	20,000
1865–66 - -	Increased rates of pay to veterinary surgeons.	3,500
1866–67 - -	Gymnastic instruction for British troops.	15,000
1867–68 - -	Increase of 2*d.* a day to the pay of British soldiers, and an additional 1*d.* on re-engagement.	250,000
1867–68 - -	Formation of skeleton companies of Royal Engineers in India.	2,500
1868–69 - -	Increased pay to paymasters, quartermasters, and riding masters of British regiments.	5,000
1870–71 - -	Grant of good-conduct pay at earlier periods to British soldiers.	35,000
1871–72 - -	Introduction of instruction in army signalling and telegraphy.	4,000
1871–74 - -	Introduction of garrison instruction -	27,000
1871–74 - -	Appointment of additional subalterns to regiments in India, to allow others to attend the course of garrison instruction.	5,000
1873–74 - -	Improvements in British army schools in India.	7,000
1873–74 - -	Grant of band allowance to British regiments in India.	14,720
1873–74 - -	Readjustment of ranks of the British medical service in India.	48,000
1874–75 - - -	Revised rates of pay of British troops in India.	64,000
1875–76 - -	Grant of pay of rank to majors of Royal Artillery and Royal Engineers in India.	27,000
1876–77 - -	Increased pay of non-commissioned officers and lance rank.	4,000
1876–77 - -	Prospective charges for deferred pay, the maximum to be reached being.	211,000
1876–77 - -	Promotion of British medical officers after 12 years' service and non-effective charges by changes in the rules for compulsory retirement.	29,000
1879–80 - -	Readjustment of veterinary surgeons' pay.	1,900
1880–81 - -	Reorganisation of Army Medical Department non-effective charges.	13,320
1881 - -	Fresh charge for the pay of non-comsioned officers and men (caused by the Royal Pay Warrant of 25th June 1881).	30,000
1881 - - -	Addition of a second lieutenant-colonel and two majors to each regiment of British cavalry and infantry.	46,000
1882 - -	Increased allowance to quarter-masters and riding-masters in India.	1,200
1882 - - -	Bounty to time-expired men for extending their service with the colours.	7,000

No. 2.

(M. 771.)

SIR, India Office, February 2 1894.

I AM directed by the Secretary of State for India in Council to forward herewith a copy of a telegram* which has been received from the Government of India in regard to the increase in lance ranks and revision of pay laid down in Army Orders 102 and 110 of 1893.

The Earl of Kimberley desires me to say that he will be glad to be favoured with some explanation of the circumstances under which these changes were sanctioned.

The favour of an early reply is requested.

I have, &c.
O. R. NEWMARCH, Major-General,
Military Secretary.

The Under Secretary of State,
War Office.

* Dated 22nd January 1894.

No. 3.

(No. 30/Gen. No. 3444.)

War Office, Pall Mall, S.W.,
SIR, February 16, 1894.

I AM directed by the Secretary of State for War to acknowledge the receipt of your letter of the 2nd instant, M. 271, asking for an explanation of the circumstances under which sanction was given to the increase in the number of lance ranks and revision of the pay as laid down in Army Orders 102 and 110 of 1893.

In reply, I am to state, for Lord Kimberley's information, that the Committee presided over by Lord Wantage to consider the terms and conditions of service in the army were very strongly impressed with the necessity for obtaining the best stamp of man for the rank of corporal and lance corporal. It was brought before them in evidence that many of the better class of soldiers were deterred from accepting lance rank, with its increased expense and additional work, from the fact that under existing regulations they found themselves for a considerable period after promotion shut out from the receipt of the additional pay of the rank.

The Committee therefore strongly recommended (*vide* paragraphs 96 and 97 of their Report) that all lance corporals, and the corresponding ranks in the other branches of the service, should be on the establishment and receive the pay attached to the rank.

The late Secretary of State for War, as well as Mr. Secretary Campbell-Bannerman, gave careful consideration to the recommendations of the Committee, many of which involved heavy expenditure on both the British and Indian exchequers (*vide* Parliamentary Paper 149 of 1892).

After due deliberation, the Secretary of State was not convinced of the expediency of adopting most of these proposals, especially in view of their great cost; but finding that the greatest importance was attached by all his military advisers, as well as by the committee, to the recommendation regarding the lance ranks, sanction was given to the necessary provision being made in the Army Estimates for the current financial year.

I am to express Mr. Campbell-Bannerman's regret that this proposal, which affected Indian revenues, was not referred for the concurrence of the Secretary of State for India in Council. He, however, trusts that Lord Kimberley will approve of its application to the British troops serving in India.

I am at the same time to point out that, by the reduction in the rates of pay of the lance ranks in the cavalry, Royal Artillery, and Royal Engineers, the annual cost is considerably diminished from what is stated in the paper presented to Parliament.

It is now estimated that the normal additional cost will not exceed 16,000*l.* a year on the Army Estimates, and about 9,000*l.* a year on Indian votes.

I have, &c.
H. T. DE LA BERE.

The Under Secretary of State
for India.

No. 4.

(M. 1953.)

SIR, India Office, March 1, 1894.

I AM directed by the Secretary of State for India in Council, to acknowledge the receipt of your letter of 19th February 1894, No. 30/General No. 3444, regarding the revised establishment and pay of lance ranks laid down in Army Orders Nos. 102 and 110 of 1893.

In reply, I am desired to say that a copy of your letter will be sent to the Government of India for their information, but that, in the present state of the finances, the Secretary of State for India in Council does not feel justified in sanctioning the application to India of these changes, until the Government of India are satisfied that the increased expenditure can be met without inconvenience.

The Secretary of State for India in Council desires again to protest, as he has often had occasion to do, against the practice of the War Office in sanctioning, without any previous reference to him, measures which affect the finances of India. As these repeated protests have been of little avail, Lord Kimberley desires to suggest, for the consideration of Mr. Secretary Campbell-Bannerman and His Royal Highness the Commander-in-Chief, that in publishing any Warrants and Army Orders which have a financial bearing, it should be notified that they are not applicable to India, and that no additional pay or allowances will, under their provisions, accrue to officers or men serving in that country.

This was the course adopted in publishing the Royal Warrant for the Army Medical Department of the 27th March 1879, and the Secretary of State for India in Council thinks it desirable, for the protection of Indian revenues, that the same procedure should be extended to all similar Orders. It will then rest with the Government of India, in communication with this Office, to decide if, and how, the Orders should be applied to India, and the troops will have no cause for complaint should it be decided that their extension to India is not necessary.

I have, &c.
HORACE WALPOLE.

The Under Secretary of State
War Office.

No. 5.

(Military, No. 24.)

To His Excellency the Right Honourable the
GOVERNOR GENERAL of INDIA IN COUNCIL.

Lance Ranks: Establishment and Pay.

India Office,
MY LORD, London, March 1, 1894.

ON receipt of your Lordship's telegram of 22nd January 1894,* I caused a copy thereof to be sent to the War Office for some explanation of the circumstances in which the changes in the establishment and pay of lance ranks, notified in Army Orders Nos. 102 and 110 of 1893 were sanctioned, and I now forward a copy of the correspondence† on the subject.

2. Having regard to the present condition of your finances, I do not feel justified in sanctioning the application of these Orders to India until your Government are satisfied that the increased expenditure can be met without inconvenience.

I have, &c.
(Signed) KIMBERLEY.

No. 6.

(No. 30/Gen. No. 3448.)

War Office, Pall Mall, S.W.,
SIR, April 16, 1894.

I AM directed by the Secretary of State for War to acknowledge the receipt of your letter of the 1st ultimo, M 1953, on the subject of the revised establishment and pay of lance ranks laid down in Army Orders 102 and 110 of 1893.

In reply, I am to inform you that although, as stated in the War Office letter of the 16th February, Mr. Secretary Campbell-Bannerman regrets that no notification of these intended changes was made to the India Office before the warrant was issued, he cannot accept the views expressed, that in publishing any Warrants or Army Orders which have a financial bearing it should be stated that they are not applicable to India, and that no additional pay or allowances will, under these provisions, accrue to officers or men serving in that country.

I am to point out that the members of the Indian Government are not in a position to be aware of the circumstances which render necessary reforms and concessions in the British Army, and as they are not responsible for the recruiting of the army nor for providing terms sufficient to secure the services of men, the Secretary of State for War cannot leave it to the Indian authorities to decide whether officers and men serving in India should, or should not, have the advantage of alterations of pay, &c., which after full consideration of all the circumstances have been adopted by him, with the concurrence of the Commander-in-Chief for the army generally.

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* M. 1953.
† To War Office, dated 2nd February 1894. M. 771.
From ditto, dated 16th February 1894.
To ditto, dated 1st March 1894.

It must be borne in mind that the conditions on which the requisite number of men can be procured are necessarily very much higher than they would be if 70,000 men were not wanted for service in India.

The circumstances under which the regulations in question have been issued were fully explained in the War Office letter of the 16th February above quoted, and the additional charge of 9,000*l.* a year which they entail upon the Indian Government is the only expense thrown upon Indian revenues as the result of the recommendations of Lord Wantage's Committee, while a considerable saving, not far, if at all, short of this extra charge, has accrued to Indian revenues by the withdrawal of one battalion of infantry from India without reducing the total force in that country, a course which was adopted in deference to the urgent recommendation of the same Committee that it was necessary to equalise the number of battalions serving at home with those serving abroad.

Care will be taken in future to bring to the notice of the India Office, as early as possible, any intended alterations affecting the pay of the army generally, and Mr. Secretary Campbell-Bannerman hopes that the Secretary of State for India in Council will take no steps to withhold the issue of lance pay under the new regulations to the British troops serving on the Indian Establishment.

I am, &c.
The Under Secretary of State for India. WM. WOODALL.

No. 7.

(M 3731.) India Office,
SIR, June 7, 1894.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 16th April 1894, No. 30/Gen. No. 3448, regarding the establishment and pay of lance ranks in India.

Mr. Secretary Campbell-Bannerman, it is said, cannot accept the views expressed by the Secretary of State for India that in publishing any Warrants or Army Orders which have a financial bearing it should be stated that they are not applicable to India, and that no additional pay or allowances will, under their provisions, accrue to officers and men serving in that country. You point out that the Government of India are not in a position to be aware of the circumstances which render necessary reforms and concessions in the British Army, and that the Secretary of State for War cannot leave it to them to decide whether officers and men serving in India should or should not have the advantages of alterations of pay which have been adopted by him, with the concurrence of the Commander-in-Chief.

In reply, I am to explain that it has always been an established rule that War Office Circulars and Army Orders having any financial bearing are not applicable to India until they are made so, either under instructions from the Secretary of State for India, or by the Government of India, acting on the general powers given to them by the Secretary of State for India in 1864. All Royal Warrants for the pay and promotion and non-effective pay of the army were up to the issue of the Warrant of 1881 promulgated as applying to "Her Majesty's British forces serving elsewhere than "in India." The preamble to this last warrant expressly excluded officers and soldiers serving in India from its advantages till the Secretary of State for India in Council had decided how far they should be applied to India, and all subsequent warrants specially exempt India from their operations "as regards full pay and "allowances or other pecuniary benefits."

The proposal, therefore, made in the letter from this Office of the 1st March 1894 was merely to apply to orders having a financial bearing, which might be published in the interval before the issue of a new Pay and Promotion Warrant, the principle which, as I have shown above, is always applied to such warrants. It is, in fact, a renewal of a suggestion originally made by Earl de Grey when Secretary of State for War in 1863. The Secretary of State for India in Council had at that time suggested that, in order to avoid misconceptions, all warrants affecting the pay, clothing, or privileges of the British Army should, prior to their issue, be communicated to him with a view to its being determined whether they should be made applicable to the troops in India. Earl de Grey saw no objection to the adoption of this proposal as a general rule, but, to obviate the inconvenience of delay which might occasionally result, his Lordship suggested that in cases where the Secretary of State for India in Council was unable to decide the question without a previous reference to the local authorities, the warrant should be promulgated with a notice in the margin, or in the circular accompanying it, to the effect that "its provi- "sions are not applicable to troops serving in India, "except under orders issued by that Government."

I am also to request that you will invite Mr. Campbell-Bannerman's attention to your letter of the 25th June 1881, No. 7688/487, in which it was stated, with reference to the issue of the Royal Warrant of 1881, that "a "clause reserving the rights of the Secretary of State "for India to deal with the officers and men serving in "India has been inserted in the preamble of the "warrant." Other instances can be quoted, such as Lord Northbrook's letter of February 1871, No. 57,514/27, but the above statement is, Mr. Fowler considers, sufficient to show that the War Office have always acknowledged the right of the Secretary of State for India in Council to decide whether any alterations of pay or other advantages sanctioned for the Army should or should not be extended to India.

Of the existence of this right, Mr. Fowler has no doubt whatever. The Secretary of State for War would not, he presumes, issue any such warrants, putting a charge on the revenues of the United Kingdom, without the previous consent of the Treasury, who would authorise the inclusion of the expense in the estimates submitted for the sanction of Parliament. Under the Act for the better government of India, the revenues of India are subject to the control of the Secretary of State in Council, and cannot be expended without his sanction. Such an express devolution of financial authority implies the responsibility for examining and deciding, in the interests of India, upon any proposal to lay fresh charges upon those revenues. Mr. Fowler, however, recognises that, as laid down in 1874 by the Select Committee of the House of Commons on East India Finance, "India, as a component part of the "Empire, must be prepared to share in the cost of a "system, the expense of which may be enhanced for "Imperial purposes." He admits also that the organisation, pay, and privileges decided on by Her Majesty's Government as necessary for the army as a whole should, speaking generally, and with a reservation in particular cases, be equally applicable to Her Majesty's British forces in India. But he is entitled to ask that, when any changes are under consideration which, in the opinion of the War Office, should be extended to India, he shall be consulted before the orders are issued; and, as above shown, Parliament has reserved to him the right of deciding whether they should be so extended or not. In the present case, as the report of Lord Wantage's Committee was received early in 1892, and the order as to lance ranks was not issued till June 1893, there was ample time for a reference to this Office, and, if necessary, to the Government of India.

The Secretary of State for India in Council is glad to learn from your letter under reply that care will be taken in future to bring to the notice of this Office, as early as practicable, any intended alterations affecting the pay of the army generally; but he would beg to be informed whether he is correct in assuming that any order of this nature will not be actually issued without his concurrence, or that, if time will not admit of this, the question of its application to India will be specially guarded, as was done in the preamble to the Warrant of 1881 already quoted. Unless this can be placed beyond doubt, Mr. Fowler thinks that it would be preferable to adopt the suggestion made in the letter from this Office of the 1st March 1894, No. M 1953.

As regards the pay and establishment of lance ranks in India, the Secretary of State for India in Council is not desirous that the benefits of a measure which is in itself reasonable should be withheld from the British troops in India pending the settlement of this question; and he will, therefore, address the Government of India with a view to ascertaining their opinion, in order that, if they see no objection, the warrant may now be made applicable to India.

I have, &c.,
The Under Secretary of State, War Office. REAY.

No. 8.

(Military, No. 68.)

To His Excellency the Right Hon. the GOVERNOR-GENERAL OF INDIA IN COUNCIL.

Lance Ranks: Establishment and Pay.

India Office, London,
June 7, 1894.

My Lord,

In continuation of my predecessor's Despatch No. 24, of 1st March 1894,* I forward, for the information of your Government, copy of correspondence† with the War Office on the general question of the application to India of Army Orders having a financial bearing.

2. You will observe that the War Office call in question the right of the Indian authorities to decide whether officers and men serving in India should, or should not, have the advantage of alterations of pay, &c., which, after full consideration of all the circumstances, have been adopted by the Secretary of State for War, with the concurrence of the Commander-in-Chief, for the Army generally.

3. Against this view I have felt bound to record a strong protest. Parliament has placed in the hands of the Secretary of State for India in Council the responsibility for and control over the revenues of India, and has, therefore, secured to him the right of deciding whether any pay or other privileges sanctioned for the Army generally shall, or shall not, be allowed in India.

4. At the same time I admit that, speaking generally, and with a reservation in particular cases, the pay and organisation of the Army must be made applicable to India as to the Colonies. In this instance Lord Kimberley has already informed your Government that in the present condition of your finances, he did not feel justified in sanctioning the application to India of the Army Orders 102 and 110, of 1893, until you were satisfied that the increased expenditure could be met without inconvenience. I request that you will now take the subject into your consideration, and that you will arrange, as early as may be convenient, to apply these orders to India, of course without retrospective effect.

5. I regret much that this expenditure should have to be incurred, but on further consideration I have decided in Council that the benefits of this measure, which in itself is reasonable and calculated to promote the efficiency of the Army, cannot properly be withheld from the British troops serving in India.

I have, &c.
(Signed) HENRY H. FOWLER.

No. 9.

(Military, No. 114.)

(Extract.)

India Office London,
September 27, 1894.

16. I forward herewith copy of a further letter from the War Office,‡ on the subject of the publication of Royal Warrants and Army Orders,§ which affect the revenues of India.

[*In continuation of my Military Despatch No.* 68, *dated 7th June* 1894.]

No. 10.

(No. 30/Gen. No. 3459.)

War Office, Pall Mall, S.W.,
August 17, 1894.

Sir,

I am directed by the Secretary of State for War to acknowledge the receipt of your Letter No. M 3731 of 7th June last, further on the subject of the establishment and pay of lance ranks in India, and of the publication of Royal Warrants or Army Orders relating to the Army generally, which, if applied to the troops in India, will affect the revenues of that country.

In reply, I am to inform you that Mr. Campbell-Bannerman feels obliged to reserve to himself the right, when the necessity arises, to issue such orders, and at such times as the interests of the British Army may, in his opinion, demand. He undertakes, however, as stated in War Office letter of 16th April last, No. 30/Gen. No. 3,448, to bring to the notice of the Secretary of State for India, as soon as they are formulated, any contemplated changes of an important character in the regulations affecting the pay, clothing, and money allowances of the Army generally, in order that he may have an opportunity of pointing out any respects in which the proposals will injuriously, or, it may be, unnecessarily, affect Indian interests.

In communicating these proposals to the Secretary of State for India, Mr. Campbell-Bannerman will fix approximately the date on which he proposes to issue the regulations for carrying them into effect. Should it occur that the Secretary of State for India has not sufficient time to form an opinion as to their applicability to the Army serving in that country, I am to point out that in such a case the interests of India are already sufficiently safeguarded by the last clause in the preamble to the Royal Warrant for Pay, which exempts India from the operation of the Warrant "as "regards full pay and allowances or other pecuniary "benefits." The preamble to the Pay Warrant, which is now issued annually, is as applicable to all warrants regulating pay issued during the year as it is to the provisions of the annual Pay Warrant itself. The same rule applies to the warrants regulating allowances and clothing, the preambles to which expressly exclude the Army in India from their operation, and Mr. Campbell-Bannerman thinks it undesirable, by a constant and unnecessary repetition of that reservation, to give rise to an erroneous idea in the mind of the public that the troops are granted advantages at home and in the Colonies which are denied to them when serving in India.

I have, &c.
The Under Secretary of State for India. WM. WOODALL.

No. 11.

(No. 48 of 1895. Military Department.)

To the Right Hon. H. H. FOWLER Her Majesty's Secretary of State for India.

Fort William,
February 27, 1895.

Sir,

With reference to the correspondence ending with your Military Despatch No. 68, dated 7th June 1894 (M-3,731), we forward a statement showing the annual charges, and certain initial charges, which have been imposed upon Indian revenues in consequence of orders by the War Office, issued in all cases without the concurrence of the Government of India, and in some cases without that of the Secretary of State for India having been previously obtained. This statement includes and continues the list forwarded with our Military Despatch, No. 70, dated 25th March 1890.

2. In your letter of 7th June 1894, you have recorded a strong protest in favour of the Indian authorities having the right to decide whether officers and men serving in India should or should not have the advantage of alterations of pay, &c., which, after full consideration of all the circumstances, have been adopted by the Secretary of State for War, with the concurrence of the Commander-in-Chief, for the Army generally. You inform us, however, that you admit that speaking generally, and with a reservation in particular cases, the pay and organisation of the Army must be made applicable to India as to the Colonies. In this we feel obliged to concur. Perhaps no better example of this can be found than in the item in our list, "1893, Revision of Farriery Establishment of "British cavalry regiments in India, about Rs. 20,000." The Commander-in-Chief in India submitted proposals to us, in 1892, for the revision of the farriery establishments of British cavalry in India, which would, in his opinion, lead to increased efficiency while making a substantial reduction in the cost of those establishments. These we forwarded to you with our recommendation for their acceptance; but, before your reply had reached us, the War Office had issued orders increasing the farriery establishments of British cavalry regiments in India. We pointed out that all the advantages considered necessary by the Commander-

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* M. 3,731.
† From War Office, dated 16th April 1894.
To War Office, dated 7th June 1894.
‡ M. 7,938. § Printed.

in-Chief would be obtained by the system advocated by him with a saving to our estimates. But after consultation with the War Office you decided that we must accept, for British cavalry regiments in India, the establishment sanctioned for British cavalry regiments at home, and our estimates were saddled with an increased expenditure of Rs. 20,000 per annum, which was not in our opinion necessary for the efficiency of these regiments in India.

3. We feel that it is useless for us to combat the alterations in the establishments, rates of pay, and privileges sanctioned by the War Office for the British Army, but there is one thing, we think, we are, at least, entitled to ask, and we trust that you will urge this upon the attention of the War Office.

4. Our Military Budget Estimates are framed here with the utmost possible accuracy. In ordinary years no margin is left out of which to provide for extra expenditure; full establishments are not estimated for, as deduction is made for the average number short of strength. When, therefore, the War Office suddenly springs upon us an order, the carrying out of which would involve increased expenditure, we have, as a rule, to adopt one of two courses, either to defer, if it be possible, the expenditure until provision can be made in the estimates of the following year, or to obtain a fresh grant. The former course, in the case of concessions to the troops, causes great discontent. Of this, delay in the introduction of the Garrison Artillery scheme in India is an example. The two last items in our list "Excess of British troops in India "caused by home authorities sending out larger drafts "of men than the Government of India asked for," and "Changes made by the War Office in the British "Cavalry Relief Programme," are examples of the latter course being necessary. The excess of 1,500 British troops, due to the War Office having sent out that number beyond our demands, has led to expenditure of Rs. 70,000 a month beyond that provided for in our estimates under this head.

5. We would ask that when it is intended by the War Office to make concessions to troops, or other alterations which would involve expenditure in India, these concessions or alterations should not take effect till the 1st of April following the decision to introduce them, and that we should be informed that such concessions or alterations are intended to be made in sufficient time to enable us to make provision in the estimates. The existing system interferes with the correctness of our estimates, and at a time of financial pressure, such as the present, causes serious inconvenience to this Government.

We have, &c.

(Signed) ELGIN.
" A. E. MILLER.
" H. BRACKENBURY.
" C. B. PRITCHARD.
" J. WESTLAND.
" A. P. MACDONNELL.

List of Enclosure of Despatch No. 48 (Military), dated 27th February 1895, from the Government of India, in the Military Department, to Her Majesty's Secretary of State for India.

Serial No.	Number and Date of Paper.	From whom or to whom.	Subject.
1	—	—	Statement showing the annual charges which have been imposed upon Indian revenues, in consequence of orders by the War Office, issued in all cases without the concurrence of the Government of India, and in some cases without that of the Secretary of State for India having been previously obtained.

(Signed) P. J. MAITLAND,
Deputy Secretary to the Government of India,
Military Department.

Enclosure of Despatch No. 48, dated 27th February 1895.

Enclosure No. 1.

STATEMENT showing the annual charges, and certain initial charges, which have been imposed upon Indian revenues, in consequence of orders by the War Office issued in all cases without the concurrence of the Government of India, and in some cases without that of the Secretary of State for India having been previously obtained.

Year.	Particulars of Charges.	Amount.	Remarks.
		£	
1864-65	Increased rates of pay to medical officers, British service, in India.	20,000	
1864-65 -	Revised scale of clothing and compensation to British Army.	20,000	
1865-66 -	Increased rates of pay to veterinary surgeons.	3,500	
1866-67 -	Gymnastic instruction for British troops.	15,000	
1867-68 -	Increase of 2*d.* a day to the pay of British soldiers and an additional penny on re-engagement.	250,000	
1867-68 -	Formation of skeleton companies of Royal Engineers in India.	2,500	
1868-69 -	Increased pay to paymasters, quartermasters, and riding-masters of British regiments.	15,000	
1870-71 -	Grant of good-conduct pay at earlier periods to British soldiers.	35,000	
1871-72 -	Introduction of instruction in army signalling and telegraphy.	4,000	
1871-74 -	Introduction of garrison instruction.	27,000	
1871-74 -	Appointment of additional subalterns to regiments in India, to allow others to attend the course of garrison instruction.	2,500	
1873-74 -	Improvements in British Army schools in India.	7,000	
1873-74 -	Grant of band allowance to British regiments in India.	14,720	
1873-74 -	Re-adjustment of ranks of the British Medical Service in India.	48,000	
1874-75 -	Revised rates of pay of British troops in India.	64,000	
1875-76 -	Grant of pay of rank to majors of Royal Artillery and Royal Engineers in India.	27,000	
1876-77 -	Increased pay of non-commissioned officers and lance ranks.	40,000	
1876-77 -	Prospective charges for deferred pay, the maximum to be reached being—	211,000	
1876-77 -	Promotion of British medical officers after 12 years' service and non-effective charges by changes in the rules for compulsory retirement.	29,000	
1879-80 -	Re-adjustment of veterinary surgeons' pay.	1,900	
1880-81 -	Re-organisation of Army Medical Department non-effective charges.	13,320	
1881 -	Fresh charge for the pay of non-commissioned officers and men (caused by the Royal Pay Warrant of 25th June 1881).	30,000	
1881 -	Addition of a 2nd lieutenant-colonel and two majors to each regiment of British cavalry and infantry.	46,000	
1882 -	Increased allowances to quartermasters and riding-masters in India.	1,200	
1882 -	Bounty to time-expired men for extending their service with the colours.	7,000	(Initial).
		Rs.	
1883 -	Increase to the annual allowance of practice ammunition of British troops in consequence of a similar increase having been authorised for the British troops at home.	2,50,000	(Approximate)
1885 -	Issue of extra ammunition to British corps for volley firing at extreme ranges and for field firing in consequence of a revised scale having been laid down in the revised Musketry Regulations.	28,620	
1885 -	Issue of revolver pistols in lieu of carbines to farriers of British cavalry regiments.	—	Cannot be stated.
1886 -	Increased allowance of practice ammunition for British troops in India owing to a representation from the Secretary of State for War to the Secretary of State for India.	70,000	(Approximate).

Year.	Particulars of Charges.	Amount.	Remarks.
		Rs.	
1888 -	Application to India of clause 5248, War Office List of Changes (steps for R. M.-L. platforms).	7,000	(Initial.)
1889 -	Increased allowance of practice ammunition to batteries of horse and field artillery in India, with reference to clause 170, of War Office Army Orders, dated 1st April 1888.	50,000	(Approximate).
1889 -	Revised programme of garrison artillery reliefs to be carried out during the year 1889-90 in consequence of alterations made by the Horse Guards.	26,656	Initial.
1891 -	Amendment of the regulations for the commutation of army pensions. (Soldiers permitted to commute their pensions at more liberal rates).	5,000	(For 1892-93).
1893 -	Introduction of the garrison artillery scheme in India, about—	1,41,000	
1893 -	Abolition of ration stoppages on boardship.	24,200	
1893 -	Revision of farriery establishments of British cavalry regiments in India, about—	20,000	
1893 -	Introduction of the squadron system of organisation into British cavalry regiments in India.—Immediate extra expenditure, Rs. 5,100, and ultimate extra expenditure.	393	
1893 -	Pay of inspectors of army schools in India.	—	Cannot be stated at present.
1893 -	Extension to India of the good-conduct pay regulations contained in the Royal Warrant, pay, of 28th March 1893.	50,000	
1894 -	Revision and extension of the conditions on which pay is given to men holding lance rank as corporals and bombardiers in the British Army.	1,00,109	
1894 -	Excess of British troops in India caused by home authorities sending out larger drafts of men than the Government of India asked for.	70,000	(Per mensem).
1894 -	Changes made by the War Office in the British cavalry relief programme.	30,826	(Initial).

No. 12.

(Military, No. 56.)

To His Excellency the Right Hon. the GOVERNOR-GENERAL OF INDIA IN COUNCIL.

Charges imposed on Indian Revenues in consequence of orders by the War Office.

India Office, London,
May 16, 1895.

My Lord,

I have considered in Council your Excellency's Despatch No. 48, of 27th February 1895,* forwarding a statement of the charges which have been imposed on Indian revenues in consequence of orders by the War Office, issued in all cases without the concurrence of your Government, and in some cases without that of the Secretary of State for India having been previously obtained.

2. Having regard to the correspondence ending with the War Office letter† of the 17th August 1894, I do not think it desirable at present to enter on any further discussion with the War Office on this subject, or to urge upon the Secretary of State for War your proposal that any concessions or alterations of pay which may be decided on should not take effect till the 1st April following the decision. Both the rights of the soldier and the interests of India appear to the sufficiently safeguarded by the undertaking given in the above letter, by the preamble to the Royal Pay Warrant, which, as stated by the War Office, "is as applicable to all warrants regulating pay issued during the year as it is to the provisions of the annual Pay Warrant itself, and by Articles 362 and 799 of Army Regulations, India, Vol. I., under which War Office warrants or circulars do not come into force till they are made applicable to India by the Governor-General in Council.

3. As regards the last two items in the statement, I do not think any exception can be taken to the action of the War Office. As the annual requirements of India are usually from 10,000 to 12,000 men, the average strength of the Indian establishment cannot be maintained without a slight excess at some time of the year. The Home charges being paid at a fixed rate per man on the establishment, the result of a deficiency would be that India would have to pay 7*l.* 10*s.* for each man short, getting nothing in return. As it is, India bears the Indian expenses of those actually in India, without any of the home charges for those in excess of the establishment. The change in the cavalry relief was due to the requirements of the service. In similar circumstances your Government might possibly send home in the first troopship of the season a regiment which was noted in the programme as arriving at a later date; an extra charge would thus be imposed on the War Office, which would not, however, have on this account any just cause of complaint.

4. I think your Government will agree with me that the inclusion of these items, and perhaps a few others which the War Office might fairly question on similar grounds, tend to weaken the force of the argument against the action of that Department, and that it would be well to omit them from similar statements in future.

I have, &c.
(Signed) HENRY H. FOWLER.

No. 13.

(No. 154 of 1895. Military Department.)

To the Right Hon. LORD GEORGE FRANCIS HAMILTON, Her Majesty's Secretary of State for India.

Simla, August 20, 1895.

My Lord,

We have received and considered Sir Henry Fowler's Military Despatch No. 56, dated the 16th May 1895 (M. 2725), relative to the charges imposed on Indian revenues in consequence of orders by the War Office, issued without the concurrence of the Secretary of State for India, or of the Government of India having been previously obtained.

2. In now asking that our Military Despatch No. 48, dated the 27th February 1895, and the subsequent correspondence may be laid before the Royal Commission on Indian Finance, we would observe that the reservation mentioned in the second paragraph of your Lordship's predecessor's despatch above referred to, to the effect that War Office warrants or circulars do not come into force in India till they are made applicable in this country by the Governor-General in Council, is of little practical use, as it is not possible for the Government of India, without causing discontent, to withhold from British officers and soldiers serving in India concessions granted to the army by Royal warrants in operation in England.

We have, &c.
(Signed) ELGIN.
G. S. WHITE.
A. E. MILLER.
H. BRACKENBURY.
J. WESTLAND.
A. MACKENZIE.
A. C. TREVOR.

PAYMENTS TO THE WAR OFFICE ON ACCOUNT OF ARMY CHARGES.

The payments made by India to the War Office on account of the British forces serving in India are divided into two classes, for effective and non-effective services.

2. By law the East India Company had, and consequently the Secretary of State in Council has, to pay the whole of the expenses connected with the British troops serving in India, from the date of their departure from, to the date of their return to, this country (see paragraphs 1 to 5 of the Abstract of Correspondence contained in the Appendix annexed to this Note).

3. Besides this, however, the Company had to defray the proportionate cost of recruiting and maintaining depôts for training recruits (paragraphs 12 to 17 and

* M 2725.
† Paragraph 16 of my Despatch No. 114, of 27th September 1894.

20 to 35). After the assumption of the direct government of India by Her Majesty, the Home charges were greatly increased, owing to the longer period of training and more expensive staff maintained at the depôts; and various committees were appointed with the view of determining either a capitation rate on the establishment in India or a charge per man supplied, which would fairly represent the proper payments by India (paragraphs 36 to 47).

4. Remonstrances were, however, made on the part of India, that she ought not to be burdened with the excessive cost caused by changes in the organisation of the Army, arising out of the peculiar requirements of England (paragraphs 48 and 50 to 55); while the War Office maintained that its difficulties and expenses arose primarily from the demands of India (paragraph 49).

5. The question was brought before a Select Committee of the House of Commons in 1874, which, while insisting on the constitutional right of the Secretary of State in Council to protest against charges improperly thrown on India, expressed its opinion that, as a component part of the Empire, India must be prepared to share in the cost of a system of which the expense might be enhanced for Imperial purposes (paragraph 56).

6. The expense debitable to India was considerably augmented by the report of a Committee over which Mr. Bouverie presided (paragraphs 59 to 66); but the Government of India demurred to many of the War Office charges (paragraphs 58 and 67); and they complained that they were made to bear the ordinary expenses of troops sent from India on foreign expeditions in which she was not interested, and did not receive a compensating allowance for the soldiers training in England at India's expense (paragraph 68); and the India Office refused to accept the report as final (paragraph 76).

7. Another element of dispute was the short service system, India declaring that it was detrimental to her as well as very expensive (paragraphs 70 and 72 to 75), and the War Office insisting on their difficulties caused by the needs of Indian service (paragraphs 69 and 71).

8. At length the Treasury intervened, owing to the state of arrear into which the payments had fallen through the objection of the India Office to pay the increased demands. Arrears were wiped out, and Lord Northbrook's Commission was appointed to fix a capitation rate (paragraphs 78 to 80).

9. The Government of India have, however, constantly maintained their objection to the heavy charges thrown upon India by the system of treating the two countries as partners with rateable shares of the expense (paragraphs 81 to 85), and by the short service system (paragraph 89).

10. Lord Northbrook's Commission made various reports, under which the claims from 1879–80 to 1889–90 were settled by the payment of specific sums, and those for 1890–91 and 1891–92 by the adoption of a capitation rate of 7*l.* 10*s.* per man on the establishment (paragraphs 86, 90, 92, 94, and 97).

11. The War Office, on the other hand, press for the inclusion of the full charge for certain (cavalry, &c.) depôts, which would not be maintained but for the wants of India, and decline to accept only a charge per man supplied, as in the case of the infantry depôts (paragraphs 97 to 108).

12. The India Office, while desirous of having a capitation rate fixed, has urged that the views of the Government of India must be considered, and demurred to the assumption of the War Office that the charge, exclusive of deferred pay, should not be less than 600,000*l.* (paragraph 99).

13. The views of the Government of India have been elaborately set forth in a letter and memorandum of 1890 (paragraphs 109 to 116). The Treasury for a long time refused to let Lord Northbrook's Commission consider this letter, in opposition to which the War Office expressed very strong view (paragraphs 117 to 120); and, eventually, the latter amended their claims for 1887–88 and subsequent years, so that the Commission merely adjudicated on the arithmetical correctness of the amount due, which they found to be approximately equal to a capitation rate of 7*l.* 10*s.* on the establishment (paragraph 121). And hence this capitation rate has been applied to all the recent accounts settled up to the present date.

14. A statement of the amounts paid for effective services is given in paragraph 122, and in 123 there is a table showing how the expenses of foreign expeditions furnished from India have been divided between the two Governments.

15. The non-effective services were from 1824 to 1861 defrayed under Act of Parliament, by a payment of 60,000*l.* a year (paragraph 124); but, after the assumption of the direct government of India by the Crown, the charge was greatly increased. From 1861–62 to 1869–70 a capitation rate of 3*l.* 10*s.* per man on the establishment in India was paid (paragraph 126); and since 1870–71 India has paid her rateable share, according to service, of each pension. At first she paid at once her full share of the capitalised value of each pension when issued (paragraphs 126, 127), but the Treasury becoming dissatisfied with the arrangement, a plan was adopted, with effect from the 1st of April 1884, by which every pension when granted is actuarily valued, and India pays the amount due for her share in each year, according to the chances of life (paragraphs 134 and 137).

16. The Government of India has, however, continually objected to any rateable division, as imposing an undue charge on the revenues of India; they maintain that, as a question of partnership, India, as a poor country, should not be put on a level with the rich country of England; that the former is treated unfairly in regard to the cost of foreign expeditions; and that, in particular, India ought not to be charged with a rateable proportion of the heavy pensionary system of England, which arose from the abolition of Army Purchase (paragraphs 131–2 and 135). But the India Office has given reasons for not pressing this line of argument on the British Government (paragraph 136).

17. In paragraph 138 there is a table of the payments made for non-effective services since 1861.

18. From the Second Report of the Committee on Public Accounts, the evidence given to which is just published, it is clear that the Treasury and War Office think that they are insufficiently paid by India for army services, and are hoping for some tribunal to be instituted which will award them a larger contribution. On the other hand, the letter received yesterday from the Government of India urges that an independent Commission should be appointed, in the evident belief that the result will be to reduce the charge upon Indian revenues. Parliamentary Paper, 255 of 1893. Question 162–63, 178–82.

22nd August 1893. H. W.

SUB-APPENDIX.

Effective Services.

1. The Act of 1781, which continued the United Company's right of exclusive trade to the East Indies, provided that the Company should pay to the King "in the East Indies, two lacks of current rupees per "annum for each and every regiment consisting of "1,000 men, already sent or hereafter to be sent by "His Majesty, his heirs and successors, to the East "Indies, on the requisition of the said United "Company; over and above the extraordinaries now "borne and defrayed by the said United Company, "and in that proportion for any greater or less number "of men, and for any greater or less space of time, "such payment to be computed, with respect to the "forces already sent, from the 24th day of June 1781, "and, with respect to such forces as hereafter shall be "sent to the East Indies, from the time of the "embarkation of such forces, and shall be paid until "the return of the said regiments to Great Britain." Act 21 Geo. III. c. 65. s. 17.

2. In 1781 the East India Company were empowered to enlist men to serve as soldiers in India, "and to "deposit and keep such men, not exceeding 2,000 at "any one time in time of war, and 1,000 at any time "in time of peace, at such place or places in any part "of His Majesty's dominions in Europe as shall be "approved of for that purpose by His Majesty, until "they can be sent to India." Act 21 Geo. III. c. 65. s. 32.

3. This arrangement was, however, altered in 1788, by the Act which recited that, "Whereas . . doubts "have been raised whether the said Commissioners" (*i.e.*, for affairs in India) "are . . empowered at any "time to direct that the expense of raising, trans-"porting, and maintaining, such forces as may be "judged necessary for the security of the British "territories and possessions in the East Indies, shall "be defrayed out of the revenues arising from the "said territories and possessions, unless such troops "are sent at the express requisition of the East India "Company," . . . . "Therefore . . be it enacted Act 28 Geo. III. c. 8.

" . . . that the said Board of Commissioners for " the affairs in India . . is . . . fully authorised " and empowered to order and direct that all the " expenses incurred or to be hereafter incurred for " raising, transporting, and maintaining, such forces " as shall be sent to India for the security of the said " territories and possessions, shall be paid, defrayed, " and borne out of the revenues arising from the said " territories and possessions." The troops were, however, to be limited to 8,045 of His Majesty's forces and 12,200 of the European forces of the East India Company, including officers in both cases. In 1791 this force was increased by 2,682 men, including officers.

Act 31 Geo. III. c. 10.

Act 33 Geo. III. c. 52. s. 127.

4. In 1792 an Act was passed, which, after reciting the arrangements under the Acts of 21 Geo. III. c. 85, s. 17, 28 Geo. III. c. 8 and 31 Geo. III. c. 10, referred to the question of accounts between the Company and the public, with special reference to the "Expedition against the Manhillas" in 1762, and the cost "of sup- " porting a number of prisoners during the war of " that period, and supplying hospitals for His Majesty's " troops in India," and directed a final settlement up to 24th December 1792. After that date, it was provided by s. 128, that "all sums issued by the . . . " Paymaster-General of His Majesty's Forces, for " and on account of His Majesty's Forces, serving in " India, or for raising and supplying recruits for the " same, shall be repaid by the . . . Company; and " that the actual expenses only which since the said " 24th day of December 1792 have been, or which here- " after shall be, incurred for the support and main- " tenance of the said troops, shall be borne and " defrayed by the . . . Company."

Act 39 Geo. III. c. 109.

5. By an Act of 1799 His Majesty was authorised " to levy, enlist, and raise such number of men as from " time to time His Majesty shall think fit, for the " special purpose of serving in the East Indies, either " in His Majesty's troops, or in the forces of the said " United Company"; and, on the petition of the Court of Directors, to transfer such recruits or soldiers to the Company's service, the Company were to pay such sums as might be agreed upon, "to reimburse the " expense of raising such recruits and soldiers as shall " be transferred into the service of the . . . Company " in manner hereinbefore mentioned; and . . . over " and above such sum, the . . Company shall " in like manner pay . . . the costs of the sub- " sistence of each recruit, from the time of his enlist- " ment to the time of his being delivered over to the " . . . Company." The number of non-commissioned officers and men to be in the Company's pay at any one time was not to exceed 2,000; and not more than 3,000 were to be at any one time maintained by the King for transfer to the Company's forces.

6. In 1805 a select committee of the House of Commons was appointed to consider "the account " between the public and the East India Company," the Company claiming from the public (or as it would now be termed, the Government), 8,570,336*l.* on account of demands accrued between 1794 and 1803, and "the demands of the public on the Company, con- " fined to the account of the Paymaster-General for " expenses attending King's troops serving in India," amounting to 1,553,600*l.* accrued from 1793 to 1803 inclusive.

The decision of the Committee on each head was " influenced partly by a consideration of the precise " orders issued at the time of directing those services, " partly by the nature of the services themselves, and " partly by a consideration of the proportionate share " of advantage from, or duty to perform, the services " in question, which appeared to your Committee " naturally to attach to the public and the Company " respectively, according to the best view they could " form of their relations, duties, and interests, within " the sphere of these operations." And they accordingly threw "the several heads of charge into three " classes: the first falling exclusively on the public; " the second exclusively on the Company; and the " third falling equally upon both."

7. In this view, the various expenses were thus arranged:—

First Class—chargeable to the Public.

"Expenses incurred by the East India Company, in India and England, for the intended expedition to the French Islands, and for the expedition against and supplies to the Cape of Good Hope";

"for the intended expedition against Manilla";

"for the purchase of vessels for His Majesty's Navy, repairs to King's ships, &c.";

"by the capture of the Danish settlements in India in 1801";

"Extraordinary expenses incurred by the East India Company, by the expedition to Egypt, over and above the charge of the troops in India";

"Ceylon balance of property, December 1801, and remittances from India subsequent to that date; also the expense of the capture of the said Island."

Second Class—chargeable to the Company.

"Expenses incurred by the East India Company, in consequence of various captures made from the French and Dutch, on the Peninsula of India, including subsistence of prisoners";

"Expense of King's troops in India, beyond the number authorised by Acts of Parliament."

Third Class—to be equally divided.

"Expense incurred by the capture and maintenance of Malacca and the Moluccas, and for the maintenance of Ceylon, deducting the profit on spices."

The result was to leave a balance of about 2,300,000*l.* due to the Company."

Parliamentary Paper, 261 of 1808, p. 6.

8. Further claims having arisen, another select committee appointed in 1808 added to the first class, chargeable to the public, the following claims:—

"Expenses incurred in India on account of the Chinese settlers at Trinidad;

"Expenses incurred on account of the expedition to the Cape of Good Hope in 1805;

"Supplies for the expedition against Buenos Ayres"; and also "the charge of prisoners of war taken at sea by His Majesty's ships," which they held to be debitable to the public, in accordance with the Act of 1792, s. 127.

They further recommended the repeal of clause 128 of that Act, "which enacts that the Company shall be " chargeable with all the recruiting and other expenses " incurred in England for regiments in India (which " in practice has been found so difficult to adjust), " and substituting other provisions which might sim- " plify the mode of stating the account, and conse- " quently facilitate its frequent and early adjustment, " and at the same time secure to the public an equit- " able compensation for that portion of its military " expenditure." They also drew attention to the claims of the company, amounting to 1,972,984*l.*, in connexion with the capture and maintenance of Malacca and the Moluccas, and the maintenance of Ceylon, which had been set aside by the method adopted by the Committee of 1805.

Act 50 Geo. III. c. 97.

9. An Act of 1810 permitted the levy of troops, "either for life or limited service," to the extent authorised by Act 39 Geo. III. c. 109, "for the special " purpose of serving in the East Indies in the forces " of the said United Company only."

Act 53 Geo. III. c. 155. s. 87.

10. In 1813 it was enacted that the limit of His Majesty's Forces in India should be 20,000, including officers, "unless any greater number of His Majesty's " Forces shall be sent to the East Indies . . . . " on the requisition of the . . . . . Court of " Directors, in which last case it shall and may be lawful " for the . . . . Commissioners to give and approve " such orders and directions, for paying, allowing, and " defraying, such sums aforesaid, in respect to such " additional forces of His Majesty so to be sent on the " requisition of the said Company."

Act 3 Geo. IV. c. 93.

11. In 1822 a final settlement of accounts to the 30th of April in that year was decreed.

Report of Sir A. Tulloch's Committee; House of Lords' Paper, 165 of 1860, p. 8 and 19-20.

12. "In 1824 certain regulations were established " between the Treasury and the India House, for the " adjustment of all charges incurred in this country " on account of the British forces in India," by which " the men required to fill vacancies, so far as they " could best be provided by volunteering in India, " were obtained in the several recruiting districts of " the United Kingdom," "and their expenses as well " as those of all the district staff, were then divided " proportionately, according to the number of recruits " raised, or to the amount issued for the pay, &c., " of those on the Indian and British establishments " respectively." In referring to these regulations at a subsequent date, Sir A. Tulloch's Committee illustrated the working of the arrangement by a reference to the September quarter of 1856, in which the net charge for pay, &c., shown on the pay lists, was 17,896*l.* 15*s.* 6*d.*, of which India's share was 9,753*l.* 1*s.*,

and, therefore, the total of the staff charges in the four districts (Liverpool, London, East India Depôt, and Cavalry Depôt at Maidstone) being 3,949*l.* 11*s.* 6*d.*, the amount to be paid by India was found to be 2,141*l.* 11*s.* 11*d.*; and, as the number of recruits raised during the quarter was 480, the staff charge was 4*l.* 9*s.* 3*d.* per recruit.

13. "For the purpose of receiving and training these recruits when they arrived from the districts, small depôts of cavalry and infantry were kept up at Maidstone and Chatham, where the recruits remained till considered fit for embarkation; and the expenses of the staff there also were borne in like manner by India. When the outbreak of the Mutiny took place in 1857, however, the establishment of these depôts was on so low a scale* . . . that they involved comparatively little expense, the whole of the cavalry, even when recruits were numerous, rarely exceeding half a regiment, and the whole of the infantry, with recruits rarely averaging more than from 1,100 to 1,200 men, for whom the staff of a battalion was considered ample as at that time about one-fourth of all the vacancies were usually filled up by volunteering in India."

14. "In 1857, the cavalry having already a larger depôt than the infantry, and the service being also a more favourite one, no increase was required to it; but the depôt of infantry, on which arm the greatest demand was anticipated to fill vacancies, was raised to the establishment below,† that large augmentations might be in readiness for the Indian army, if wanted. Upwards of 40 battalions were also sent to India, leaving behind them depôts of the above force, so that at one time nearly 19,000 men were paid by India, though available in this country."

15. Even after the emergency had ceased, the authorities did not consider it "expedient that the depôt "establishments of Indian regiments should be re- "duced lower than 90 privates, with the same officers "and non-commissioned officers as above, who, with "an average of 40 or 50 recruits constantly in this "country under instruction, and supposed to be sent "out to India twice a year, would make the total very "nearly 10,000 men. Thus, the force for which the "staff of one regiment formerly sufficed," had "swelled "into the proportions of an army," with "considerable "increase in the departmental expenses, as well as in "the general, commissariat, and medical superintend- "ing staff, and in the cost of religious establishments "and military asylums."

Report of Sir A. Tulloch's Committee; House of Lords' Paper, 165 of 1860, p. 21.

16. When the arrangement of 1824 was being made, the cost of rent or barrack accommodation was thus worked out:—

——	Infantry, at Parkhurst or Portsmouth.	Cavalry, at Maidstone.
Officer, for one year:—	£ s. d.	£ s. d.
Coals, 133½ bushels	6 3 7	5 19 10
Candles, 53 lbs.	1 5 2½	1 4 7½
Wear and tear of furniture, 10 per cent.	0 14 4	0 14 4
	8 3 1½	7 18 9½
Rent	6 0 0	6 0 0
Total, per officer	14 3 1	13 18 9

——	Cavalry.	Infantry.
Captain	1	1
Lieutenants	2	2
Ensign	—	1
Colour-Sergeant	—	1
Sergeants	9	5
Trumpeters	4	—
Drummer	—	1
Corporals	—	5
Privates	28	—

† Captains 2
Lieutenants 2
Ensigns 2
Sergeants 10
Drummers 4
Corporals 10
Privates 190

——	Infantry, at Parkhurst or Portsmouth.	Cavalry, at Maidstone.
Men: 12 per room for infantry; 8 per room for cavalry:—	£ s. d.	£ s. d.
Coals, with dipped candles	0 12 2½	0 17 9½
Straw, 144 lbs.	0 2 3½	0 3 7
Brooms, 52	0 1 1	0 1 7½
Wear and tear of bedding, furniture, and utensils, 50*l.* for 100 men, 12½th	0 10 0	0 10 0
	1 5 6½	1 13 0
Rent	0 10 0	0 12 0
Total, per man	1 15 6	2 5 0

17. The numbers to which the Company's forces were limited were raised in 1853 to 20,000 in India, including officers, and to 4,000 non-commissioned officers and private soldiers in England; and this limit was further extended in 1859, by an Act which empowered the Secretary of State in Council to maintain in India 30,000 European troops for the Indian army of Her Majesty, excluding commissioned and non-commissioned officers, and in England 6,000 non-commissioned officers and private men.

Act 16 & 17 Vict. c. 95. s. 31.

Act 22 & 23 Vict. c. 27.

18. By the Act of 1858 for the better government of India, the revenues of India must not, without the consent of Parliament, be applied to defray the expenses of any military operations beyond the external frontiers, except for preventing or repelling actual invasion, or under other sudden and urgent necessity. The power to have a separate European force for the local service of Her Majesty in India was repealed in 1860; and the transfer of the local soldiers to the general forces was rendered legal in 1861.

Act 21 & 22 Vict. c. 106. s. 55.

Act 23 & 24 Vict. c. 100. Act 24 & 25 Vict. c. 74.

19. The effective strength of British regiments serving in India, on the 1st of April, during the 24 years from 1834 to 1857, averaged 24,133, the minimum being 17,345 in 1839, and the maximum 29,480 in 1851. The East India Company's forces, during the 40 years from 1818 to 1857, averaged 11,758, the lowest numbers being 9,275 in 1819, 9,353 in 1820, and 9,354 in 1839, and the highest being 16,241 in 1856.

20. In 1860 a committee, under the presidency of Sir Alexander Tulloch, was appointed to consider whether the payments by the Indian Government could not be based on "an average rate proportioned to the number "of British troops serving from time to time in the "territory," and "to arrive at the proper average "charge on account of effective services for a given "number of men." The specific questions put for the Committee to consider were,—

"(1.) The annual payment required to reimburse the British Exchequer for the charge incurred in Great Britain in raising troops for service in India, including the expense of the depôts of Indian regiments, the pay of officers on leave of absence, and generally every expense, exclusive of the charges comprehended under the second head, and of passage money and expense of transport. The rate to be fixed separately for infantry, cavalry, and artillery, so as to meet any alterations which may be required from time to time in the respective numbers of these arms employed in India, and to be, for every 1,000 men serving there, determined by the average of 12 monthly musters.

"(2.) The annual payment required per 1,000 men in India of all arms of the service, to meet the charge of pensions to discharged soldiers pensions to officers wounded in action, retired full pay, or other military allowance on retirement; and pensions to widows of officers, compassionate allowance to children, gratuities, and other dead-weight charges."

21. The Committee were also desired to "consider "whether it would not be practicable to fix a certain "annual charge per 1,000 men, to be paid out of the "Indian revenues, to cover the expenses of passage

" money of officers and transport of troops to and from " India, leaving all the arrangements for that service " entirely in the hands of the War Department."

Lords' Paper, 165 of 1862, p. 7.

22. The payments made in England by the East India Company to Her Majesty's Government, on account of the British regiments employed in India from 1834 to 1857, had been as follows:—

	£
For depôts and recruiting districts,—	
Pay of men, levy money, &c. -	1,638,736
Staff officers and expenses - -	391,890
Barrack accommodation - -	82,109
Forage - - -	37,759
For regimental agents' expenditure,—	
Pay of officers, agency, &c. - -	2,093,137
Pay of non-commissioned officers and men of regiments going or returning, for the period of the voyage only - - -	202,719
Total for 24 years -	£4,446,350
	£
Or an average per annum of -	185,264
To this was added, "for the differ- " ence in the number of men " embarked for and disembarked " from India, whom it has been " the practice to pay for at an " agreed rate per man, in order " to compensate the British Go- " vernment for the cost of re- " placing soldiers who volunteer " to remain, or for any diminu- " tion from other causes in the " numbers of a regiment com- " pared with its strength when " originally embarked for that " country" - - -	9,907
	£195,171

"The average number of troops then in India was " 2,988 cavalry and 21,146 infantry, or 24,134 of all " ranks," which indicated "an average expenditure of " about 8,000*l.* annually for every 1,000 men of those " arms serving in India, whereof it is computed that " about 12,319*l.* was for cavalry, and 7,391*l.* for infantry, " respectively."

23. But, owing to the important changes which had taken place, particularly since the Mutiny, which added greatly to the charge, it was necessary to consider the reasons for that increase. After reciting the arrangement of 1824, and the increased cost of the depôt establishments, their remarks on which have been quoted above, the Committee proceeded to discuss the question of rent or barrack accommodation. They could not find the reason for accepting in 1824 "an " amount which, according to the expenditure of the " present day, would not have sufficed to keep the " buildings in repair; . . . . most probably " the original cost was altogether left out of consi- " deration." "The actual cost of barracks for different " arms, all of which have been constructed within the " last 12 years," had averaged 86*l.* 15*s.* 9*d.* per man " of all arms; and, "assuming 5 per cent. on this " outlay as a fair consideration in the form of rent, and " to provide what is required to keep the barracks in " repair, with a sinking fund also to rebuild them " when necessary, 4*l.* 8*s.* 6*d.* per annum would have to " be charged for each man's accommodation; no extra " rate would be required for the officer, as the cost of " accommodation for all ranks is included together."

Ditto p. 8.

24. For coal and candles, wear and tear of bedding, furniture, and utensils, straw for the beds, and brooms for sweeping the rooms, the rates were retained, "because, though the fuel and light consumed in " barracks has been considerably increased by the " regulations of late years, there is good reason to " suppose that the price of the issues has diminished " in nearly a corresponding degree; but, as the number " of officers has been doubled and the Staff increased, " a charge to the extent of at least 30*l.* a year must be " added for extra fuel and light to each depôt on that " account, or about 3*s.* 8*d.* per man for the 164 who in " infantry are likely to constitute its average strength, " with recruits and invalids."

25. The barrack staff being taken at 5*s.* 3*d.* per man, the total cost was thus stated:—

	£	*s.*	*d.*
" Rent per man of all ranks - -	4	8	6
" Coal, candle, and other barrack ex- expenses - - -	1	5	6
" Extra charge for coal, candle, &c., for increased number of officers beyond the old depôt establishment, equal to per man of all ranks, say - - -	0	3	8
" Proportion of cost of barrack staff -	0	5	3
" Per man of infantry -	£6	2	11

"A slight addition might be required for cavalry, but it is too small to be made a matter of account at present."

26. "The cost under the above heads will be found almost identical with the allowance of 4*d.* per day, or 6*l.* 1*s.* 8*d.* annually, granted for each soldier when, being billeted, he is supplied with the same accommodation and issue by publicans and private establishments instead of by the Government, and which rate the British Treasury seems to have good right to exact from others as they have to pay it themselves."

27. The average rate paid under the arrangement of 1824 was found from the accounts to have been about 2*l.* 5*s.* per man of all ranks; so that the increase proposed was 3*l.* 17*s.* 11*d.* per man. This would give 600*l.* a year, on an establishment of 114 non-commissioned officers and privates, and 40 recruits sent out twice a year.

Lords' Paper, of 1863, p. 12.

28. The cost of a free kit on enlistment, which had recently been allowed, was 3*l.* 6*s.*, against which had to be set a reduction of about 1*l.* in levy money, giving an increase of 2*l.* 6*s.*, "which, for 80 recruits a year, " the estimated number required, with volunteers, to " keep a regiment of 1,000 men in India up to its " establishment, would be 184*l.*"

Ditto, p

29. But the Committee further showed that "the " cost of an infantry recruit, by the time he is em- " barked for India, exclusive altogether of the depôt " establishment (except staff), and supposing the " average period of his training to be 4½ months," was 30*l.*, while the payment per man for the difference between the strength of regiments proceeding to and returning from India had only averaged 14*l.* 5*s.*, at which cost, therefore, India had retained volunteers for her service; "and, as the men who go out with " their regiments to India are thoroughly formed " soldiers, and generally in the highest state of " efficiency and discipline, it is obvious that they can " never be sufficiently paid for at a lower price than " an ordinary recruit." Supposing then that "the " difference between the numbers embarked and dis- " embarked were brought so low even as 20 men per " regiment annually, there would be an expense to be " provided beyond that of the previous 24 years to the " extent of 20 × 16, or 320*l.* for each depôt." "A " further addition is still required, however, as the " troops sent out are of very different standing, in " respect of service, to those who return—the former " being for the most part men of four or five years' " service, while many of those who return are between " 15 and 20, so that usually they require being " replaced by new levies at the expense of the Home " Government within a few years, often within a few " months after their return. In fact, a process has " thus been going on for many years of exchanging " young lives for old ones, much to the disadvantage " of the British Treasury, and which can only be " obviated by regulating the amount to be allowed for " soldiers returning, not by their actual number, but " by the proportion which their service bears to the " service of those by whom they are replaced." From this point of view the Committee found that five regiments coming home should be reckoned as only equal to three replacing them; and therefore they considered the increase on each depôt to be 533*l.*, rather than 320*l.*

Ditto, p

30. With regard to the depôt under the old system, the Committee found " that its apparently low estab- " lishment was altogether illusory, and that, in point " of fact, it has always been necessary to retain a " considerable proportion of the recruits in order to " carry on the duties of raising, training, and discip- " lining the remainder, however unfit they might have " been for such a purpose." On the average from 1849 to 1853, " 57 men were always left at the depôt

"on these occasions; and, as the authorised establishment was only 12, and the recruits enlisted during the preceding three or four months, who perhaps might not have been sufficiently trained to be sent out, could not, as a general rule have much exceeded the same number, there must have been about 30 privates constantly at home, doing the duty usually required at a depôt, and paid for by the Indian Government, *though not on its establishment;* and, therefore, in calculating the recent increase to the depôt, that number must be assumed as if they had really belonged to the old establishment."

Lords' Paper, 165 of 1862, p. 28.

The "estimated annual charge for the depôt of an infantry regiment in India prior to 1854" was thus shown:—

	£	s.	d.	£	s.	d.
1 Captain at 11*s.* 7*d.* -	211	7	11			
2 Lieutenants at 6*s.* 6*d.* -	237	5	0			
1 Ensign at 5*s.* 3*d.* - -	95	16	3			
6 Sergeants at 2*s.* -	219	0	0			
1 Drummer at 1*s.* 1*d.* -	19	15	5			
5 Corporals at 1*s.* 4*d.* -	121	13	4			
				904	17	11
Average charge for allowances to non-commissioned officers and rank and file, beer money, allowances, &c. - - - - -				16	0	0
Ditto, levy money - -				8	0	0
Ditto, contingencies - - -				32	0	0
				960	17	11
Staff charges, 17 per cent. on the above charges, exclusive of pay of officers - - - -				71	0	0
Barrack accommodation at 1*l.* 18*s.* 6*d.* per man - - - - -				21	6	0
Excess price of bread and meat beyond the stoppages from men's pay - - - -				14	0	0
				1,067	3	11

To this the Committee added the following, on the 30 additional men present on an average:—

Pay and beer money at 1*s.* 1*d.* -	599	2	6
Barrack accommodation at 1*l.* 15*s.* 6*d.*	53	5	6
Staff charges, 17 per cent. - -	110	0	0
Levy money and contingencies -	68	3	2
Excess price of bread and meat -	24	10	0
Making the revised cost of the old establishment - - -	£1,922	5	1

Ditto, p. 29.

32. The "estimated annual charge for the depôt of "an infantry regiment on the East India Establishment "in 1861" was thus stated:—

	£	s.	d.	£	s.	d.
2 Captains at 11*s.* 7*d.* -	422	15	10			
2 Lieutenants at 6*s.* 6*d.*	237	5	0			
2 Ensigns at 5*s.* 3*d.* -	191	12	6			
10 Sergeants at 2*s.* -	365	0	0			
4 Drummers at 1*s.* 1*d.*	79	1	8			
10 Corporals at 1*s.* 4*d.* -	243	6	8			
90 Privates at 1*s.* - -	1,642	10	0			
				3,181	11	8
Average charge for allowances to non-commissioned officers and rank and file, beer money, marching allowances, &c. - -				105	0	0
Ditto, levy money, 13 per cent. on non-commissioned rank and file -				50	0	0
Ditto, contingencies - - -				209	0	0
				3,545	11	8
Staff charges, 17 per cent. on the above charges, exclusive of pay of officers - - - -				457	0	0
Barrack accommodation, at 1*l.* 15*s.* 6*d.* per man - - -				202	7	0
Excess price of bread and meat beyond the stoppages from men's pay - - - -				93	0	0
				£4,297	18	8

Ditto, p. 11.

The excess of 4,297*l.* 18*s.* 8*d.* over 1,922*l.* 5*s.* 1*d.*, that is, 2,375*l.* 13*s.* 7*d.*, the Committee held to be the "real "increased cost of new depôt establishment."

33. Combining the foregoing rates, the Committee thus calculated the average rate per 1,000 men of infantry serving in India:— Lords' Paper, 165 of 1862, p. 12.

	£
Average, 1834 to 1857 - -	7,391
Increased barrack accommodation -	600
Free kit for 20 recruits annually -	184
Difference of establishment between a regiment going out and returning -	533
Increased cost of depôt establishment	2,375
	£11,083

34. For the cavalry, although they required six instead of 4½ months' training, the total cost of the depôt was nearly the same as for the infantry, owing to the more moderate establishment maintained; but, as it was incurred to keep only 707 men in India effective instead of 1,000, the average rate for cavalry per 1,000 had to be raised to about 15,800*l.*, and for the artillery depôt, allowing for the recruits requiring 12 months' drill, the average cost per 1,000 was calculated at 23,650*l.* Ditto, p. 13.

35. The Committee pointed out that the foregoing estimates included no charges for general staff, medical staff, commissariat staff, religious instruction, military departments, or Chelsea College and asylums. Together, the Indian share of these charges might be reckoned at 25,635*l.* per 10,000 men at the Indian depôts; "but, if spread over the whole force in India, "they would have added only about one twenty-sixth "part to the average rate," and, therefore, "would "not have made any very important difference on the "general results." As to these last charges, however, the War Office considered that India's liability "might "fairly be set off against the advantage derived by "this country from the presence here of the depôts of "regiments serving in India, the expenses of which "are defrayed from the revenues of India, and which "are available, in cases of emergency, for other "service." Ditto, p. 14. Ditto, p. 6. Ditto, p. 76.

36. Before the Committee had submitted their report, it became necessary to determine some rate for adoption in the estimates; and they recommended as a provisional arrangement the payment by India of 10,000*l.* per annum for every 1,000 men of all arms in India; and it was agreed to accept this capitation rate of 10*l.*, the number on which it was to be payable being "determined by the average of 12 monthly muster rolls," and the payment including "all expenses "incurred on account of regiments and recruits for "the service of India, and for maintaining them until "arrival there, and after embarkation from India, "except clothing, arms, and accoutrements, which are "now subject to special regulations, and also except "passage money and transport." In assenting to this, however, on the part of India, on the 6th of March 1861, Sir Charles Wood desired "that it should be "clearly understood that, when the time shall arrive "for determining the rate to be permanently paid "from the revenues of India on this account, the "present temporary arrangement is not to be regarded "as an admission by the Secretary of State in Council "that the rate now agreed on is one which India can "be justly called on to pay, when the benefit resulting "to Imperial interests from the employment of so "large a portion of the British Army in India, and "the consequent maintenance of the depôts in this "country, is taken into consideration." Ditto, p. 71. Ditto, p. 72.

37. The War Office, with the concurrence of the Treasury, assented, on the 11th of June 1861, to the acceptance of the capitation rate, on the understanding that "the payment in question will not include trans-"port, passage money, clothing, arms, accoutrements, "or other stores, nor any expenses chargeable to the "revenues of India on account of the instruction to "officers of the Royal Artillery, Royal Engineers, or "Medical Service, nor any other charges which were "not taken into consideration by the Committee in "arriving at the average rate which they have "recommended." Ditto, p. 73.

38. The arrangement was subsequently renewed from time to time; and the capitation rate of 10*l.* remained in force from 1861–62 to 1869–70.

39. In 1867, a departmental committee (over which Major-General Jameson presided) was appointed to determine the sum to be paid by India for engineers, non-commissioned officers, and sappers; and they fixed the following rates, exclusive of advance of pay on embarkation and clothing then in possession of the Appendix to 4th Report of Select Committee on East India Finance, 1874, p. 210.

men:—Quartermaster-sergeant, 190*l.*; colour sergeant, 150*l.*; sergeant, 140*l.*; corporal, 125*l.*; second corporal, 110*l.*; lance corporal and sapper, 90*l.*

Letter from War Office, 9th Jan. 1869.

40. In January 1869, the War Office proposed to terminate the capitation rate, with a view to the claims from the 1st of April following being "adjusted on the "principle of actual charges," and a committee (known as Mr. Seccombe's Committee), was appointed to make the necessary arrangements. Pending their inquiry the capitation rate was continued through the year 1869–70.

Appendix to 4th Report of Select Committee on East India Finance, page 226.

41. In their first report, dated the 11th of March 1869, the Committee brought "prominently to notice "the very heavy charge attending the present system "of Indian depôts, as shown in the cost to the "Imperial Government of a recruit from the date of "his enlistment to that of his embarking for India." The number of recruits sent to India from the East India Company's depôt, at Warley, during the 10 years from 1850 to 1859, had been 541 engineers, 8,018 artillery, 3,740 cavalry, and 12,484 infantry, or a total of 24,783; the average cost on the 10 years was 19*l.* 14*s.* 10¼*d.* per man, or, omitting the exceptional years of and after the mutiny, it had been 26*l.* 7*s.* 5*d.* On the other hand, from 1861–62 to 1867–68 the establishment of the Indian depôts for cavalry and infantry had averaged 7,381, the actual strength had averaged 8,494, the number of men embarked in drafts had averaged 2,196, and the average cost of each recruit embarked had been 205*l.*—a figure which no doubt should be somewhat modified owing to the small number of recruits sent out in one or two exceptional years, when the strength of the regiments in India was being very largely reduced. "The War Office depôts "include a very large staff, whilst the Warley depôt "was conducted by a very small number of commissioned and non-commissioned officers, for the supply "of recruits to nine regiments of infantry, and the "whole of the artillery in India, including a small "body of engineers." It was a question whether the Imperial Government had been recouped by India for all the charges incurred; but whatever loss had resulted to the Imperial Government must be attributed mainly to the excessive amount of the depôt charges.

Ditto, p. 211.

42. Thereupon, another committee, over which Major-General Jameson presided, was appointed "to "examine generally the question of the establishment "of the Indian depôts." They recommended that time-expired men and those about to be discharged should not be sent, on their return from India, to the depôts of their regiments, but should be quartered at some consolidated depôt, whence they could be sent direct to their homes, or, if fit for further service, to the regimental depôt. They also recommended that recruits should be raised at the periods which would secure their being fully drilled in time to be sent out in the drafts of the first season after their enlistment. "Thus arranged, the present depôt system would be "sufficient to supply 75 recruits per annum to each "battalion of infantry, and yet keep within the depôt "establishment," a plan by which "upwards of 3,500 "recruits in drafts would be available for embarkation "for India at the end of the training." Two members of the Committee, General Jameson and Mr. Milton, considered that 80 privates, including recruits, would be a sufficient average strength for a depôt of infantry; but the third member, Colonel Egerton, insisted on an establishment of 96 privates as "the lowest average "from which it can be hoped the service companies of "regiments in India may be maintained in a state of "efficiency, and complete in numbers."

Ditto, p. 230.

43. Owing to the changes thus recommended in the depôt establishments, Mr. Seccombe's Committee, in its second report, dated 24th November 1869, abstained from fixing a schedule of prices per man, and advised the repayment of actual charges as under the system of 1824, omitting, however, furlough pay and advances to regiments proceeding to or returning from India, which should be separately adjusted; remittances from India should be paid direct by the India Office, and the charge for agency be revised. As to charges of which India was liable only for a proportion, the Committee recommended a rateable division of the net disbursements in each recruiting district and depôt battalion in which there might be recruits for India, except that the accommodation for barracks should be calculated on the average number belonging to regiments on the Indian Establishment who might be accommodated in barracks on the first of each month. For the difference of numbers of men on passage to and from India, the Committee calculated that 45*l.* 16*s.* 10*d.* in the case of cavalry, and 27*l.* 7*s.* 11*d.* in the case of infantry, should "be charged for every non-commissioned officer or "soldier embarked as reliefs for India, with regiments "of the line;" and that credit should be given at the same rates for each man "disembarked with regiments, "who at the date of disembarkation shall not be within "two years of the completion of his term of service." "This adjustment will not apply to drafts sent from "this country to India, as India will have paid for "them, nor to detachments of invalids or time-expired "men returning from India." For horse artillery the Committee fixed 47*l.* 10*s.* 7*d.*, and for garrison and field artillery 40*l.* 11*s.* 5*d.*, as the rates per man. "The "practice at present adopted of not sending out men "who have less than two years to serve, should be "continued; and, in calculating the number on which "the prescribed sums are to be paid for effective men "going out or returning with their corps, the number "of men left with the depôts who may not be within "two years of the termination of their period of "service should be added to the number embarking; "and, in like manner, the number of soldiers and "recruits of three months' service, and upwards, "serving with the depôt at the date on which the order "was issued for the recall of the regiments from India, "should be added to the number of men disembarking "in this country with the corps." The Committee concluded by again referring "to the heavy expense of "the Indian depôts as at present constituted," which was "too large when compared with that incurred "prior to the mutiny in India," and "excessive when "compared with the charge incurred by the East "India Company in the maintenance of their depôt at "Warley."

44. The India Office members of the Committee, while concurring generally in the Report, recorded their opinion that, as all expenses of raising, "training, "maintaining, and pensioning, the troops whose "services are lent to India, are paid from Indian "revenues, India is fairly entitled to a considerable "credit for the value to the Imperial Government of "the presence in this country of the staff and men "engaged in course of training. The troops are "available to meet any emergency for which a home "garrison is required; and the resignation by the "War Office of any charge for a proportion of the "expenses of the general, medical, and commissariat "staff, &c., specified . . . . as a set-off to that "advantage, appears . . . entirely inadequate." They "were also of opinion that the periods of training, "on which the charge for difference of numbers of "men is based, are longer than are necessary with "reference to the requirements of India; and that, as "the East India Company formerly found it safe and "expedient to send soldiers to India after very short "periods of training, the adoption of a somewhat "similar course would tend greatly to reduce the "charge on this account, an object that would be "further facilitated by a reduction in the number and "strength of the depôts."

Appendix to 4th Report of Select Committee on East India Finance, p. 237.

45. In a third Report, dated the 28th of February 1870, Mr. Seccombe's Committee said that since the date of their Second Report, "important changes have been "proposed in the constitution of the army of India, and "propositions have also been made for recruiting the "army on a new principle, which involves the breaking "up of the cavalry depôt and infantry depôt battalions, "attaching, in lieu of the former, a home troop of each "regiment on service to a regiment of similar equipment at home; and, of the latter, two companies of "each battalion abroad to a battalion at home, eight "companies to be on foreign service, and 12 companies "on home service." "The recruits annually required "for each regiment of cavalry in India, are estimated "at 32, and, for each battalion of infantry at 60; as, "under the proposed arrangements, there would be "nine regiments of cavalry, and 50 battalions of "infantry in India, the annual drafts required would "be 288 cavalry, and 3,000 infantry recruits. . . . "The propositions placed before the Committee are, "that ten months is to be regarded as the average "period of training of each cavalry, and seven months "of each infantry recruit; and that payment should "be made from Indian revenues for recruits at rates "per man to be calculated with reference to those "periods. It is proposed by the members appointed "by the Secretary of State for War that a proportion "of the staff charges of each regiment or battalion "should be included in the calculation; but this is

" objected to by the members appointed by the " Secretary of State for India, on the ground that the " staff charges in question would not be increased in " consequence of one troop or two companies being " attached to each regiment or battalion, and that the " object to be kept in view is the repayment to Imperial " revenues of expenditure incurred for the purposes of " the Indian Government, and not the relief of the " Imperial Exchequer from charges which it would " incur independently of any Indian requirements." The calculations brought out the following results :—

	£	s.	d.
Charge for a cavalry recruit for 10 months - - - -	58	5	9
Charge for the troop depôt for 43 recruits, per man - -	44	4	8
	102	10	5
If a proportion of pay of regimental staff in England be added, per recruit - - - - - -	5	16	8
	108	7	1
Charge for an infantry recruit for seven months - - -	30	9	4
Charge for the two depôt companies for 80 recruits, per man - -	17	2	0
	47	11	4
If a proportion of pay of regimental staff in England be added, per recruit - - - - -	2	12	11
	£50	4	3

No provision was made for deaths or desertions among the recruits, nor for those unable through ill-health to embark for India. Hitherto this charge had been heavy; " but, in future, as the recruits would form part " of a home regiment or battalion, instead of a depôt " battalion, it may be anticipated that their association " with a larger body of trained men would reduce " materially the extent of desertion." It would, in the Committee's opinion, be sufficient to add one-third on account of such charges; and, therefore, the rates payable by India would become 136*l.* 13*s.* 11*d.* for cavalry, and 63*l.* 8*s.* 5*d.* for infantry, or, if the regimental staff charges were included, 144*l.* 9*s.* 5*d.* and 66*l.* 19*s.* 0*d.* The expenditure actually incurred for invalids or time-expired men awaiting their discharge should not be included in the payment for recruits, but be paid independently, the maximum period for which India should be liable being six months from disembarkation. To the charge for difference of men on passage mentioned in the Second Report, an addition of 10*l.* 0*s.* 5*d.* should be made for forage in the case of each cavalry soldier. India would pay directly the colonels' allowances and furlough pay. The Committee concluded by expressing their concurrence with that over which General Jameson presided, " that, for the " purpose of raising and training the number of recruits " required for battalions of infantry in India, it is not " necessary to maintain more than one company with " the depôt in this country."

46. In a separate note Mr. Seccombe and General Jameson expressed their opinion that any rates based on the propositions laid before the Committee must be excessive; and they again referred to the rate of 26*l.* 7*s.* 5*d.* as that paid by the East India Company for artillery and infantry recruits. " We are fully aware," they said, " that the changes made in the terms of " enlistment, pay, clothing, &c., would have increased " the charge as incurred by the East India Company; " but the proposed establishments for, and the period " of, training . . . appear to us to be enormously " in excess of what can be possibly required for the " purpose of properly recruiting the British army in " India."

Appendix to 4th Report of Select Committee on East India Finance, p. 241.

47. In a fourth report, dated the 12th of April 1872, Mr. Seccombe's Committee examined the cost of artillery recruits, and they then summed up the proposed rates as follows:—

For Difference of Men on Passage.

	£	s.	d.	£	s.	d.
Cavalry - -	45	16	10	55	17	3
Forage - -	10	0	5			
Infantry - - - -				27	7	11
Royal Horse Artillery - -				47	10	7
Royal Artillery - - -				40	11	5

" These rates to be chargeable on the numbers embarked with regiments of cavalry and infantry and troops and batteries of artillery as reliefs, and also on such non-commissioned officers or men, if any, as may be sent from regiments, troops, and batteries, not belonging to the Indian depôts, India being reimbursed at the same rates for every non-commissioned officer or soldier disembarked who shall not be within two years of the completion of his term of service."

For Recruits.

	£	s.	d.	
Cavalry - -	136	13	11	
Infantry - -	63	8	5	
Royal Horse Artillery - -	78	14	8	With an addition of 13*l.* 11*s.* if the recruit shall have passed through the riding-house establishment.
Royal Artillery, mounted -	59	2	10	
Royal Artillery, dismounted -	58	9	3	

These rates were to be adopted for 1870–71 and 1871–72; but, as great changes were being made in the constitution of the army, the rates should then be reconsidered. The India Office members of the Committee again protested against the basis of the calculations, as involving a needlessly expensive system.

48. While this report was under consideration, a strong remonstrance was addressed by the Duke of Argyll to the War Office, respecting the excessive cost of the recruits for India. His Grace could " not " consider it either politic or just to lay upon the " revenues of India the entire cost of an organisation " for furnishing recruits to that country, which ex- " perience has shown to be far beyond what is needed " for that particular purpose. The subject, important " as it is at the present moment, on account of the " large annual payment which India is called upon " to make for this purpose, becomes still more " important in view of the possible effect of the new " system of enlistment under the Army Enlistment " Act of last year (53 & 54 Vict. c. 67), by which the " annual number of recruits for India will be con- " siderably augmented. . . . It appears to his " Grace that general depôts might be established with " special relation to the regiments in that country; " and that one such depôt would suffice for the " artillery, one for the cavalry, and three for the " infantry branch. . . . . The establishment of " officers at the Warley depôt under the East India " Company consisted of five combatant officers, four " of whom constitute a permanent staff, while the " fifth was usually an officer on furlough from India. " With this staff and a suitable establishment of non- " commissioned officers, a force consisting of nine " regiments of infantry and of about 7,000 artillery " was maintained and supplied regularly with recruits " at an average cost of 26*l.* 7*s.* 5*d.* per man. Recog- " nising the importance of having able and experienced " officers at depôts of this nature, the Duke of Argyll " assumes that the number of commissioned officers " may be, in proportion to the men, far smaller than " with a regiment, the proper drilling and instruction " of the men being dependent mainly upon the " presence of an efficient staff of non-commissioned " officers; and he presumes, therefore, that the esta- " blishment of commissioned and non-commissioned " officers for such depôts would be regulated ac- " cordingly." After combating Colonel Egerton's arguments in favour of regimental depôts, the Duke of Argyll observed " that a further argument might be " found in favour of the proposed system of general " depôts, in the fact that service in India is believed " to be popular with the army, and that the assurance " that, in presenting themselves at such depôts, they " would be enrolled for that service, would promote " enlistment generally, and tend to facilitate the " completion of the battalions in India to their proper " numbers with men of suitable age and qualifications. " Lastly, such a system would tend greatly to simplify " the question of expenditure as between the Home " and Indian Governments, as there could be no doubt " as to the expenditure of establishments framed " and maintained solely for Indian purposes." " The " abolition of a local European army in India was a " measure dictated by considerations of Imperial " policy; but it is questionable whether that measure

Appendix to 4th Report of Select Committee on East India Finance, p. 245.

" could have been so easily carried, if it had been " fully known how great would be the additional " burden thrown upon the Government of India. Part " of that addition was unavoidable, and may not be " too great a price to pay for the expected advantages; " but . . . this additional cost should be kept " within the limits of real necessity, and should not " be aggravated by the maintenance of a system of " recruiting which appears to be extravagant, and " to have no reference to the exigencies of Indian " service."

Appendix to 4th Report of Select Committee on East India Finance, p. 248.

49. The War Office replied on the 14th of April 1872, that "Mr. Cardwell is clearly of opinion that the cost " to this country of supplying British soldiers to " maintain the establishment of European troops in " India is by no means represented by the disburse- " ments made on the several individual soldiers or " recruits drafted to India. It is the policy of the " Indian Government to keep the numbers of the " European troops serving in that country at the lowest " strength consistent with the safety of the Indian " Empire in time of peace, while the troops in Great " Britain or in her Colonies serve as reserves to which " the Government of India looks for reinforcements of " troops in the case of any emergency; and it is only " through the existence of these available reserves that " Indian revenues are spared the vast expense that " would arise, were the troops in India always main- " tained at their maximum instead of their minimum " requirements. The maintenance, therefore, of these " available reserves forms, in Mr. Cardwell's opinion, " an important item in the actual disbursements out " of British revenues, for repayment of which Indian " revenues are directly liable; and, whatever may be " the strength or organisation of the British Army as " determined by Her Majesty's Government to be most " conducive to the maintenance of the constant " efficiency of the troops, the Government of India is " directly interested in the keeping up of that strength " and that organisation, as involving the question, so " important to that Government, whether the reserves " on which it depends for the immediate conversion of " the peace establishment in India to a war establish- " ment in case of emergency, are at all times available " to be drawn upon at any, the shortest, notice. " Moreover, Mr. Cardwell is unable to overlook the " fact that, in providing British troops for service in " India, the civil population of this country is called " upon to give to the army a number of men which " represents a very considerable portion of the numbers " available for military service; and to that extent " India competes at all times with this country in " obtaining from the civil population the number of " recruits required for the military forces of the " Crown, adding to the difficulty, and consequently " to the cost, of raising each individual recruit. " Mr. Cardwell is, therefore, of opinion that Indian " revenues are justly liable to bear, in the widest " sense of the term, their full proportion of the cost " of the reserves of effective soldiers maintained in " this country, as well as their proportion of the cost " of the whole machinery for drawing recruits from " the civil population, and of training them for " efficient service abroad by whatever organisation " or system may be adopted by Her Majesty's Govern- " ment as being most conducive to the strength and " efficiency of the British Army." Indian financial considerations were not overlooked by the War Office; and Mr. Cardwell was unable to concede "that the " charges for British recruits sent to India are " extravagant or unfair in their demand upon Indian " revenues. The expenses disbursed on recruits for " India are subjected to the same minute and un- " varying control as are those incurred for the recruits " for home and colonial service, and in no way could " Mr. Cardwell consent to a diminution of the charges, " founded as they are on ascertained expenditure, " without unfairly throwing upon British revenues " expenses incurred solely for Indian purposes." As indirect charges of which India is relieved, Mr. Card- well cited "the cost of the military staff and head- " quarter departments at home; the regimental staff " of the corps to which the Indian depôts are attached " or affiliated; the full assessed cost of raising and " training the soldiers who proceed, not as drafts or " recruits, but as relieving corps, allowing to India for " such efficient men as return with relieved corps; " the full cost of the educational establishments for " officers and for men; the costs of experiments in " arms and ammunition; the cost of rewards to " inventors of military weapons or machines; and, in " every case in which India calls for an augmentation " of the number of what may be termed the profes- " sional branches or departments, such as Artillery, " Engineers, and Medical Officers, such sums as may " be determined on as representing the cost that has " been incurred by British revenues to prepare such " professional officers for the efficient discharge of " their duties."

Appendix 4th Report of Select Committee on East India Finance, p. 249.

50. This letter was answered by the India Office on the 9th of August 1872, pointing out that the depôt organisation was not defended by the War Office as necessary for the efficient training of recruits, nor was any objection, so far as the efficiency of training is concerned, taken to the cheaper system suggested. The charges made against India for recruiting were, indeed, defended, "but upon the ground that they are " required for a totally different purpose—the pur- " pose, namely, of making India contribute towards " what is called an army of reserve; that is to say, " for the purpose of making India pay towards the " cost of the home garrison of England, on the plea " that some part of it, at some future time, may " possibly be required in India." It was not easy to see why the contributions that, in Mr. Cardwell's opinion, India might be required to pay, should stop at those enumerated by the War Office. "A share of " the cost of every home establishment or institution, " of whatever kind, to which the Indian Government " affords custom or employment, or which has any " contact, direct or indirect, with the administration " of that country, might be claimed upon the same " principle and under the same plea. If India, besides " defraying the whole cost of the India Office, as it " now does, is to be required to pay also largely to the " cost of the establishment of the Horse Guards and " of the War Office, the principle on which this claim " is made would not stop with the demands of the " 'War Department.' In like manner, the Navy may " possibly be required in the defence of India; there- " fore, the revenues of that country ought to defray " part of the expenses of the Department of the " Admiralty, of all the naval arsenals, of all the naval " stations, and probably also of all the Mediterranean " garrisons. . . . . The problems of Indian finance " are difficult enough already; but they will be " rendered infinitely more difficult if the Indian " Government is to be kept in complete uncertainty " as to the extent to which 'indirect claims' are to be " raised for Imperial subventions. The Secretary of " State for India in Council, therefore, cannot allow " the principle of such claims to be laid down . . . . " without entering against it his formal protest; the " principle is certainly a new one; he believes it to " be illegal, and he is satisfied that it is unjust."

51. The Secretary of State for India regarded the assertion that it is the policy of the Government of India to "maintain the smallest possible amount of " European troops in that country, to rely habitually " on reinforcements from the army at home, and thus " practically to lean upon that army as an army of " reserve," "as not only incorrect, but as completely " inverting the real facts of the case. It would be " much nearer the truth to affirm that the Imperial " Government keeps in India and quarters upon the " revenues of that country, as large a portion of its " army as it thinks can possibly be required to " maintain its own dominion there; that it habitually " treats that portion of the army as a reserve force " available for Imperial purposes; that it has uni- " formly detached European regiments from the " garrison of India to take part in Imperial wars " whenever it has been found necessary or convenient " to do so; and, more than this, that it has drawn not " less freely upon the Native Army of India, towards " the maintenance of which it contributes nothing, to " aid it in contests outside of India, and with which " the Indian Government has had little or no concern. " The extraordinary case of the great mutiny of " 1857–58 is the only case which gives even plausi- " bility to the" War Office representation; "in that " case, altogether unprecedented in the history of " British India, the Imperial Government was com- " pelled, under the imminent risk of losing its " Empire in the East, to make one of those great " efforts which are at times inseparable from Imperial " power and Imperial obligations. It must be remem- " bered, however, that, if similar exertions had been " called for by war in any other part of Her Majesty's " dominions, not only must the same effort have been " made, but the burden of it must necessarily have " been borne, in great part at least, by the Imperial

"Government; but, in regard to the Indian Mutiny, "no part of the cost of suppressing it was allowed to "fall on the Imperial Exchequer; the whole of it was, "or is now being defrayed by the Indian taxpayer. "Since the period of the Mutiny, the Imperial "Government has largely increased the portion of its "army which it keeps in and at the expense of India; "and both before and since that event it has been in "the habit of drawing upon that portion of its army "as an army of reserve for Imperial wars whenever "occasion required." The instances were mentioned of the expeditions to Egypt in 1801, and to Mauritius and Java in 1810 and 1811. In "the last 30 years, "there have been only two occasions, besides the "Mutiny, on which reinforcements were sent for "Indian wars, whilst during the same period there "have been no less than seven different occasions "on which India has been called upon to supply "either whole armies or considerable reinforcements "for the Imperial purposes." India has borrowed from England four regiments for the Sutlej campaign of 1846, and five for the Punjab campaign of 1848, while England had borrowed from India the China expeditionary force in 1842, four regiments for the Crimea in 1855, the Persian Expedition of 1856–57, a large force for China in 1859–60, two regiments for New Zealand in 1860, and another in 1861, and the main body of the army for the invasion of Abyssinia, in 1867. "It is certain that all these wars were "dictated entirely by the Imperial Government, and "that the interests of British commerce, the grievances "of British merchants, or the honour of the British "Crown, were the determining considerations in "them all. The policy of charging the Persian War "in largest proportion to Indian revenues was severely "commented on in Parliament, and led to a statutory "enactment limiting such uses of Indian revenues for "the future." As to the argument that India, as a part of the Empire, had its own share of interest in these wars, it was replied that "community of interests "within certain interests may fairly be alleged; but "it must not be alleged only when it tells in favour "of the Imperial Exchequer, and repudiated when it "tells in favour of the Indian taxpayer." "In every "instance in which reinforcements from home have "been sent to India, the whole pay of the troops so "sent has been charged to India, from the moment of "their departure from the shores of England. On the "other hand, when India has been called on to provide "troops for foreign expeditions, it has been the "general practice to continue to charge the ordinary "pay of the troops to the Indian Exchequer during "their absence from India," as in the very last case, the Abyssinian War. "The Imperial Government has "habitually assumed, not merely that India should "furnish an army of reserve, but also that India "should furnish the pay of that reserve, even when "serving out of India, and when, therefore, it was "useless to the Government of that country."

52. As to the argument that India competes with the Imperial Government in the recruiting market, "even if India is to be considered in no other light "than as the cause of an increase in the total cost of "troops, India pays its full share of that total cost "when it pays for those troops in the proportion in "which it actually recruits and actually employs them. "But . . . all arguments which imply that India "is nothing but a burden and a cause of embarrass-"ment in military affairs, are arguments inconsistent "with many notorious facts—with the anxiety of "officers to secure Indian employment, and with the "advantages which Indian exigencies afford in the "way of augmentations and promotions in the Army. "It is well known that India offers the best, if not "indeed the only training ground for the British "Army in time of European peace; that, as Indian "pay and allowances are much higher than those "given to the army either at home or when employed "elsewhere abroad; Indian service is highly popular in "the Army; and that, in consequence of the liberal "treatment which up to the present time the Govern-"ment of that country has been enabled to bestow "upon the officers and men, it has contributed one "great inducement to numbers of both classes to "enter the British Army; and, moreover, that, under "the new Army organisation by which Her Majesty's "Government hope to augment the military power of "the country, and to save the expense of pensions by "the introduction of a short service system and the "establishment of a reserve, a very large, and certainly "not the least valuable portion of that reserve will "consist of men whose entire military training and "experience will have been acquired at the expense of "the people of India."

53. By Act of Parliament Indian revenues are to be expended "for the purposes of the Government of "India alone." "In the application of this principle "to particular cases of charge, there is room, no doubt, "for a reasonable latitude of interpretation; and this "latitude is largely made use of when, for example, "such a position as that of Aden is maintained at the "sole expense of the people of India. But, allowing "for such latitude of interpretation, the general scope "and import of the principle seem sufficiently "apparent, namely, that India cannot be justly "charged with any expenditure which would have to "be maintained if the Indian Empire did not exist. "The word 'alone' negatives the application of the "revenues of India to any such mixed purposes, and it is "deprived of all force and effect if the Indian revenues "may be applied to such expenditure." . . . "As "regards the novelty of the charges referred to," in the War Office letter, "it is enough to say that the "Imperial Government has supplied India with "recruits and soldiers for nearly a century; but, "during the whole of that time, notwithstanding the "comprehensive words used in the Acts of Parliament "directing payment of the expenses incurred for "'raising, transporting and maintaining such forces,' "and 'raising and supplying recruits for the same,' "and appropriating the revenues of India to defray "'all the charges and expenses of raising and main-"'taining the forces,' 'as well European as Native,' "no attempt has ever been made until now to render "the Indian finances liable to such charges. . . . "The Secretary of State for India does not contest the "necessity of India paying for its recruits under what-"ever system is determined upon at home as necessary "for the efficiency of military training; and, if the "present expenditure be defended on this ground, "the Secretary of State for India can only represent "his views on possible economies in the system, in "order that these representations may be considered "by the Secretary of State for War. But, if the cost "of recruiting be swollen by artificial system of charge, "so as to include outlays which have really nothing to "do with the cost of training, but are connected "entirely with the organisation of the home garrison "of England, he must record, as he now does, his "protest against the principle involved, namely, that "of charging India with any outlay which cannot "fairly be said to be occasioned by the service of India."

54. In a letter dated the 15th of May 1873, No. 94 (Military), the Government of India (under Lord Northbrook) commented on the first three reports of Mr. Seccombe's Committee. "The charges made by "the Secretary of State for War against this country "for recruits" (136*l.* 13*s.* 11*d.* for cavalry, 63*l.* 8*s.* 5*d.* for infantry, 78*l.* 14*s.* 8*d.* for Royal Horse Artillery, 59*l.* 2*s.* 10*d.* for Royal Artillery, mounted, and 58*l.* 9*s.* 3*d.* for Royal Artillery) "are so out of proportion to the "expense incurred under the East India Company" (average for 10 years ending 1859 for all arms 19*l.* 14*s.* 10¼*d.*) "that the difference is clearly not "mainly attributable to the enhanced pay and allow-"ances of the soldier, to his more perfect training, or "to the increased cost of his equipment, but to the "altered system under which regiments are recruited, "and to the manner in which the cost of troops "stationed in the United Kingdom is apportioned to "India." . . . "It is assumed that the sums "reclaimed by the War Office from this country "should only comprise the expenditure entailed on "Imperial funds for raising and equipping troops "for India, and that the contributions levied on this "account should not be based on the cost entailed by "the distribution of troops at home, when that distri-"bution is made for Imperial purposes, and is not "necessarily involved in the provision of troops for "India." Warley and the Guards afforded illustrations of "the minimum establishment requisite for the "provision of recruits. . . . When establishments "are maintained, not only for recruiting, but also for "the fulfilment of other duties, it is evident that, if "the whole expense be charged to recruiting, the cost "of the recruit is unduly enhanced, while the cost of "the other services is unduly diminished; and, when "the former charges fall on one Government and the "latter on another, it is clear that the incidence of "the charge is unequally divided. Under the system of "depôt battalions, and subsequently of affiliated depôts, "which existed until the establishment of the depôt

Appendix to 4th Report of Select Committee on East India Finance, p. 255.

" centre system, the depôts, though nominally " maintained solely for recruiting purposes, were " available for, and actually performed other general " duties. . . . Now that the whole depôt system " of the army at home is undergoing revision, and the " nature and extent of the various duties assigned to " depôt centres have been clearly specified, it would " seem a convenient time to re-consider the charges " made against this country for the depôts retained in " England of regiments serving in India, and to " re-adjust charges which, in our opinion, are out of " proportion to the service for which they are paid." In the Report of the Committee on the "organisation " of the various military land forces of the country," " the duties to be performed at the depôt are thus " stated:—(1) Training of recruits both for the line and " the militia; (2) Training of infantry militia; (3) Train- " ing of rifle volunteer corps; (4) Registry, payment, " and training of army reserve and enrolled pensioners; " (5) Recruiting; (6) Care of arms and stores of " regular and auxiliary forces; (7) Military instruction " to officers of auxiliary forces These duties. . . . " are of a very varied character, and chiefly for " purposes foreign to Indian services; and we consider " that only that portion of the establishment which is " necessary for the raising and drilling of recruits for " India should be charged to India. It cannot now be " maintained that the depôts of Indian regiments are " retained exclusively for Indian purposes, or that the " Imperial Government, deriving no advantage from " their presence and duties at home, should bear no " portion of their cost; and it seems very desirable " that the question should be finally settled as to what " portion of the expense of the depôt establishments " under the new system may fairly be assigned to home " service generally, and what portion to recruiting " purposes alone." After commenting in detail on various points in which the charge seemed too high, such as the number of months supposed necessary for training, the much larger proportion of the soldier's service which relatively the British Government received under the system of short service and reserve, and the heavy addition made for desertion, the Government of India recommended: "(1) That the charge for " the Home depôts of regiments serving in India should " be divided into two parts, the one representing the " value of the presence of such troops at home, and of " the general service rendered by them," which should be borne by Imperial revenues, "the other representing the " value of the labour of raising and training recruits " for the battalions in India," which might be fairly charged to India. "(2) That the charge for the cost of " training the infantry recruit should be limited to " three months, during which he remains at the " depôt." They further maintained the right of India, under the new system, to receive credit for all soldiers returned for service with the colours or in the reserve, not excluding, as hitherto, all who had less than two years to serve.

Appendix to 4th Report of Select Committee on East India Finance, p. 253.

55. This letter was forwarded to the War Office on the 14th of April 1874, with special reference to the charge for the depôts, the period of training on which the charge for recruits was based, and the exclusion of credits for men returned with less than two years' service; and Lord Salisbury urged that the Committee on Effective Charges should be instructed to ascertain the value respectively of the service of raising and training recruits for India, of the other general services of the depôt, and of the presence of the troops in this country, and that the charge for each recruit should be based on a three months' training. Or, if it should be thought better, he suggested a reference of the dispute to some impartial arbitrator.

4th Report, 1874.

56. The correspondence was referred to the Select Committee of the House of Commons on East India Finance, who, "in addition to some of the principal " permanent officials of both Departments," examined " His Royal Highness the Field Marshal Commanding- " in-Chief; the late Secretary of State for War, " Viscount Cardwell; the present Secretary of State " for India, the Marquis of Salisbury; and other high " authorities," including Lord Sandhurst. The Committee said that they had "received an impression " from these sources, that charges have in some in- " stances been imposed on India which ought to have " been borne by England. Your Committee have, " however, been assured by various witnesses that a " very general desire prevails among the different " English departments not to throw any charge upon " India improperly. Your Committee cannot too " strongly insist on the importance of securing for " India strict impartiality in all her financial arrange- " ments with this country; and they agree in the " opinion which was very emphatically expressed by " the Marquis of Salisbury, that the most effectual " way of securing financial justice for India is for " the House of Commons to be constantly watchful on " her behalf. Your Committee cannot lay down too " strongly the position that the English estimates " ought not to be relieved at the expense of the Indian " revenues; but that the Secretary of State in Council " has the constitutional right of refusing to pay for " objects in which he considers that India has no " interest. At the same time, India, as a component " part of the Empire, must be prepared to share in the " cost of a system the expense of which may be " enhanced for Imperial purposes." The Committee proceeded to mention that Mr. Bouverie had consented to preside over the departmental Committee on Army Effective Charges, and they hoped that a satisfactory settlement would be the result; and they recommended that, after careful inquiry into the points needing investigation, the payments by India should as far as possible take "the form of fixed rates for particular charges."

Letter from India, 22nd Sept. 1874, No. 406 F.

57. On receiving a copy of this Report, the Government of India sent a letter in which they observed: " Viscount Cardwell and other high authorities con- " nected with the administration of the British Army " have frankly admitted in their evidence, that India " has for a considerable time been called upon to pay " at an unnecessarily high rate on account of some of " the charges connected with Her Majesty's forces " serving in the East Indies. We trust that the burden " which has thus been imposed upon the finances of " India may at least be taken into consideration in " abatement of the payment which might otherwise " be fixed on account of these charges for the future." With reference to the opinion of the Select Committee that India must share the cost of a system the expense of which might be enhanced for Imperial purposes, the Government of India forwarded a minute by the Viceroy.

58. In that minute Lord Northbrook pointed out that Lord Cardwell's evidence before the Select Committee showed that he had admitted "that the cost of " providing recruits for India is susceptible of great " reduction;" "that the rates now paid by India " should be reconsidered in connexion with the establish- " ment of the new depôt system for the Army;" "that " only a part of the staff and establishment of a " brigade depôt is required for recruiting and training " soldiers for the Army;" "that the tendency is for " the cost of recruits to increase, and for the duration " of Indian service to diminish;" "that the present " arrangement under which India receives no credit " for soldiers who return home with less than two " years to serve, should be reconsidered;" "that only " the value of the labour of raising and training re- " cruits for the battalions in India" should "be " charged to India;" "that the calculation should " be based on the principle that the revenues of India " can only be applied to services rendered to India; " and that no portion of those revenues should be " indirectly applied to the cost of the defences of Great " Britain." It had not been intended to imply that the cost of raising recruits could now be reduced to the Warley rate; but "that, after making every allowance " for the deficiencies of Warley, the present rate is " excessive." Lord Cardwell said that, before a battalion goes to India, it has to be raised from 520 to 820 entirely at the expense of the English taxpayer; but, " when the regiment embarks from England for Indian " service, India pays at a fixed rate for every soldier " embarked . . . The English taxpayer is put to " no real charge on account of the strength of the " battalion having been raised. The most that can be " said . . . is that, supposing the cost to England " for maintaining the extra men is not altogether re- " couped by the payment made by India when they " embark, it may be a question for consideration " whether the presence of the men at the disposal of " England before they embark is a sufficient set-off." On the question "whether India ought to bear a share " in the cost of the general, medical, and commissariat " staffs," Lord Northbrook did "not know that any " part of them could be reduced, if the whole of the " recruits for India were to be raised separately from the " general administration and command of the army."

It could not be admitted as a new charge any more than "the staff charges of the battalions to which at "one time Indian depôts were affiliated," which Lord "Cardwell did not think it right to charge against "India as they were already in the estimates. If "indirect claims were raised, "consideration should "be given to the advantage which England derives "from being able to employ the Native Army of India "for such service as the wars in China and Abyssinia." Lord Cardwell argued that, "in time of "need, the cadres of battalions, whether in England "or India, are raised to a greater strength of men "from the army and militia reserves, which are paid "for by England," and that India "is interested in "the maintenance of this 'expansive' system which "supplies an effective reserve, and India should, "therefore, pay a proportion of its cost." But Lord Northbrook replied that, however economical and desirable the system might be for England, India did not share in all its advantages; "the assistance which "India will receive when she requires it may be more "prompt than before, but she will not obtain it without additional charge. She will pay, for every "soldier sent with drafts to India, and for every soldier "in corps sent out to India, a sum calculated at the "cost of raising and training a recruit. Therefore, "she will pay England for every man sent her from "the reserve the expense of his recruiting and training, and, if he has served in India before, she willpay "this cost twice over, except when she has a drawback; but the balance will, I believe, always be "against India. We are asked, then, . . . to pay "a part of the cost of a system which, although more "efficient, will probably be more economical than the "old one, and for part of the cost of an article which "we may never use, but for which, if we use it, we "shall have to pay the full price."

Parliamentary Paper, 14 of 1878, p. 32.

59. Mr. Bouverie's Committee reported on the 1st of June 1875: "They have thought it best, in view "of the new military organisation of brigade depôts "at home, to endeavour, with regard to infantry of the "line, to separate the charge for establishments at "home engaged in training Her Majesty's forces, "generally, from the personal expense attendant on "the training of each soldier despatched to India. "They are advised, by competent authority, that the "cost of the depôt of a battalion abroad (which depôt "is an integral part of the brigade depôt at home) "may fairly be taken at one-fifth of the whole cost of "the brigade depôt. The entire cost of each brigade "depôt, excluding the non-effective charges for half-pay and pension accruing thereon, . . . may be "taken at 9,125*l.* per annum, or 25*l.* per diem. One-"fifth of this amount, or 5*l.* per diem, for each of "the 50 brigade depôts having an Indian depôt "attached, will therefore be the establishment charge "which the Indian revenues will have to repay. "Further, the sum of 22*l.* 10*s.* will be paid by "Indian revenues for every trained soldier of infantry, whether sent in periodical drafts or in "battalions. This payment will represent the cost "of a trained recruit, other than that portion due to "the training establishment or brigade depôt. No "soldier should be sent with his battalion who has "not at least two years of unexpired service under "his existing engagement; and, for any soldier going "out with a draft who has served less than three "months, the payment will not be the full sum of "22*l.* 10*s.*, but at the rate of 3*s.* for each day he has "been in the service. As it is evident that, on a "battalion returning from India, the unexpired service "of the men will, on an average, be much less than "the average unexpired service of men going out with "the battalions, Indian revenues will be repaid, not "the full charge of 22*l.* 10*s.* a man, but two-thirds "of that sum, viz., 15*l.*, for each effective soldier who "returns with his battalion to this country, provided "he is not, at the date of disembarkation, within six "months of the expiration of his existing engagement "to serve with the colours. If, however, any soldier "returning from India (whether with his battalion or "on account of the expiration of his term of service "with the colours), for whom such repayment of 15*l.* "has not been made, shall be transferred to the reserve, "Indian revenues will be repaid the sum of 7*l.* 10*s.* for "each soldier; the Committee have considered two "years' service in the reserve as fairly equivalent, for "the purposes of this calculation, to one year's service "with the colours. These arrangements will take "effect . . . from the 1st of April 1873," the charges for 1872-73 being adjusted on the same principles as those for the two previous years.

60. "The actual cost of invalids sent home and "treated in Netley Hospital will be repaid by Indian "revenues," such charges in ordinary cases not extending for more than six months from the date of landing. "The Cavalry Depôt at Canterbury being, "with the exception of the riding establishment, maintained exclusively for Indian purposes, the actual "expenses of the depôts of Indian regiments and depôt "staff, the expenses of repairs of buildings will be "repaid by Indian revenues, and also one-fourth of the "expense of the Cavalry Riding Establishment. Indian "revenues will be debited with the sum of 51*l.* . . . "for each cavalry soldier embarked with a regiment "for India, and will be entitled to a credit" (as in the infantry) "of two-thirds of that sum, or 36*l.* for each "cavalry soldier returning with his regiment, or of "one-fifth, or 10*l.* 16*s.*, for each soldier returning who "may join the reserve. These arrangements to take "effect as from the 1st April 1874."

61. For the artillery, the Committee adopted, in respect of the years 1872-73, 1873-74, and 1874-75, the rates of Mr. Seccombe's Committee mentioned above in paragraph 47. "From the 1st April 1875, and so long "as the artillery force in India and the Depôt Establishment remain at their present strength, India "will contribute 64,000*l.* per annum in aid of the "expenses of the depôts of the Royal Horse Artillery, "Royal Artillery, and Riding Establishment, being "the proportion due to the number of brigades and "batteries on the Indian Establishment. For men of "the Royal Artillery embarked for India, whether in "drafts or in brigades or batteries, the Committee" fixed, "for personal expenses, only two rates, viz., for "Royal Horse Artillery, on the basis of a minimum "period of nine months' training," 57*l.* 5*s.* 8*d.*, "and "for Field and Garrison Artillery, on the basis of six "months," 26*l.* 16*s.* 4*d.* "for each man embarked," India being entitled to credit of two-thirds or one-fifth of these amounts respectively, "for each artillery soldier "disembarked in this country."

62. India was also to "be liable to a further charge, "as a percentage on the personal expenses, on account "of desertions, calculated for each arm on the annual "number of men deserting at home during the first "nine months from the date of their enlistment."

63. For Royal Engineers the rates fixed in 1867 were to remain in force. Towards the expenses of the Educational Establishments (except the Royal Military College, which remained for subsequent settlement) "Indian revenues should contribute a lump sum of "20,000*l.* per annum, ... commencing on the "1st April 1870. In addition to the above sum, India "will be chargeable with the pay and allowances, for "the period of instruction at Chatham and Shoeburyness, of the officers sent out to India to maintain or "to increase the establishment of the Royal Artillery "and Royal Engineers," the charge for each engineer officer being "350*l.*, so long as the present period of "training is continued."

64. "The representatives of the India Office" having "repeatedly urged objections to the extent of the "existing establishments in this country, as being "larger and more costly than is necessary for the "supply of trained men from India," the Committee suggested "that two or more military officers, selected "to represent the Horse Guards and the India Office, "should inspect the Cavalry Depôt at Canterbury and "the Depôt Brigade of the Royal Artillery, with the "view of reporting whether it might not be practicable, "with due regard to efficiency and to the maintenance "of the existing system, to reduce the cost of the "establishments necessary to maintain the effective "strength of Her Majesty's Cavalry and Artillery "forces in India."

65. The Committee concluded by saying that they had "taken only into account those charges and those "set-offs which seemed fairly to admit of a definite "statement of pecuniary value. The value to this "country, for military purposes, of the presence of "recruits destined for India, and of the establishments "here, or portions of them, engaged in work for "India, on the one hand, and, on the other hand, the "value to India of the machine of our military administration, coupled with the possible value to India "of our reserves, does not appear to the Committee "to be capable of pecuniary valuation, or to admit of "anything like an exact financial adjustment, be-"tween the two Treasuries. To weigh these relative

" considerations, when such general questions arise, as " affecting the Imperial finances or the burdens on the " Indian taxpayer, is the business of statesmen and not " of accountants; and the duty, as well as the respon- " sibility, of arriving at a just conclusion upon them " must at all such times rest upon Her Majesty's " Government."

66. In the following statement the rates are compared which were recommended by Mr. Seccombe's and by Mr. Bouverie's Committees respectively:— Note by Mr. Seccombe, 31st Jan. 1877.

	Average Effective Strength of Officers and Men in India, 1870-71 to 1875-76.	Amount payable.		Average Rate per Man.	
		Mr. Seccombe.	Mr. Bouverie.	Mr. Seccombe.	Mr. Bouverie.
		£	£	£ s. d.	£ s. d.
Cavalry	4,260	35,489	57,388	8 6 7	13 9 5
Artillery Depôts	—	—	64,000	—	5 7 0
Horse Artillery	2,549	20,304	18,818	8 0 0	*12 14 8
Field and Garrison Artillery	9,411	52,223	28,308	5 11 0	*8 7 2
Infantry	45,089	175,519	188,846	3 17 10	4 3 9
Total	61,309	283,535	357,360	4 12 6	5 16 7
				Per man of all arms.	

* With proportion of charge for depôt.

Despatch to India 9th Sept. 1875, No. 454 F. Letter from India, 10th March 1876. No. 63 M.

67. The report of Mr. Bouverie's Committee, having been forwarded to the Government of India, they replied in a despatch stating that many of the charges therein specified could not be accepted as equitable without further information. With reference to the reduction in the capitation rate if infantry soldiers were sent out with drafts, having less than three months' training, they observed "that, if any soldier is sent to " India, whether with his regiment or with a draft, " with less than his full training of six months for " which India is charged, a proportionate reduction " should be made in the capitation charges." As to the repayment for effective soldiers sent home, and those passing into the reserve, the Government of India remarked that, "while India will have paid all the " personal expenses of a trained soldier, and all " charges due on account of the raising and training " establishments employed, she will get a drawback " of only two-thirds and one-third of the bare capi- " tation rate. When battalions are sent to India, no " reduction is made in the capitation charge against " India on account of men who have already given " several years' service to England, and who have con- " sequently only a few years' service with the colours to " give to India; but, when the position of affairs is " reversed, and battalions return home with men in the " ranks who have served India for a short time only, " perhaps for a couple of years, and have still several " years of service to give to England, either under the " colours or with the reserve, a large reduction is " made in the capitation charge to be refunded to the " Indian Government. . . . As we understand the " arrangement, India may pay 22*l.* 10*s.*, or the full " cost of training for six months a soldier who has " had nine years' service out of India. The soldier " might serve only two-and-a-half years in India; but " India would only receive a drawback of 7*l.* 10*s.* on " his account, and would again pay 22*l.* 10*s.* if he " should return to India as a reserve man." For the brigade depôts "the share of India should be calculated " upon existing and not upon complete establish- " ments." "The calculations respecting deserters in " the infantry should be confined to six months." As to the cavalry, it should be ascertained "whether the " depôt staff and the depôts are utilised in any way " in carrying on duties in connexion with the riding " establishment." In the case of the artillery, India " was to be made to "pay twice over for the keep of " the horse of every Royal Horse artilleryman sent to " India with a draft. . . . One horse should suffice " to train two men, and . . . the charge for forage " in the capitation rate should be reduced from " 16*l.* 13*s.* 8*d.* to 8*l.* 6*s.* 10*d.*" The charge for the feed of the battery horses, and that for cast horses, should be withdrawn. "The two horse batteries of the depôt " brigade form a very substantial addition to the " military force in England; and it is proposed to " charge India with the cost of a larger part of their " establishments than is wanted for recruiting and " training purposes. The whole question of the pro- " priety of India paying for the cadre of the depôt " batteries should be carefully re-considered upon " . . . general principles." In the garrison bat- " teries also, "the establishments, and consequently " the charges are unnecessarily large for the work of " keeping the garrison batteries in India complete " with trained gunners."

68. In Lord Northbrook's Minute of 1874, reference had been "made to the advantage derived by England, " in being able at any time to call on India for troops " for such services as the wars in China and Abyssinia. " The despatch of troops from Calcutta to Penang at " the end of the last year affords another instance of " India having placed at the disposal of Her Majesty's " Government a force of British and Native troops " belonging to Indian establishments and receiving " pay from Indian revenues. The principle which was " adopted in the case of the troops on the Indian " establishment sent to Abyssinia, namely, that their " ordinary pay should be defrayed from Indian " revenues, and only the extra charges of the expe- " dition should be paid by the Imperial Government, " was the subject of a strong protest at the time by the " Government of India. The same principle is pro- " posed to be applied to the force which was recently " sent to Penang. It has been admitted, so far as we " understand the argument, that these expeditions " were despatched not for Indian, but for Imperial " purposes; and the reason given for charging India " with any portion of their cost was that it would not " be right that India should make any gain by the " service which troops upon her establishment rendered " to the Imperial Government. If this principle is to be " adopted in these cases, we submit that in equity it " should be applied to the Home charges of British " troops sent to India. We cannot but believe that " there are many charges now made against Indian " revenues which undoubtedly would be incurred by " the Imperial Government if the recruiting of the " Army in India was otherwise provided for, and we " trust that the whole question may be reviewed com- " prehensively on these principles."

69. In the discussion of the question of introducing the short service system, the War Office, in a letter dated the 14th of February 1876, advocated the grant of deferred pay, as "Mr. Hardy is satisfied that, without " some such direct additional inducement to men to " enter the army, it will not be possible for the future " to meet the heavy demands which are entailed upon " the recruiting classes in this country from the large " force necessarily maintained in India and elsewhere " throughout Her Majesty's dominions, the service in " India being, as is well known, that from which " results the heaviest wear and tear in the numbers of " the army." It was estimated that "the normal " cost" chargeable to Imperial revenues would "be " about 325,000*l.*, which will probably be reached " about the year 1890," and that the amount falling upon Indian revenues would be about 51 per cent. of the sum payable by the British Government. *See enclosures to Despatch to India, 13th July 1876, No. 180 M.*

70. Lord Salisbury, in replying on the 21st of March, noticed the statement in this letter "with some surprise." So far as he was informed, he could "not " admit that the difficulties now apparently expe-

"rienced or apprehended in obtaining recruits in "sufficient number for the British Army arise in any "special manner from the demands for India. He "considers, looking at the history of our army "organisation during the last few years, that these "difficulties may, to a very great extent, be reasonably "attributed to the many and very important changes "that have been recently introduced in that "organisation. . . . . His Lordship has for some "time past viewed with serious apprehensions the too "probable effect of the recent changes in our army "system, not only as bearing upon the military "expenditure of India, but as calculated to impair the "efficiency of the British portion of the army in that "country." The following summary of recent changes, and the estimated cost to India, was given:—

	£
"Increase of 2*d.* a day to British troops, and an additional 1*d.* on re-engagement, September 1867	250,000
"Revised rates of pay of British soldier, May 1874	64,000
"Grant of good conduct pay at earlier periods, and withdrawal of additional pay of 1*d.* a day on re-engagement, June 1870	Not ascertained.
"Introduction of system of garrison instruction, July 1870	31,500
"Cost of undertaking provision of soldiers' necessaries, 1863	Not ascertained.
"Re-organisation of medical staff in 1866 (August 1866)	57,000
"Re-distribution of ranks of British medical officers in 1873	113,000
"Increased pay of quartermasters and paymasters of British regiments, August 1868	15,000
"Pay of regimental majors of artillery and engineers, July 1874	35,000
"Total	£565,500

"To these will now have to be added the cost of the "present increase of pay to non-commissioned officers "and men, upwards of 200,000*l.*, a cost likely to be "enhanced by the necessity of remitting the greater "portion to England from India; and Mr. Hardy will "observe that, while service in India has for many "years offered to all grades of the British service "special attractions in the shape of higher pay and "allowances, or special privileges, than those granted "to similar ranks in other parts of Her Majesty's "dominions, it has been found in all cases difficult, "and in most cases impossible, to withhold in that "country the often large additional advantages intro-"duced into the service at home and in the Colonies, "although such advantages might be in the first "instance sanctioned ostensibly without necessary "application to India." Whatever the ultimate advantage of the short service system to England, in avoiding the burden of pensions, it would add enormously to the cost of transport between England and India, the increase on which was "estimated at not "less than 150,000*l.* per annum upon the infantry "alone." The efficiency of the British Force in India would be greatly impaired, by the withdrawal of the finest material for the reserve force in England. "Neither is it reasonable, under such circumstances, "that the constitution and maintenance of such a "reserve, which would never have been devised but "for considerations of purely European policy, should "entail so large an annual charge upon India as is "obviously unavoidable if the short service system "is to be allowed to operate in that country, more "especially when it is considered that, in addition to "such permanent charge for that purpose, India would "be charged with the entire cost of any portion of the "reserve force that might, under some remote though "possible contingency, be called upon as a reinforce-"ment in the event of extended military operations "in that country." Lord Salisbury suggested that re-engagement for service in India should be encouraged, or special battalions be detailed for a long tour of duty in India, to which men willing to serve abroad might be attached with the hope of ultimate pension.

71. Lord Cadogan's Committee, in recommending the short-service system, urged that there would be "a "saving on invaliding and pensions, which, under "a system of shortened service in India, would be "materially reduced; and the married establishment "would be considerably reduced." The Committee found that, if men were re-engaged "to prolong their "residence in India for a longer period than eight "years," they "are in a large proportion invalided "home before the expiration of their extended term, "and become a burden to the country. The bounty "paid to them on re-engagement is wasted; and their "services are lost, both to the Indian Government, at "whose charge they are invalided and pensioned, and "to the Reserve at home."

72. The opinion of the Government of India having been requested on the system proposed, they forwarded a minute by Sir Henry Norman, in which they concurred, urging that soldiers should not be sent to India before the age of 21, and that, in view of the "enormous "addition to our military expenditure" which short service would entail, arrangements should be made for keeping the men, if possible, up to the age of 32.

Letter from India, 6th Nov. 1876, No. 361 M

73. In forwarding the correspondence to the War Office, Lord Salisbury observed that "there is a limit "beyond which the Government of India cannot go "in military expenditure; and his Lordship conceives "that to accept the proposals of Lord Cadogan's "Committee as they stand would be to go beyond "that limit." If compelled to accept them, he would be obliged to reduce the number of battalions in India by 10, increasing the 40 battalions remaining there to war strength. "The acceptance of the present weak "establishment of battalions by the Secretary of State "for India was a concession to Imperial military "requirements, entailing very great, and, as far as "India is concerned, uncalled for expenses upon the "finances of that country." He would, however, accept the view that "the term of eight years will "secure to India the most efficient service of the men, "while England will still obtain from them six years' "service in the Reserve, provided (1) that no soldier "be sent to India until he has been at least two or "three years in the army; and (2) that the Indian "Government should be empowered, with the consent "of the individual, to re-engage every soldier landed "in India for such period as would enable him to "complete a total service in India of eight years," subject to their not serving more than 12 years with the colours.

Letter to War Office, 3rd May 1877, No. 252 W.

74. While the War Office were still considering the subject, attention was forcibly drawn to the working of the system in India, by the condition of two battalions which, "on the eve of embarking for foreign service" in India, had been "denuded of a considerable propor-"tion of their staff sergeants, sergeants, and corporals, "who were left behind owing to their having a short "time to complete their service." The Government of India had in consequence been obliged to sanction extra pay for the acting non-commissioned officers; and Lord Cranbrook expressed his view "that the "double charge thus involved" could "not justly be "charged against the revenues of India."

Ditto, 28th May 1879, No. 276 W.

75. The War Office published a circular (189 of 1878) providing that men who had completed three years' service might extend their service to nine years, to be completed in India, receiving a gratuity of 2*l.* Under this it was anticipated that soldiers "enlisted for short service" would "give a service of at least five years in" India. The Secretary of State in Council learnt this decision "with extreme regret," considering the measures to be "altogether inadequate." Moreover, "the India Office proposals ensured an important "saving to the finances of India; the Army Circular "reduces that saving to a minimum." And the Secretary of State in Council placed on record his formal opinion "that the interests of India positively "require that no soldier shall embark for service in "that country of less than one year's service with the "colours, and that he should be allowed to re-engage "to complete eight years' service in India within a "maximum service of 12 years in all."

Letter from War Office, 10th April 1879.

Ditto, 5th July 1879, No. 365 W.

76. The recommendations of Mr. Bouverie's Committee were not accepted by the Secretary of State in Council "as a solution of the questions at issue"; but it was decided that the claims up to the 31st of March 1877 should be adjusted as that Committee proposed. This, however, did not close the accounts in dispute from 1870–71 onwards, for the India Office still objected to pay for soldiers of several years' standing, the much

Despatch to India, 26th April 1877, No. 138 F.

Parliamentary Paper.

heavier charge allowed for recruits; and, in view of the charges which were paid direct by the India Office, it was considered that a capitation rate of 6*l*. a man should be sufficient to cover those defrayed by the War Office.

14 of 2nd Sess. 1878, p. 14.

1st Report, 1877, Para. 127.

77. In the meantime, the delay in the settlement of these accounts had attracted the attention of the Committee on public accounts, who commented very strongly on certain irregularities, and said that "the "evils which have thus arisen are but the natural "results of the state of arrear into which these "accounts have fallen; and your Committee cannot "too strongly express their opinion that it is abso-"lutely necessary that an early agreement should be "come to, both as to the accounts for past years, and "also as to the basis of charge for the future."

Parliamentary Paper, 14 of 2nd Sess. 1878, p. 3.

78. In consequence of this Report, a Treasury Minute was recorded on the 2nd of July 1878, in which the Chancellor of the Exchequer expressed his concurrence with the Public Accounts Committee, and described the measure taken with the object of "adopting such a "principle of adjustment in future as would prevent "the recurrence of the protracted discussion and "fruitless negotiation attending adjustment upon "minute investigation of actual charges." The Treasury Board were "well aware of the difficulties which "are invariably encountered in the transaction of "business between the Imperial and the Indian "Governments. They are quasi-independent powers, "and there is no generally accepted definition of "Imperial as compared with Indian services; there is, "therefore, a disposition on the part of the authorities "on each side to advance claims which those on the "other side cannot accept, while no arbiter has been "provided whose decision between the conflicting "parties, must be final. The question at issue "requires, moreover, the most careful consideration "on the part of the Board, because there is an "impression in the public mind that the Imperial "Government demands too much from India. This "impression is justified or not, accordingly as the "theory of Imperial duty to India is extended or "contracted." After quoting at considerable length the Report of the Select Committee of the House of Commons in 1874, and the Chancellor of the Exchequer said that he "would be prepared to accept the defini-"tion of Imperial and Indian charges" therein laid down, as turning on the question whether India had an interest in them, "provided there were some satisfac-"tory method of deciding between the Imperial "Government and the Indian Government, in cases "where the former asserts, but the latter denies the "presence of an Indian interest. He agrees further "with the suggestion that the payments from India "should be as much as possible in the form of fixed "rates for particular charges, for the obvious purpose "of avoiding frequent re-opening of accounts," and, therefore, that it would be necessary to return to a capitation rate.

79. The Secretary of State for India had in August 1877 "proposed to the Cabinet that, in cases where "disputes may arise between India and some other "Department as to the charges to be made and "recovered, a committee of five members of the Privy "Council should be appointed to decide the matter, "their decision being regarded as final. This Com-"mittee was to be constituted as follows:—One member "to be nominated on the recommendation of the "Chancellor of the Exchequer; one on that of the "Secretary of State for India in Council; three, of "whom at least one should be a member of the Judicial "Committee, on the recommendation of the Lord "Chancellor. This proposal was circulated to the "various offices, and was assented to in principle by "all of them; but the Colonial Office asked that, in "cases where they are concerned, the Secretary of "State for the Colonies should nominate one member. "The Chancellor was led, on further consideration, to "doubt whether such a tribunal would be effective," and the matter was reconsidered, with the result that the sums "paid in past years into the Imperial Exche-"quer" were "taken in full discharge of the claims "of the Imperial upon the Indian Government, in "respect of the effective charges paid in England on "account of Her Majesty's troops serving in India," up to the 31st of March 1879, "the cost of stores, "arms, accoutrements, clothing, and the charges for "officers and non-commissioned officers of the Royal "Engineers" being "still settled in actual bills." This settlement was estimated to "involve a surrender by "the Imperial Government of a sum to which it could "establish its claim, varying from 100,000*l*. to 150,000*l*. "Looking at the condition of India at the present "moment, the Chancellor is prepared to defend a "settlement of account on this basis, although it "involves so large a concession to India."

80. As regards the future, the Finance Committee of the Council of India recommended a capitation rate of 6*l*. 10*s*. per man of all arms in India, for a term of 10 years. The Chancellor of the Exchequer was "somewhat averse to adopting a fixed rate per man "without some further inquiry;" and, accordingly, a Commission was to be appointed jointly by the India Office, War Office, and Treasury, "to fix the capitation "rate to be paid per man in future." Over the Commission the Earl of Northbrook presided, Sir Thomas Seccombe and Mr. Knox representing the India and War Offices respectively. The Commission was (1), "in "the first place," to "ascertain as nearly as possible "the amount of the *effective* charges incurred in this "country in respect of troops serving in India; (2) it "is to be understood that, for the re-imbursement to "the Imperial Exchequer of the expenditure incurred "on account of these charges, the principle of a "capitation rate has been accepted; (3) the Commis-"sion are asked to determine (*a*) what the rate should "be; (*b*) what basis should be taken for arriving at "the numbers on which the rate is to be payable; "(*c*) for how long the rate should continue in force "without revision."

Parliamentary Paper, 14 of 2nd Sess. 1878, page 25. Ditto, p. 1.

Treasury Minute, 19th Feb. 1879.

81. While this question was under consideration, the Government of India wrote a letter, dated the 8th of February 1878, stating their objections to the increasing charges of the War Office, and to a settlement of its claims on the principle of a rateable distribution of the military charge incurred by the Imperial Government, according to the number of men employed. "Such a state of things can hardly be described "otherwise than as intolerable. The difficulties and "uncertainties of Indian finance are . . . of a "nature to tax to the utmost the sagacity of the "responsible officers of our Government; but, when "charges so incalculable and so wholly beyond control "as those to which we have been referring may thus "be suddenly thrown upon the revenues, the most "careful and far-seeing must be liable to find their "efforts to secure a proper equilibrium of income and "charge defeated from no fault of their own. . . . "In our opinion, the burden now thrown upon India "on account of the British troops is excessive, and "beyond what an impartial judgment would assign, "considering the relative material wealth of the two "countries, and the mutual obligations that subsist "between them."

No. 66 F.

Para. 13.

82. "Admitting, as we most readily do, that India owes to England its present general prosperity, and the prolonged period of complete peace and orderly government to which that prosperity is due, yet it is not less certain that England on its part has derived many great advantages from the connexion with India which it has assumed; and, among these advantages, those that arise in connexion with the military occupation of the country by British troops are not the least. India for many years has supplied a field for the practical instruction in war of a large part of the British Army, without cost to the Home Government, instruction which could not have been elsewhere obtained. Neither should it be forgotten that the Army of India maintains, without cost to England, a most efficient reserve of strength, which could, in case of necessity, be rapidly and extensively increased for operations out of India from the warlike populations of Northern India. The transports provided and maintained for the passage of the European troops to and from India at a heavy charge to this country, far in excess of what the mere cost of transport would otherwise involve, likewise furnish to England a useful adjunct to its military resources. . . . A very large part at least of the costly improvements of system made of late years in the British Army were rendered necessary exclusively by reason of the position that England holds as one of the Great Powers of Europe, and . . . for all merely Indian purposes a far less costly machinery would have sufficed. For this reason, if for no other, we cannot acquiesce in the principle, which appears to have been adopted without discussion, for regulating the share of the military charges of England to be apportioned to India. It is not just that the two Governments should be treated as partners, having an equal interest and equally liable to bear these charges, in the mere numerical ratio of the men employed by each."

Para. 19.

83. The Government of India considered it useless to attempt in such a manner to divide the charges fairly; "All that we can do is to appeal to the British "Government for an impartial review of the relative "financial capacity of the two countries to bear the "charges that arise from the maintenance of the Army "of Great Britain, and for a generous consideration "of the share to be assigned by the wealthiest nation "in the world to a dependency so comparatively poor "and so little advanced as India. The question," they urged, "is one to be decided, not by the mere "rules of arithmetic, but on broad and statesmanlike "views of public policy, which shall fairly adjust the "claims of England to the capacities of India." The

Para. 21.

settlement might take the form either of a capitation rate on the force maintained in India, or of a yearly lump sum. The general object would "be best met "by fixing for a term of years . . . the total sum "to be paid by India to Great Britain for all the "military services for which payment is now made to "the War Office," which, they thought, should for the present be fixed at "approximately that paid during

Para. 22.

"the period extending from 1871-72 to 1875-76, or "about 800,000*l.* or 900,000*l.*" They pointed out that the military expenditure was already nearly "40 per "cent. of the whole sum required for the purposes "of administration," and must necessarily be expected

Para. 28.

to increase; and they adverted to the prejudicial effect which would be produced among the people by "a "feeling that they were being treated by Great Britain "with want of justice or generosity."

Despatch to India, 22nd Aug. 1878, No. 282 F.

84. In answer, Lord Cranbrook showed "that the "interests of India in regard to these charges have "been very carefully guarded by successive Secre-"taries of State, and that the representations made "on the part of the India Office have been greatly "aided by the cordial support of the Government of "India," to which the letters under reply were "cal-"culated to give additional force, . . . in favour "of an adjustment of these claims on a basis which, "while duly protecting the interest of the British "Government, shall be fairly liberal towards India." The adjustment effected to the close of 1878-79 was, "on the whole, very favourable to India."

Letter from India, 21st March 1879, No. 96 F.

85. The Government of India replied, making no objection to the arrangement as regards the past. But they wished again to "point out, in general terms, "that the rate should be fixed, not merely on a con-"sideration of the number of troops serving in India, "or of the recruits supplied for that service, but also "with some regard to the advantages which Her "Majesty's Government derive from the maintenance "of a large army, both British and Native, in India, "which in time of need has often been made available "as a reserve for Imperial purposes, and from the "presence in England of the officers and men con-"nected with the depôts of British regiments and "batteries;" and, further, "India should not be "charged with any Home expenditure which is not "an actual extra expense arising from the employment "of British troops in India."

Despatch to India, 13th Jan. 1881, No. 9 F.

86. Owing to the question of Army organisation being under the consideration of a Royal Commission, and to the appointment of a Commission in India to investigate the military charges, Lord Northbrook's Commission were unable to fix a capitation rate; but, in a first Report, dated the 4th of October 1880, they recommended that the claims for 1879-80 should be settled by a payment of 500,000*l.*, which was to "include the claims for the deferred pay of soldiers "and for educational establishments." This proposal was accepted.

Enclosures to Despatch to India, 9th June 1881, No. 185 W.

87. On the 24th December 1880, the War Office announced the conclusions at which they had arrived, with the view of meeting as far as possible the objec-tions of the India Office to the short-service system. The minimum age for enlistment was to be raised from 18 to 19, unless the recruit's standard of physical development was normal for a youth of 19; no man was to embark for India till he had served six months in the army, and was or looked 20 years of age; all soldiers were in future to enlist for seven years with the colours and five with the reserve, the seven being extended to eight if the service were completed while in India; the tour of service of an infantry battalion was to be increased from 12 to 17 years, owing to which only three battalions in India would be relieved annually, and only one of them be brought home as a body, the relief in the case of the other two being only of the head-quarters and men who had less than two years remaining with the colours. Mr. Childers anticipated that these measures would result in a saving to India of nearly 200,000*l.*, principally in regard to pensions. Lord Hartington accepted these proposals on the 23rd of February 1881, remarking, however, that "a portion at least of this saving in "pensions would accrue without the changes now "proposed."

88. In 1879 a special Committee was appointed at the India Office "to consider what reductions could "be effected in certain branches of Indian expendi-"ture;" and in their 8th Report, dated the 7th of August 1880, they described the system of payments to the War Office, but made no recommendation re-garding the effective services, the consideration of a capitation rate being then before Lord Northbrook's Commission.

Report, para. 209.

89. The Commission on the Army in India in 1879 spoke strongly of the increase of cost and material reduction in efficiency caused to the British Force in India by the short-service system. They had "no "hesitation in recommending that, until the short-"service system as at present administered be altered, "no soldier under three years' standing be embarked "for service in India; that no men be allowed to "proceed to India who have not extended their service "with the colours to a period of nine years; that any "men or non-commissioned officers who may desire to "remain in India, may be allowed to volunteer, on "bounty, for a further period of six years' service "with the colours in India, and may be permitted to "join any battalion with not less than six years' "service in India before it. A battalion may, under "the present system, lose two-thirds of its strength "of disciplined soldiers, and have raw recruits in "their place, two or three times over during its tour "of Indian service."

Despatch to India, 31st Aug. 1882, No. 271 F.

90. In a second report, dated July 1882, Lord North-brook's Commission, taking "as a basis the contribu-tion of 500,000*l.*" for 1879-80, made the following alterations for 1880-81 and 1881-82. For the first year they added 15,000*l.*, and for the second year a further sum of 15,000*l.*, on account of deferred pay; for 1880-81 they added 5,000*l.*, and for 1881-82 7,000*l.*, on account of Engineer officers reduced in India, and remaining in excess of the Home Establishment till absorption; in 1881-82 they deducted 50,000*l.* on account of the pay of colonels of cavalry and infantry transferred to the non-effective charges. The result was that a payment of 520,000*l.* for 1880-81, and of 487,000*l.* for 1881-82, was recommended and accepted.

Despatch, to India, 31st May 1883, No. 159 F., 27th Nov. 1884, No. 374 F., and 22nd July 1886, No. 209 F.

91. In 1883 a "Memorandum of Agreement" was adopted to facilitate the settlement of accounts, in which it was laid down, that "the pay of all officers "ordered to India will be chargeable to Indian "revenues from the date on which they embark for "that country. . . . India will bear their pay up "to the date of return to this country, or to a colony, "and also their furlough pay while on leave from "India." Officers placed on half-pay, or the retired list, would not be paid by India after that date. Officers on furlough entering the Staff College would be paid by India, so long as their corps remained on the Indian Establishment. If sent from India for a course of military study, they would be paid by India. Royal Artillery officers, seconded to join the advanced class at Woolwich, would have their passages from Indian revenues, but their pay in India from Imperial funds. Those sent home to the School of Gunnery would, on leaving the school, be paid by India if returning within three months to batteries in that country. "The entire pay and allowances of other "officers (including the pay of young officers at home "but posted to corps serving in India, from the date "of first appointment to the date on which they em-"bark for India . . .) will be borne by Imperial "revenues, irrespective of the locality in which the "regiment, battalion, or battery, to which they "nominally belong, may be serving. . . . The "advances of pay to regiments, battalions, and bat-teries proceeding to India will be made by the India "Office, or repaid by that Department when neces-"sarily made from army funds, the charge being borne "by Indian revenues from the date of embarkation." Advances to detachments and details proceeding to India were to be made by the War Office, and charged to Army Votes, being covered by the contribution for effective services generally. This memorandum was revised in 1886 in certain matters of detail.

Despatch to India, 22nd April 1886, No. 120 F.

92. The third Report of Lord Northbrook's Commission, dated the 28th of December 1885, settled the payments for 1882–83, 1883–84, and 1884–85, for effective services, except as to deferred pay. Taking, again, the basis of 500,000*l.* in 1879–80, and deducting 50,000*l.* for the pay of colonels of cavalry and infantry which had become a non-effective charge, and also 29,000*l.* for deferred pay which had been included in 1879–80, the amount was reduced to 421,000*l.* for each of the three years; but, as in 1882–83 and 1883–84 India had received and erroneously credited to the Imperial Government 4,029*l.* and 4,372*l.* respectively, on account of fines for drunkenness, the amount payable was 416,971*l.*, 416,628*l.*, and 421,000*l.*, for the three years.

Ditto, 17th May 1888, No. 119 M.

93. In 1887 the Government of India sent home a scheme for mobilization, on which the War Office remarked that "to encourage India to reckon in her "mobilisation scheme upon receiving from England "re-inforcements, amounting in all to 700 officers and "13,000 men, might lead to that scheme being based "on expectations impossible to realize, and thus to its "breaking down when required."

Ditto, 15th Dec. 1887, No. 319 F.

94. In two letters, dated the 29th January and 22nd of October 1887, the India Office urged the War Office to supply Lord Northbrook's Commission with the detailed information respecting deferred pay, which would admit of the accounts for 1882–83, 1883–84, and 1884–85, being closed; and on the 10th of November 1887 the War Office forwarded a memorandum explaining the manner in which the claim for deferred pay had been compiled. The amounts showed so rapid an increase that a special examination was made by Lord Northbrook's Commission, who, in their fourth Report, dated the 31st of July 1888, said that they were satisfied of the general accuracy of the claims. Assuming that one-third of the deferred pay issued in India might be taken as being due for British Service, and making the requisite deduction accordingly, they found the sums payable by India to be 97,714*l.* for 1882–83, 163,153*l.* for 1883–84, and 101,338*l.* for 1884–85.

Ditto, 22nd Nov. 1888, No. 296 F.

Ditto, 15th Dec. 1887, No. 319 F.

Ditto, 20th Dec. 1888, No. 332 F.

95. At the same time that they transmitted the calculations respecting deferred pay, the War Office forwarded their general claims for 1885–86 and 1886–87, which were sent to the Government of India for information; but a twelvemonth later they furnished revised claims for those years, which also were furnished to India.

96. In 1888 a detailed examination of the Home charges was begun by a special Committee appointed at the India Office to investigate them; and in their 12th Report, dated the 5th of April 1889, they examined the payments to the War Office. "We consider it most "important," they said, "that a capitation rate, either "on the force in India or on the number of recruits "sent out, should be determined, by means of which "the payments for effective services may be promptly "decided, and thus the delay in settling the accounts "may be avoided which has occurred ever since the "abandonment of the capitation rate at the end of "1869–70. This question has been for 10 years under "the consideration of Lord Northbrook's Commission, "which was appointed for the purpose in February "1879; and we would urge on your Lordship the "importance of doing all that lies in your power to "expedite a conclusion of the matter. . . . We "wish, however, to draw attention to the fact that "there are questions of policy which may have to be "considered in determining what share of these charges "should be borne by India."

Para. 11.

Para. 13.

97. The claims of the War Office for 1885–86 and 1886–87 were sent to the Government of India at the same time as the fifth Report of Lord Northbrook's Commission, which was dated the 22nd of July 1889, and determined the payments for 1885–86 and 1886–87. The claims had been compiled under the following heads:—1. Capitation on troops embarked for India; 2. Charges for depôts for training recruits; 3. Agency; 4. Charge for men who deserted, died, or were discharged with less than one year's service; 5. Maintenance of young officers on first appointment to regiments serving in India, previous to embarkation; 6. Cost of young officers of Royal Engineers for India, while under instruction; 7. Difference between the pay of two colonels and one lieutenant-colonel on the Indian Establishment of Royal Engineers, but employed at home, and the pay of three lieutenants employed instead by India; 8. Cost of training veterinary surgeons for India; 9. Cost of examination of candidates for Indian medical service; 10. Educational establishments; 11. Advance of 25 days' pay to men embarked as drafts to India; 12. Expenses of men awaiting discharge, including pay and travelling expenses of invalids; 13. Share of cost of pay and allowances of staff of hospitals and discharge depôts, and expenses of invalids except pay and travelling. From the aggregate of these heads was deducted a rebate of one-third of the rate payable for similar ranks on embarkation, in respect of men who returned for futher service with colours or reserve, and of invalids who recovered and continued in the service. The Commission accepted the War Office claims as a basis, but made considerable further reductions on account of (1) men embarked without full training; (2) service rendered to the Imperial Government before embarkation; (3) artillery depôts (horse and field), for excess of men sent to home batteries over those sent from home batteries to India; (4) additional rebate on men returned to England for further service with the colours or reserve. Thus corrected, the payments were determined to be for 1885–86 648,799*l.*, and for 1886–87 512, 587*l.*, in addition to deferred pay 101,531*l.*, and 114,950*l.* respectively. The large amount of the payment for 1885–86 was owing to the augmentarion of the British Force in India.

Despatch to India, 27th March 1890, No. 55 F.

98. In accepting the award, the India Office pressed for the adoption of a capitation rate for the future. The War Office were similarly disappointed that this had not been done, and also expressed dissatisfaction that their claims had been subjected to very heavy reductions. They admitted that the awards for 1877 and the following years had been "in excess of the "payment suggested in 1877–78, viz., a capitation "rate of 6*l.* 10*s.* for each man serving in India; but "the full effect of short service is now being felt, and "the number of men annually required for Indian "service is very large. The difficulty of raising these "men and satisfying the requirements of the Indian "Government, as well as the demands of the House "of Commons, that all soldiers embarked must be "fully developed and completely trained, increases "year by year; and Mr. Stanhope, therefore, desires "that it be fully understood, should he abide by the "award for the two years now dealt with, that he is "not prepared to accept, without a strong protest, a "contribution short of 600,000*l.* for any subsequent "year."

99. The Treasury forwarded this letter to the India Office, stating that they had agreed to accept the award, but that there appeared "to be considerable justice" in Mr. Stanhope's dissatisfaction. In reply, Lord Cross pointed out that the basis of the claims had been materially modified by the War Office; and he considered that it would not be possible for the Commission to adopt a capitation rate, until they should have learnt the opinion of the Government of India on the manner in which the new claims for 1887–88 had been prepared, which had already been sent out for report. He fully shared the desire for the speedy adoption of a capitation rate, and admitted that the award of the Commission might need careful examination before its final acceptance; but it was not without surprise that he had "read the intimation given "beforehand, that the Secretary of State for War will "not be prepared to accept, without a strong protest, "any award that may fall short of a specified "amount."

Despatch to India, 3rd Oct. 1889, No. 216 F.

100. The claim for 1887–88 was preferred by the War Office on the 7th of August 1889, in a letter pointing out that it differed "from those for the pre- "ceding years in the following respects:—(1) The "whole cost is charged of the cavalry depôt and the "depôts of the horse and field artillery, instead of as "heretofore the cost of the staff employed at the above "depôts with a capitation rate for each recruit sent "out to India. At the same time an allowance has "been made for every man transferred from these "depôts to serve with regiments or batteries on the "Imperial establishment. (2) A reduction is made in "certain cases from the full capitation rate for men "despatched to India, either before the completion of "the training period or with more than one year's "service. (3) The rebate allowed for men returned "for further service with the colours or reserve, in "the case of the cavalry, horse, and field artillery, is "calculated on the cost of a recruit for one year "instead of nine months. With regard to (1), . . . "both the cavalry depôt and the horse and field "artillery depôts have been organised and exist solely "to meet Indian requirements; and, . . . as the "establishments maintained are only just sufficient to "supply the annual drafts required for India, it is "impossible to absorb in the home regiments and

" batteries those who are left behind at the end of the " trooping season by reason of their not complying " with the stringent conditions imposed by the Indian " Government in respect of age and service. Such " being the case, Mr. Secretary Stanhope is strongly " of opinion that Indian revenues should bear the full " cost of these special depôts."

101. At the same time, a memorandum by the Accountant General of the Army was forwarded, " proposing the basis on which these claims should for " the future be settled. It should be specially observed " that the numbers of men to be despatched each year " to India, on which the claim of 600,000*l.* is built up " . . . are arrived at on the assumption that every " man is sent out after only one year's service at home, " and that, therefore, this claim is not susceptible of " any such reductions as are admitted in that for " 1887–88 on account of men embarked with long " Imperial service; otherwise, the annual drafts would " be larger, and the claim proportionately increased." Mr. Stanhope fully concurred in the memorandum, " and, in view of the great cost thrown upon the Home " Exchequer by the maintenance of British troops in " India, . . . he would not be justified in accepting " a less sum than 600,000*l.* per annum in payment of " the home charges, exclusive of deferred pay."

102. Mr. Knox's memorandum, dated 26th of April 1889, said that " the actual cost to the British " Exchequer of raising and training the force " necessary to maintain the Army in India is clearly " the cost of raising, paying, and maintaining the " force in this country, which would not be maintained " if the Indian Army had not to be kept up. At the " very minimum this consists of 200 private soldiers " in each of 50 infantry battalions, and 400 in three " others, viz., those intended to effect the annual " reliefs; on the other hand, an allowance must be " made for a decrease during that part of the year " when the drafts are being despatched, and the " numbers fall below establishment. In addition to " these there is one-fifth of the cadres of 53 depôts, " the whole of the cavalry depôts, the two depôt " batteries of Horse Artillery, four depôt batteries of " Field Artillery, and five batteries of Garrison Artil- " lery (including one mountain battery). The total " of these numbers amounts to a little more than " 16,000 officers and men, or about one-seventh of the " Home force. In connexion with these there are the " staff and departmental charges, as well as the charges " for administration. With the exception of the " Ordnance Store Department, whose heaviest work " arises from the supply of armaments to the Navy and " land fortifications, the time of the officers of the " staff and departments is largely occupied in dealing " with the raising and training of the younger soldiers, " their inspection, and embarkation; and it is evident " that these 16,000 men should bear a share of their " cost. Besides these, there is a part of the cost of " the educational establishments and the hospitals " for Indian invalids. On this basis the total cost of " this force would amount to 1,081,000*l.*

103. " When it is borne in mind that all the diffi- " culties in the organisation of the Army during recent " years, and the grants of additional inducements to " men to join the Army, have been mainly due to the " necessity of keeping a largely increased European " force in India, it is difficult, in justice to the Home " taxpayer, to see on what grounds any modification " can be made of this claim as the payment to be made " by the Indian Government.

104. " Arguments have been advanced, however, in " support of a reduction, the chief one being that " during their recruit training, and even more so after " its completion, these men are of service to the Home " Government, and, being on the spot, are at all events " available in times of emergency. The fact that, so " long as they remain in this country, they are avail- " able, cannot be denied; but yet the Home Government " does not rely on them, because, in the case of " emergency, it is not these young soldiers who would " be used; and, to avoid the necessity of their services, " the Home Government is paying nearly 500,000*l.* a " year for the reserve. In fact, the Home Government " rather regards the year's drafts as the first reserve " for the Indian Army in the event of active operations, " inasmuch as the despatch of the annual draft would " at once increase the Indian Force by 10,000 men, the " short-service men due for discharge from the colours " being at the same time retained in that country." In accepting their time in England as debitable against Imperial revenues in the assessment of pensions, " the " Home Government makes sufficient allowance for " whatever advantage is derived from the presence of " these young soldiers in this country.

105. " Nevertheless, . . . there has been every " desire to treat the Indian Government with as much " generosity as was defensible. Every consideration " has been given to the various arguments advanced " for making some reduction in the full cost, and for " providing the force as economically as possible. " With this object the system of short service has " been introduced, a measure most beneficial to Indian " revenues, and a mode of calculating the depôt " charges proposed, which relieves the Indian Govern- " ment of more than one-third of the actual cost " incurred. . . . . The actual cost of the Home " charges amounts to 1,081,000*l.*, whereas the charge " proposed to be made is only 605,000*l.*, or a reduction " of 476,000*l.*

106. " The charges made against the Indian Govern- " ment for the supply of recruits in times before the " Indian Mutiny, and between that period and the " introduction of short service," were, when re-adjusted for comparison, from 1834 to 1857, 170,000*l.* per annum, the force in India being 24,000 cavalry and infantry, and for 1870–71 450,000*l.*, the force being 63,000 cavalry, artillery, and infantry; " the charge " for the present force of 72,400 men, calculated at " these rates, would amount to 510,000*l.* and 517,000*l.* " respectively. Improved rates of pay account for a " further increase of 20,000*l.*, making a total charge of " 537,000*l.* to compare with the claim now preferred, " 605,000*l.* It is calculated that the number of men " to be despatched to India yearly" will be about 10 per cent. beyond the total embarked in 1870–71, " which corresponds very closely with the increase in " the proposed claim, and this notwithstanding the " stringent conditions made in recent years for " securing that only completely trained men of full age " shall be despatched from home.

107. " The system of enlistment for short service " was introduced for a threefold object:—(1) To meet " the growing objection to lengthened service in the " Army; (2) to obtain the means of rapidly expanding " the Army by means of a thoroughly trained reserve; " (3.) to reduce the cost of the Army by largely " diminishing the charge for pensions. It was obvious " that short service would create an increased demand " for recruits, the cost of whose training would give rise " to a considerable expenditure. As affecting the " Indian Government, this would be due to (1) The " increased number of recruits trained; (2) the in- " creased number of men to be interchanged between " home and India; (3) the grant of deferred pay. " Against this, however, there must be set the large " saving in the charge for pensions." The payments to be made by India, under the long and short service systems, would be thus compared:—

	In 1889–90.		In future, when a Normal Condition is reached.	
	Long Service.	Short Service.	Long Service.	Short Service.
	£	£	£	£
Home Charges	537,000	605,000	537,000	605,000
Deferred Pay	620,000	160,000	971,667	211,000
Pensions		452,000		302,233
	1,157,000	1,217,000	1,508,667	1,118,233
	Increase	60,000	Saving	390,434

There is a large reduction also in the charge for sea transport since 1870–71.

108. " In the mode adopted for making a large reduction in the charge for depôts there may be some minor points which are debateable, due to the fact that it is built up artificially; but I submit that the result,

which surrenders nearly 500,000*l.* to the Indian Exchequer, is so favourable to the Indian Government, that no force can be allowed to criticisms upon minute details, and that the Home Government cannot consent to any further diminution of the claim. The proposal made would stand thus: 1. The Indian Government shall pay a contribution of 600,000*l.* a year, in quarterly instalments, on account of the Home charges stated. 2. That for every man deficient in the establishment of the Army in India on 1st May in each year, a deduction of 50*l.* shall be made from the quarterly instalment next due. 3. That a direct charge be made against the Indian Government for deferred pay."

No. 70 M

109. In a letter dated the 25th of March 1890, the Government of India replied to the request for a statement of their views on the principles upon which the claims of the War Office for the years 1885–86, 1886–87, and 1887–88 had been preferred. Many of their objections had been anticipated by Lord Northbrook's Commission, and others were merely founded on want of detailed information. They observed that the principles stated in the War Office memorandum of the 26th of April 1889 might be thus summed up:—

P. 5. "The actual cost to the British Exchequer is the cost of raising, paying, and maintaining the force in the United Kingdom which would not be maintained if the Indian Army had not to be kept up; all the difficulties in the organisation of the British Army during recent years, and the grants of additional inducements to men to join the Army, have been mainly due to the necessity for keeping a largely increased European force in India; the 11,500 young soldiers to be annually despatched to India (excluding the cadres of old soldiers who are exchanged on the relief of a regiment or battery) form a portion of the 16,000 officers and men maintained in England for the purposes of India, and are the first reserve for the Indian Army in the event of active operations; to avoid the necessity for employing them in Imperial service, the Home Government pay nearly 500,000*l.* a year for the army reserve; and, with the object of providing the force for India as economically as possible, the short service system has been introduced, a system which is described as most beneficial to Indian revenues, and a mode of calculating the depôt charges has been proposed, which relieves Indian revenues of more than one-third the actual cost incurred; and, generally, although the validity of the arguments used on the side of India is not admitted, yet, in deference to these arguments, there has been every desire to treat the Indian Government with as much generosity as was defensible. The War Office state that, calculating the payment made during the time of the East India Company, taking the period 1834–57, the cost for the service of British troops at the rates then paid, allowing for improved pay, would now be 530,000*l.* per annum. Further, the War Office assume that the real annual cost of the troops (16,000) maintained in England for Indian purposes is 1,081,000*l.* The proposal of the War Office is that (1) India shall pay 600,000*l.* annually. (2) A deduction of 50*l.* to be made for every man deficient on the Indian Establishment on the 1st May. (3) A direct charge to be made against India for deferred pay. The conclusion is, on the side of the War Office, that, although the charge for the depôts is built up artificially, the result—surrendering nearly 500,000*l.* to the Indian Exchequer—is so favourable to the Indian Government, that no force can be allowed to criticism upon minute details, and that no further diminution of the claim can be consented to. The result would be that the annual claim against India for Army effective services, when the item of deferred pay reaches the normal amount, 211,000*l.*, would amount to 811,000*l.*"

110. The Government of India proceeded to state that it was "nowhere proved that the charges raised on account of" the European force maintained in India "represent the actual cost to the British Exchequer. . . . "The difficulties in the organisation of the British Army, and the necessity for inducing men to join the army, cannot be admitted to arise from the presence of a portion of the Army in India. . . . . Nor can we accept without question the statement that the Indian drafts are the 'first reserve' for the Indian Army, and that, in order to avoid employing them elsewhere, the Home Government pay 500,000*l.* a year for the Army reserve." The corps "sent out to India are despatched during the whole of the trooping season, to supply the places of men being sent home discharged to the reserve or invalided, and to make good the annual waste of life; so that the assumption of the War Office . . . . could hold good only if war were imminent at a particular moment before the commencement of the trooping season." Further, Mr. Stanhope had said that "it was far from improbable that the same circumstances which necessitated a mobilisation in India might also render it impossible for this country to part with any considerable portion of the small number of regular troops in the United Kingdom"; therefore it could "not be alleged with accuracy that the reserve is kept up because the services of these 11,500 men are hypothecated to India. . . . . We do not understand that 16,000 men are kept up all the year round; and the army reserve was instituted in order to give the British Army a reserve of trained soldiers, and to enable a reduced army to be maintained at home; the interests of India were in no way especially considered."

111. "It was no consideration for the efficiency of P. 8.
the Army in India that evoked the short-service system, and its suitability to the condition of Indian requirements has been gravely questioned." "Strong P. 11.
objections, both financial and military, have from time to time been raised against its application to this country." "Pensions are reduced under the P. 12.
short-service system, but the loss by mortality and invaliding, the increase in the number of passages to be provided, deferred pay, and other inducements to serve, go a long way to counterbalance any economy." As was written in 1873: "While the cost of the recruit has been increased, the term of his service has been diminished; India, therefore, for a larger charge receives a less service."

112. As regards the depôt charges, they "should be Enclosure, para. 37.
reduced, on the grounds that the officers and men form part of the military strength of England, that depôts need not be specially kept up for India on so large a scale, and that many of the charges are excessive. It would be cheaper to have separate Indian depôts, like that at Warley (which supplied recruits at 20*l.* per man), and give the further training to the men out here; the expense would not be nearly so much as the present plan, which seems to lighten the English estimates by making India pay for training men in Cavalry, Artillery, and Infantry depôts, organised on a far larger scale than she requires." "The total cost to India of the depôts Letter, p. is 359,597*l.* for 1887–88; the Cavalry depôt at Canterbury alone costs India 93,310*l.*, and supplied 410 men to Indian service."

113. The Government of India wished especially P. 15.
to "lay stress on the fact that the Indian Army supplies a great addition of military power to England, that a large part of the British Army is trained at the expense of India, and that the whole of the men passed into the reserves from the 70,000 troops in this country have been maintained entirely out of Indian revenues from the date of their first recruitment. It is true that, on the men joining the reserve, their pay is henceforward charged to the English estimates; but this forms a very small part of the whole expense which has been incurred on their account, and, therefore, it will be seen that India contributes largely to the maintenance of a force which is not available for Indian requirements. . . . . The guiding policy in this matter should be that of true reciprocation; and the expenditure charged by England should be limited not by arithmetical details, but by statesmanlike and broad appreciation of the conditions of the two countries."

114. In commenting on the details, the Government P. 16 (xiv)
of India laid special stress on the inadequacy of the amounts allowed for rebate, which, in their opinion, "ought to be one-half of the charge for the soldier, calculated not merely upon certain charges included in the capitation, but upon the charges for the depôts as well; that is to say, the rebate should be made on the sums actually paid by India for every soldier embarked, and this rebate should be one-half instead of one-third."

115. They summed up the reductions which they considered to be justified, in the following table :—

	War Office Claim.	Reduction.
	£	£
1. Capitation on troops embarked for India.	230,823	100,000
2. Charges for depôts - - -	359,597	100,000
3. Agency - - - -	3,763	3,763
4. Charges for men deserted, died, or discharged.	8,766	8,766
5. Maintenance of young officers in England previous to embarking for India.	8,590	3,000
6. Cost of Royal Engineer officers while under instruction.	5,415	2,700
7. Cost of training veterinary surgeons -	600	600
8. Cost of examining candidates for Indian Medical Service.	432	200
9. Educational establishments - -	45,187	15,186
10. Advance of pay - - -	9,708	—
11. Expenses of men awaiting discharge, &c.	19,497	10,000
12. Share of cost of hospital and discharge depôts.	30,425	16,000
	722,713	260,215

P. 18. P. 19. 116. The net War Office claim for 1887-88, after allowing for the rebate of 120,000*l.* admitted, might therefore be taken at 350,000*l.*, exclusive of deferred pay. This, on the established strength of 70,000 British troops, would represent a capitation rate of 5*l.*, "which "accordingly we recommend should be taken as the P. 20. "basis of calculation in the future." But the Government of India could not "hope that the claims of "India will be heard, unless your Lordship in Council "can move Her Majesty's Government to deal with P. 21. "the question as an Imperial one. . . . . The "revenues of India have been charged with the cost "of many changes in organization not specially "necessary for the efficiency of the Army in this "country, and with the cost of troops employed on "Imperial service beyond the limits of India. Millions "of money have been spent on increasing the Army "in India, on armaments, and on fortifications, to "provide for the security of India, not against domestic enemies, or to prevent the incursions of the "warlike peoples of adjoining countries, but to maintain the supremacy of British power in the East. "The scope of all these great and costly measures "reaches far beyond Indian limits, and the policy "which dictates them is an Imperial policy. We "claim, therefore, that, in the maintenance of the "British forces in this country, a just and even liberal "view should be taken of the charges which should P. 22. "legitimately be made against Indian revenues." They concluded by urging "that the people of India, "who have no voice in the matter, should not be able "to complain that an excessive military tribute is "demanded from this country, while, on her side, "England, with whom rests the final decision, should "be able to show that this settlement has been "effected in a spirit of justice and consideration to "India."

Despatch to India, 5th Feb. 1891, No. 30 F. 117. Copies of this letter and the enclosed memorandum were, on the 30th of April 1890, forwarded to the War Office and the Treasury, with a request that it might be forthwith laid before Lord Northbrook's Commission for consideration with reference to a capitation rate for 1887-88, and subsequent years; and Lord Cross drew special "attention to the broad "considerations urged by the Government of India "as to the apportionment of the charges in England, "attributed to the maintenance of a European force "in India." Further letters, pressing for the transmission of the Government of India's Despatch to the Commission, were sent on the 25th of July and 11th of August 1890 and the 24th of March 1891. At length, on the 15th of April 1891, owing to the continued delay, the India Office begged that Lord Northbrook's Commission might be asked to "adjudicate on the "claims for 1887-88, 1888-89, and if possible 1889-90, "on the same basis as before, leaving the determination of a permanent capitation rate for a subsequent "report." Some discussion ensued as to the form of the claims; and Lord Cross insisted that either they must be submitted as before, or that if prepared on the new basis of depôt charges adopted by the War Office, the Government of India's letter objecting thereto should be also laid before the Commission. At length, on the 18th of July 1891, the Treasury forwarded that letter to Lord Northbrook, together with one from the War Office, of the 13th of August 1890, commenting thereon. Mr. Stanhope, it was said, felt "considerable difficulty in dealing satisfactorily with "the matter. . . . . The effect of the proposals "of the Indian Government would be to reduce the "contribution payable by India to a sum of about "350,000*l.*, irrespective of deferred pay. This is not "very much more than half the sum which Lord "Northbrook's Commission, dealing with the question "mainly as a matter of account, and certainly with "no particular bias in favour of the British Exchequer, "has regarded as an adequate payment. Such a "reduction, however, supported by detailed criticism "of particular items, could clearly only be justified "by considerations of policy. And it is thus, in effect, "that the Indian Government seeks to justify it, "raising for the purpose such large questions as the "relative advantage which the people of Great Britain "and India derive from their connection with one "another, and the assumed degree in which it is the "duty of Great Britain, as the repository of Imperial "power and the wealthier country, to bear a portion "of the military burdens hitherto borne by India "almost as a matter of course. Questions of this "kind, as it seems to the Secretary of State, cannot "be held to fall within the legitimate scope of the "inquiry of Lord Northbrook's Commission, a Commission constituted for the adjustment of matters of "account rather than of political investigation."

Ditto, 26th March 1891, No. 70 F. Ditto, 27th Aug. 1891, No. 156 F. 118. Mr. Stanhope proceeded to remark that "the "Indian Government seem to hold that Indian funds "are not justly liable for any expense attendant on "changes in the Army, unless such changes have "been made specially in the interests of India; but "such a view is manifestly inadmissible. Short service, the re-arrangement of the depôts, the grant of "deferred pay, are measures which, it must be "assumed, have rightly been regarded by successive "Secretaries of State for War as essential to the "existence and well-being of the Army, and India "must bear its share of the burden involved. The "War Office is at all times prepared to give full "consideration to Indian interests; but it must be for "the War Office, in the last resort, to determine under "what conditions the Army can be raised. The "assumption that India is a great reservoir of "strength to England may be sound; but the British "Army is rapidly becoming simply a feeder to the "Indian Army; India gets the best men for the best "of their service.

119. "The Indian Government dwell upon the "alleged injustice with which the charges for British "and Indian troops have been apportioned when "British troops have been specially lent for Indian "service, or, *vice versâ*, when Indian troops have been "employed in Africa, Egypt, or outside the confines "of India generally. But, as regards this, it must be "borne in mind that any nice distinction, such as the "Indian Government seem to contemplate, between "Indian and Imperial interests, cannot be drawn, and "that the vital interests of India extend very much "beyond the confines of her own territory. . . . . "If any large reduction is to be made in the Indian "contribution, it can only be justified by considerations based on the relative wealth of the two "nations; and their Lordships will probably agree "with Mr. Stanhope that the time when a plea of "poverty can be put forth on behalf of India has not "yet arrived."

120. With this letter was forwarded a memorandum on the Government of India's despatch, in which it was said, "No one of any experience will deny that the "difficulties in the organization of the British Army "are due to the great demands for service out of the "United Kingdom. Three-fourths of this is due to "the Army in India; and since the Indian Mutiny "the European force in that country has been increased 75 per cent. This seems to prove that the "difficulties in the organization of the Army are "mainly due to Indian service. . . . The interests "of India were specially considered in the introduction "of short service; when the period of six years was "adopted, directions were at the same time given to "enlist one-fourth of the recruits for long service, "with special regard to foreign service; this was "subsequently modified, and long-service enlistment

" given up and replaced by the extension of the " service of the men originally enlisting for six years, " when it was found that these men were willing to " continue their service. It was contemplated that " the Reserve should be available equally for Indian " and general service, and for this reason the Indian " Government was asked to pay a share of the cost of " maintaining it, but the claim was not admitted; " notwithstanding this, the Reserve is still, of course, " available to meet Indian emergencies, though not a " third of them consist of Indian service men. . . . . " India has certainly urged that soldiers of longer " service were better adapted to meet the wants of " that country, and various modifications in that " direction have been introduced; the period of service " has been extended by one-third, so that now it differs " by two years only from that which obtained during " the period from 1847 to 1877, with the result that the " Service no longer possesses the attraction of short- " ness, and recruiting is by no means satisfactory. " The fact is that the requirements of India have " been the chief, if not the only, consideration." Various other comments were made on the detailed criticisms of the Government of India.

In the end, however, the War Office amended the claims so that they were on the same basis as had previously been adopted, and consequently the Commission did not take into consideration the letter from India or the War Office comments thereon; and, the calculations having been checked at the India Office, Lord Northbrook's Commission made a sixth and final report, on the 22nd of March 1892, in which they decided to award 527,818*l.* for 1887–88, 539,448*l.* for 1888–89, and 521,009*l.* for 1889–90, besides 138,118*l.*, 180,500*l.*, and 213,192*l.*, on account of deferred pay for the three years respectively. They further recommended that the accounts for 1890–91 and 1891–92 should be settled by a capitation rate of 7*l.* 10*s.* per man on the establishment in India, excluding deferred pay which would be determined by actual returns. This was accepted, and the same rate has also been applied to the accounts for 1892–93. A full report of the proceedings of Lord Northbrook's Commission, from 1879 to 1892, was furnished by Sir Thomas Seccombe on the 18th of July 1892.

Despatch to India, 18th Aug. 1892, No. 152 F.

Letter from War Office 8th Aug. 1893, F. 3839. Enclosure to Despatch to India, 18th Aug. 1892, No. 152 F.

122. The following table shows the amounts paid to the War Office for effective services in respect of each year:—

System of Settlement.	Years.	Average Effective Strength. Officers and Men.	Amount. Effective Services.	Deferred Pay.	Total.
			£	£	£
Sir A. Tulloch's Committee: 10*l.* Capitation Rate.	1861–62	58,438*	584,380		
	1862–63	69,586	695,860		
	1863–64	68,745	687,450		
	1864–65	69,313	693,130		
	1865–66	65,140	651,400		
	1866–67	61,917	619,170		
	1867–68	56,831	568,310		
	1868–69	58,431	584,310		
	1869–70	59,714	597,140		
Mr. Seccombe's Committee: Price per man for regiments and recruits. Mr. Bouverie's Committee: Ditto (not accepted).	1870–71	58,987	505,000		
	1871–72	60,605	435,000		
	1872–73	62,091	450,000		
	1873–74	62,166	400,000		
	1874–75	62,443	380,000		
	1875–76	61,562	320,000 †		
	1876–77	60,708	400,000		
		Establishment.			
	1877–78	60,905	500,000		
	1878–79	62,905	530,000		
Lord Northbrook's Committee: Awards.	1879–80	62,890	421,000	29,000	450,000
	1810–81	62,822	421,000	44,000	465,000
	1881–82	62,795	421,000 ‡	59,000	480,000
	1882–83	61,690	421,000	97,714	518,714
	1883–84	61,710	421,000	163,153	584,153
	1884–85	61,587	421,000	101,338	522,338
Detailed accounts first rendered.	1885–86	61,593	648,799§	101,531	750,330
	1886–87	72,422	512,587	114,950	627,537
	1887–88	72,367	527,818	138,118	665,936
	1888–89	72,369	539,448	180,500	719,948
	1889–90	72,387	521,009	213,192	734,201
Capitation of 7*l.* 10*s.*	1890–91	72,429	543,217	203,999	747,216
	1891–92	72,496	543,720	241,437	785,157
	1892–93 (estimate).	72,648	544,860	208,140	753,002

* Exclusive of local forces.
† Arrears remitted by Treasury in 1878.
‡ After adjustment of exceptional items.
§ Augmentation of force.

123. The manner in which the expenses of foreign expeditions in which the army of India has taken part have been divided between the two Governments will be seen in the following statement:—

Expedition.	Date.	Ordinary Charges.		Extraordinary Charges.	
		Paid by India.	Paid by England.	Paid by India.	Paid by England.
1st Afghanistan	1838-42	All.	None.	None.	All.
1st China	1839-40	All.	None.	None.	All.
2nd China	1856-57	None.	All.	None.	All.
Persia	1856	All.	None.	Half.	Half.
3rd China	1859	None, except expenses of Indian Navy vessels.	All.	None.	All.
Abyssinia	1867-68	All.	None.	None.	All.
Perak	1875	All.	None.	None.	All (by Colonial Government).
Malta	1878	None	All.	None.	All.
2nd Afghanistan	1878-80	All.	None.	All but 5,000,000*l.*	5,000,000*l.*
Egypt	1882	All.	None.	All but 500,000*l.*	500,000*l.*
Soudan	1885-86	All.	None.	None.	All.

Non-effective Services.

124. Before 1823 no payment was made from Indian revenues on account of non-effective charges for British forces serving in India. In that year the Court of Directors agreed to pay 60,000*l.* a year (apparently calculated at 3*l.* a head on the maximum number of Royal troops which under the Act of 1813 could be charged against India, in full satisfaction of all claims for retired pay, pensions, &c., in respect of Royal forces having served or serving in India; and this arrangement, which was recognised by the President of the India Board as a "liberal proposition," was confirmed by an Act dated the 11th of July 1823, with effect from the 30th April 1822.

House of Lords' Return 165 of 1862, page 44, Act 4 Geo. IV., c. 71.

125. In 1858 the War Office represented the insufficiency of this payment of 60,000*l.* a year, the number of Her Majesty's forces in the employment of the Company having increased from 20,000 to 92,000, and early in 1859 a Committee, over which Sir Alexander Tulloch, the Military Superintendent of Pensioners, presided, was appointed to report on the question. In their report dated the 25th of August 1859, they assessed the charges (including "pensions to discharged "soldiers 160,000*l.*, pensions to wounded officers "2,374*l.*, retired full-pay or other military allowance "on retirement 21,541*l.*, pensions to widows and "allowances to children 15,369*l.*" total 199,284*l.*), at fully "200,000*l.* a year for an army of 30,000 of the line serving in India." If allowance was further to be made for outstanding pensions, "the addition necessary "to meet that part of the obligation would, according "to a very rough estimate, be for the first year about "128,000*l.*, but would diminish at an average rate of "about 2,000*l.* in each successive year, till this burden "was entirely extinguished." The India Office members of the Committee protested against any increase of the pensionary charges, pointing out that the arrangement of 1823 was a compromise, that India was made to bear numerous expenses, such as the Afghan War, and a considerable share in the China Expedition and Persian War, while for the maintenance and protection of her Colonies England contributed nearly 3,000,000*l.* a year, and that England derived great relief through the employment of a large part of her military force in India. At the most, they considered that the extra charge should be in proportion to the original payment, and, therefore, that for 30,000 men only 90,000*l.* should be demanded. Finally, they urged that the rate of interest adopted in estimating the value of pensions should be on the Indian and not on the English scale.

House of Lords Return 165 of 1862, page 36.

Page 42.

Page 43.

126. Before arrangements had been made, another Committee, also under the chairmanship of Sir Alexander Tulloch, was appointed in 1860 to fix an average rate for the non-effective payments; and on the 31st of January 1861 they recommended, as a temporary arrangement, a payment, for every 1,000 men of all arms in India, of 3,500*l.* per annum for the non-effective charge, which was accepted, and legalised with effect from the 31st of March 1861, at first for one year, and then for five years more, that is, till the 31st of March 1867. It was subsequently continued, without legislative authority, to the 31st of March 1870. In that year Mr. Seccombe's Committee was directed to report on the non-effective charges; and, in a report dated the 12th of August 1870, they expressed their opinion "that the Imperial Government is not in a "position to claim from the Government of India any "further payment on account of pensions granted up "to" the 31st of March 1870; "and the question, "therefore, which" they had "to deal with, is the "charge to be borne by India for pensions, half-pay, "&c., granted subsequently thereto. The Committee "have considered whether it would be practicable to "fix an average or capitation rate for the adjustment "of the charge on Indian Revenues for non-effective "services; but as the information available for "determining such a rate is very insufficient, they are "of opinion that the most satisfactory, and, in the end, "the least laborious method of fairly adjusting those "charges, will be by an actual valuation of each grant "of out-pension, pension for officers' services, pensions "for wounds, widows' pensions, or compassionate "allowances, and the proportion of such value due to "service rendered to the Indian Government—the "payment of which from Indian revenues would be a "full discharge and satisfaction for the pensions "assessed."

Page 71.

Act 24 & 25 Vict. c. 89. and 25 & 26 Vict. c. 27.

127. This plan was adopted, with effect from the 1st April 1870, actuarial tables being constructed for the valuation of the pensions, the rate of interest being taken at 4 per cent., and the age being that of the pensioner on his last birthday. In the event of an annuity ceasing from any cause other than death or commutation, a credit was given to India. "This "course," the actuaries said, "secures perfect justice "between the two governments, provided the system "be perfectly maintained, and provided, at the time "of the credit being given to India, interest be allowed "to India for the time the half-pay or pension has "been payable by Great Britain, on the difference "between the initial value of an annuity for such term "and for the whole of life. Should, at a future time, "the present system of India paying a capitalisation be "abandoned, it must be understood that India would "have to be compensated for the prospective credits." Mr. Bouverie's Committee saw "no reason to disturb "the arrangements;" and the Treasury Minute of 2nd July 1878 also said that "the Chancellor of the "Exchequer cannot advise that a revision of non-"effective arrangements be made at present."

Parliamentary Paper 24 of 2nd Sess. 1878, p. 34. Ditto, p. 7.

128. An important letter from the Government of India, dated the 8th of February 1878, respecting the payments to the War Office, has been already mentioned in connexion with the effective services (paragraph 81). Owing to the heavy cost of the remittances to England needed for the payment of the non-effective capital sums, and the inability of India to defray them without falling into arrears, a proposal was made to the War Office on the 13th of November 1878, for spreading the payments over a period of 10 years; and this was communicated to the Treasury on the 20th of March 1879. At about the same time, the Government of India, in a letter dated the 21st of March 1879, deprecated any attempt to fix a capitation rate at present, as, owing to the short-service system, and other causes, a considerable reduction was anticipated in a few years; but they suggested that a sensible relief would be obtained by a discontinuance of the system of paying the capital amounts, and adopting a plan of spreading the total charges more evenly over a series of years. They, however, referred to the suggestion made by the India Office members of the Committee of 1859, that a compromise ought to be effected "with reference to a

Ditto, 342 of 1884, p. 3.

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Page 13.

Parliamentary Paper 342 of 1884, p. 15.

"balance of advantages," and that India should not pay its full arithmetica share of the pensions.

Page 25. 129. No reply having been obtained from the Treasury to the proposal made in 1878–79, the India Office, on the 4th of April 1882, proposed that 200,000*l.* a quarter should be paid to the Treasury, interest on the amount then outstanding and on all future liabilities being credited to the British Government, and interest on the quarterly payments being allowed to the Government of India. It was anticipated that, under such an arrangement, the amount outstanding would, at the end of 15 years, not be larger than at present, and that the normal payments might then, including interest, be about 800,000*l.* a year. At this Page 27. time it was calculated that up to the 30th of March 1880 the unpaid non-effective charges amounted to 1,038,824*l.*; and, according to the estimates for the next three years, the amount outstanding on the 31st of March 1883 would be 2,016,824*l.*

Page 28. 130. At length, on the 22nd of January 1883, the Treasury replied to the proposals of the India Office. They said "that it is plain that interest should be "charged on each sum in arrear, from the time at "which it became due to the time when it shall have "been paid off, and that the rate of interest assumed "for this purpose should be the same as that upon "which the calculation of the capitalised value of the "prospective pensions was originally made." And they would make no objection to the repayment of the amount thus arrived at, by means of a ten years' annuity. The Secretary of State in Council replied on the 2nd of March 1883, demurring to the charge of interest, which was never imposed on sums under settlement between the two Governments, even when as in the case of the Afghan, Perak, and Abyssinian expeditions, the settlement of accounts had been delayed for six, seven, and twelve years, and the Government of India had themselves been obliged to borrow in order to make the necessary advances. The delay in the present case did not originate with the India Office, but with the Treasury or War Office. An increase had been anticipated when the soldiers "enlisted during the Crimean war and Indian Mutiny "should have completed their 21 years' service; but "this alone was not sufficient to account for the very "great rise from an average of 391,000*l.* in the first "six years" (1870–71 to 1875–76) "to an average of "810,000*l.* in the next four years, or more than double "the former sum, and to an amount estimated at "920,000*l.* for 1881–82. Part of this increase is due "to measures carried into effect by the British "Government for purposes unconnected with India, "such as the abolition of the purchase system and "consequent grant of pensions to officers, the compulsory retirement of officers on attaining certain "ages, the re-organisation of the Army Medical Department, and other steps, which, by compelling "India at once to become liable for the capital value "of such pensions, so far as they are due for service in "that country, hinders the non-effective charge "from falling in the manner expected when the "arrangement was originally made." The utmost to which the India Office could agree was, simple interest at 4 per cent. from the 1st of April 1880 on the amounts due in respect of 1876–77 to 1879–80; for the three subsequent years "no reports have been rendered, and "no claim for interest can be recognised. From "the 1st of April 1883 the amounts which may then "be due, including estimates for the years on account "of which reports have not been rendered, will be "added together; and to these will be added on each "subsequent 1st of April the amounts estimated for "the year just closed. Against these will be set the "payments made from time to time by this office; and "the necessary corrections of the estimates will be "made in respect of each year when the actuaries' "reports shall be received. Interest at 4 per cent. "will be added to the outstanding balance at the close "of the year. The sum thus ascertained to be due, "including the amounts in respect of future years, "will be repaid by the Secretary of State in Council "as rapidly as possible consistently with keeping the "payments to the Treasury at a fairly uniform rate."

Parliamentary Paper 342 of 1878, page 27. 131. This letter having been forwarded to the Government of India, with a request that they would see whether it might not be possible to make a further remittance in order to pay off part of the arrears, they replied on the 10th of August 1883, reviewing the whole of the past correspondence. Prior to 1861 the payment Page 33. was 60,000*l.* a year, from 1861–62 to 1869–70 it was a capitation rate of 3*l.* 10*s.*, which on the nine years averaged 225,000*l.* From 1870–71 to 1883–84 the Page 41. payment of the capitalised value had on the 14 years Page 42. averaged, including unpaid arrears, 669,000*l.* If interest on those arrears were to be charged, the Treasury ought to pay interest in connexion with the Perak and Abyssinian payments. Moreover, the Crown Page 43. Colonies pay nothing towards the non-effective charges. "A fair settlement of the question would be that the "Treasury should remit such a portion of the arrears "as will bring them down on 1st April 1883 to "1,500,000*l.* We, on the other hand, would undertake "to pay the whole of this amount by 1st April 1885." No exception was taken to compound interest being charged on arrears after 1st April 1883.

132. As to the future, the Government of India held that the system ought to be changed, owing to its uncertainty; "if, in addition to the very considerable Page 45. "difficulties which already attend the administration "of the Indian finances, we are to have hanging over "our heads vague and uncertain demands for large "sums of money by the English Treasury, it is Page 46. "impossible to conduct the financial administration "of India with any degree of confidence." But, further, "we maintain that the system itself is unjust." "It pre-supposes that there is a partnership between "the two countries; and so to a certain extent there "is, but there is no freedom of contract. It is a "partnership in which the rich and powerful partner "is able to prescribe the conditions under which the "business shall be carried on, with very little reference "to the wishes or the means of the poorer and weaker "partner. . . . The argument as regards the "abolition of the purchase-system appears to us to be "particularly strong; that system existed in England "from the days of William III.; it was a system with "which India was but little concerned until the Crown "took over the direct government of the country. It "certainly appears to us exceedingly unjust that the "Indian revenues should be called upon to bear any "charge in order to get rid of this peculiarly English "abuse. . . . Even in respect to those reforms "which may be said to have increased the efficiency of "the Indian, equally with that of the English Army, "the position of India is very disadvantageous." In the regulation of such matters the Indian authorities have scarcely any voice, "even although the execution "of those reforms may have resulted in considerable "burdens being thrown upon Indian revenues." "The Page 47. "military requirements of England and of India are "so different that it is impossible that there should be "any true partnership," as instanced in the case of Page 48. short service. They accordingly renewed the proposal made in 1878, that the total payment for effective and non-effective services should be settled by a capitation rate, the arrangement being embodied in an Act of Parliament. Meantime they recommend that the capital payments should be spread over 12 years, and a payment be made of about 700,000*l.* a year. Page 49.

133. This letter was forwarded to the Treasury on the 4th of October 1883, Lord Kimberley saying that, in view of the report of the Committee of 1870, he Page 52. could not support the proposal to revert to a capitation rate or annual fixed payment, but pressing for a speedy reply to the letter of the 2nd March 1883. No answer Page 53. being received, he, on the 23rd February 1884 tendered 1,000,000*l.* on account of the arrears, discharging those for 1876–77, 1877–78, and 1878–79, and nearly the whole of that for 1879–80.

134. On the 4th of March 1884 the Treasury wrote Page 54. "that they find that the British Exchequer loses so "heavily by" the arrangement for India's paying the capitalised share of the pensions, "that they have "decided, in concert with the Secretary of State for "War, to withdraw from it from the 1st of April next." They accordingly proposed that for the future the pensions should be paid half-yearly, as they fell due, and that as to the past the arrear should be converted into annuity for eight or ten years. As to the amount so to be treated, they proposed, as a compromise, to take the mean between the amount stated by the War Office actuaries, and that admitted by the Secretary of

Despatch to India, 22nd Jan. 1885, No. 18 F.

State in Council. With certain corrections, this left the arrear at charge on the 1st of April 1884, something under a million sterling, which amount, owing to the alteration of the system of payment, which Lord Kimberley accepted, India was able to discharge in the course of 1885–86.

Letter from India, 11th July 1884, No. 220 F.

135. In closing the discussion, the Government of India placed on record once more their "strong sense "of the inequitable nature of the present arrangement. ". . . If the interests of India were equally con- "sidered with those of England in all questions "affecting the organisation and cost of the British "Army, and if India had an equal voice with England "in deciding whether changes in organisation involving "increase of expenditure should be made, it would be "perfectly fair that the cost of the British Army "should be divided in the arithmetical proportion of "service in India to service out of India. Neither of "these conditions is fulfilled in practice; changes are "made, and reforms introduced, with reference rather "to the wants of England than of India. We are, "therefore, of opinion that it is unfair to India to "require her to pay for changes in organisation which "are carried out quite independently of her, in regard "to which the authorities responsible for Indian "finance may not even have been consulted, which "may not in any degree strengthen the military "position of India, or finally may not confer on India "advantages commensurate with the cost." With regard to the claim of the Treasury for interest, the Government of India had already objected to such a claim "made without warning and in opposition to "previous practice"; and they greatly regretted that the Secretary of State had not lent the weight of his authority in support of their arguments, and of their "counter-claim in connexion with the advances for the "expeditions to Perak and Abyssinia." Referring to the representations made by Lord Lytton's Government in 1878, and repeated in 1883, they said, "It is a matter "of deep regret to us that our suggestions regarding "a question of such importance to the finances of India "should apparently have so little commended them- "selves to your Lordship's judgment. That this must "be so, we are led to infer from the fact that they "were not pressed upon the English Treasury, and "that your Lordship has not deemed it necessary to "discuss with us the arguments on which our proposals "were based. So long as these arguments are un- "answered, we must respectively adhere to our opinion "that the question 'is one to be decided, not by the "'mere rules of arithmetic, but on broad and states- "'manlike views of public policy which shall fairly "'adjust the claims of England to the capacities of "'India,' and we trust that, when your Lordship may "consider the time opportune for the disposal of this "question, you will press upon Her Majesty's Govern- "ment the views which we have considered it our duty "to lay before your Lordship, and endeavour to obtain "that guarantee of stability which can only be given "by an Act of Parliament. . . . It is not to the "advantage of India that 'the amount of these "charges' should be left to be regulated depart- "mentally between the Secretary of State for India, "the Treasury, and the War Office.

Despatch to India, 25th Sept. 1884, No. 305 F.

136. Lord Kimberley replied that "in 1878 a strong "effort was made to revert to the principle of a "capitation rate, but it was rejected by the Treasury; "and I am unable to see any advantage in again "attempting to recur to a plan previously tried and "abandoned. The difficulty of ascertaining an "equitable capitation rate is apparent from the "inability of Lord Northbrook's Commission as yet "to recommend a rate for the effective services; and, "if a lump sum were agreed upon, it is clear that con- "tinued discussions would arise as to the strength on "which that sum was based having been duly main- "tained. . . . By the existing plan much risk of "controversy is removed. . . . It having been "decided, after the assumption of the direct Govern- "ment of India by Her Majesty, that a local European "force should no longer be maintained, and that the "European Army of India should thenceforward be a "portion of the general forces of the Crown, it follows, "as a necessary consequence, that the British troops "employed in India shall, in respect of the period of "their service there, be entitled to equal privileges "of a general character with those employed elsewhere, "whether in regard to pay or pension. And, just as "India pays the effective charges of the troops while "serving in that country, so she must be liable for "the non-effective charges in respect of those troops "for that period. It is true that occasionally the "Secretary of State in Council has deemed it necessary "to object to particular measures as bringing an "unnecessary burden on the finances of India. Any "decisions, however, of Her Majesty's Government, "increasing the pecuniary advantages of the army, "must be considered not as having reference, as your "Excellency expresses it, to the wants of England "alone, but to the interests of the military defence of "the whole Empire; and I am unable to see on what "ground India, which requires about one-third of the "entire British Army, can complain of being required "to pay her due proportion of the cost. In the words "of the Select Committee of the House of Commons, "which investigated the subject in 1874, 'India, as a "'component part of the Empire, must be prepared "'to share in the cost of a system the expense of "'which may be enhanced for Imperial purposes.' ". . . . No opportunity has been lost by the "representatives of this Office of pressing the claims "of India for consideration on account of the advan- "tages that England derives from the maintenance "of depôts, and from the training of the force in active "operations, as well as on account of the financial "difficulties with which the Government of India has "had to contend." As to the "'counter-claim' in "connexion with the advances for the expeditions "to Perak and Abyssinia, it may be well to remind "your Government that those sums were repaid at "rates of exchange favourable to India." Persistent efforts had been made to convert the charges into annuities, so as to remove the uncertainty respecting the amount to be paid. It had not been necessary to discuss the Government of India's arguments in detail, because it had been shown in 1878 that their views "were based on an erroneous assumption as to the "manner in which the increase of military charge "that led to their representations had arisen."

137. The new system on which the non-effective payments were placed was as follows:—"(1) That the "proper Indian share of the annual payment to each "pensioner, on the basis of past service, should be "ascertained in the same manner as has hitherto been "the practice for the purpose of capitalisation; (2) that "India should be debited for the financial year in the "course of which the retirement occurs, with one-half "of her annual share, reduced by the chance of the "pensioner not living one year; (3) that for subse- "quent years India should pay her original share, "adjusted by the chance of the pensioner being alive "in the year . . . .; (4) that in the case of tem- "porary non-effective pay, such as half-pay, there "should be a countercharge in favour of India from "the year in which the individual reverts to full "pay."

Parliamentary Paper 221 of 1885, page 34.

138. The following sums have been paid for non-effective charges since the Act of 1861 was passed:—

Ditto, 14 of 2nd Sess. 1878, page 16.

Year.	System.	Number of Officers and Men in India.	Amount paid.
			£
1861-62	Capitation rate of 3l. 10s.	58,438	204,553
1862-63	" "	69,586	243,551
1863-64	" "	68,745	240,607
1864-65	" "	69,313	242,595
1865-66	" "	65,140	227,990
1866-67	" "	61,917	216,709
1867-68	" "	56,831	198,908
1868-69	" "	58,431	204,508
1869-70	" "	59,714	208,999
1870-71	Capitalisation of Indian share of valuation of pensions granted.	59,987	428,725
1871-72	" " "	60,605	281,148
1872-73	" " "	62,091	318,501
1873-74	" " "	62,166	348,330

Despatch to India, 30th June 1887, No. 174 F.

Year.	System.	Number of Officers and Men in India.	Amount paid.	Year.	System.	Number of Officers and Men in India.	Amount paid.	
1874-75 -	Capitalisation of Indian share of valuation of pensions granted.	62,443	428,841*	1884-85 -	New system, spreading the charge over a series of years.	61,587	36,289	Ditto. 20th Dec. 1888, No. 331 F.
1875-76 -	" " " -	61,562	543,085	1885-86 -	" " " -	61,593	77,849	
1876-77 -	" " " -	60,708	765,977	1886-87 -	" " " -	72,422	122,286	Ditto. 6th March 1890, No. 36 F.
1877-78 -	" " " -	60,905	730,756	1887-88 -	" " " -	72,367	169,553	
1878-79 -	" " " -	62,905	855,949	1888-89 -	" " " -	72,369	217,567	
1879-80 -	" " " -	62,890	886,142	1889-90 -	" " " -	72,387	260,717	Ditto. 21st May 1891, No. 109 F.; and 9th June 1892, No. 96 F.
1880-81 -	" " " -	62,822	917,681	1890-91 -	" " " -	72,429	298,464	
1881-82 -	" " " -	62,795	902,476	1891-92 -	" " " -	72,496	344,368	
1882-83 -	" " " -	61,690	700,373	1892-93, estimate.	" " "	72,648	360,297	
1883-84 -	" " " -	61,710	472,343†					

* Besides 244,224*l.* for men formerly belonging to East India Company's service.
† The total from 1870-71 to 1883-84 under the capitalisation system was 8,824,551*l.*

APPENDIX No. 46.

Papers relating to the Indian Contribution on account of the Vessels of the Royal Navy stationed in Indian Waters.

PART I.

I. INDIA OFFICE CASE SUBMITTED TO LORD ROSEBERY WITH ANNEXURES.

II. ADMIRALTY CASE SUBMITTED TO LORD ROSEBERY AND TREASURY ADDITION THERETO.

III. AWARD OF LORD ROSEBERY.

PART II.

CORRESPONDENCE BETWEEN THE ADMIRALTY, TREASURY, AND INDIA OFFICE.

Note.—This correspondence, with the exception of Nos. 66 to 75, was put before Lord Rosebery.

SUB-APPENDICES.

1. Revised Memorandum of Foreign Office Conference dated 26th March 1890.
2. Letter from Government of India dated 25th August 1890.
3. Despatch to Government of India dated 5th February 1891.
4. Memorandum of Accountant-General of Navy dated 28th February 1891.
5. Letter from Government of India dated 13th May 1891.
6. Memorandum of First Lord of the Admiralty dated 28th November 1891.
7. Memorandum of India Office dated 23rd December 1891.
8. Minutes of Committee held at the Admiralty dated 11th and 25th January 1892.
9. Letter from Government of India dated 31st July 1894.
10. Despatch to Government of India dated 20th September 1894.
11. Despatch to Government of India dated 26th June 1895.
12. Memorandum by the Director of the Indian Marine dated February 1896.

Note.—Sub-Appendices 1 to 4 and 6 to 8 were put before Lord Rosebery.

PART I.

i.—India Office Case.

Semi-Official Letter from Lord Rosebery to Mr. Fowler, dated 6th December, 1894.

I have received from the Treasury the papers relating to the questions at issue between the Admiralty and the India Office, which I understand you have agreed to refer to me.

The first question on which a decision seems to me to be required is the precise meaning which is to be attached to the words "for Indian purposes" in the Report of the Conference of 1890; and I shall be glad if you will furnish me with the definition of this phrase as it was understood by your department at that time, together with a concise statement of the grounds on which that understanding was based.

When a decision on this point has been arrived at, it will probably not be difficult for the two departments to settle the number and class of vessels required for the service, and the consequent payment to be made by the Indian Government.

In the event, however, of your failing to agree within a period, say, of two months, I shall be ready myself to undertake the solution of this question also, if you are prepared to accept my decision as final.

Semi-Official Letter from Mr. Fowler to Lord Rosebery, dated 18th December 1894.

On the 16th November I caused a letter to be addressed to the Admiralty, in which the Secretary of State in Council expressed his willingness to lay before you the correspondence about the East Indian Squadron subsidy, "in order that you might consider "what course should be taken to settle the questions "at issue."

Your letter to me of the 6th December contains your decision on this point. You say that you wish, first, to be furnished with certain materials in order that you may decide what is the precise meaning to be attached to the words "for Indian purposes" in the Foreign Office Conference Report, and you add that when this question has been decided the two departments are to try to settle between themselves the number and class of ships required for such purposes, and the consequent payment to be made, and that in the event of their failing to agree within a period of two months you will be ready to undertake the solution of this question also, provided that both departments are prepared to accept your decision as final.

In reply, I have now to say that I agree to this course, and am prepared to accept your decision on these two questions as final.

Our case as to the meaning to be attached to the phrase "Indian purposes" in the Report of the Foreign Office Conference, 1890, will be sent to you in a day or two.

Revised India Office Case.

Naval Squadron in Indian Waters.

Interpretation of the term "Indian purposes" used in the Report of the Foreign Office Conference.

The term "Indian purposes," which is used in the Report of the Foreign Office Conference of 26th March 1890, was understood by the India Office to mean the maritime police of the coast and the repression of piracy and of the local slave trade.

The grounds on which that understanding was based are as follows.

The sentence in which the term is used runs thus:—

"The Indian Government is to be consulted as to the "number and class of ships required in the Persian "Gulf and off the coasts of India for Indian purposes."

The fact of consulting the Indian Government indicates a restriction in the scope of employment of the vessels. The Government of India never have been, nor would be, consulted as to the naval force required for the general defence of India by naval operations, or for the general protection, in Indian waters, of commerce which concerns not only India, but also the United Kingdom and the Colonies.

Again, the words "in the Persian Gulf and off the coasts of India" still more clearly restrict the meaning of the expression in question. Any employment of the squadron for more general purposes would remove the ships from the coasts of India; the localization of the force was therefore incompatible with any intention that it should be employed for such general purposes.

Further on in the report of the Conference it is arranged that "the ships [for which India is to pay] "are not to be employed beyond certain limits to be "agreed upon, except with the consent of the Indian "Government. They will be under the control and order of the Naval Commander-in-Chief, to whom will "be sent the wishes of the Indian Government, with "which it will be his duty to comply." One of the main reasons, in fact, for proposing that India should pay the whole cost of these vessels, effective and non-effective, was that they were to be more at the disposal of that Government than they had hitherto been, a condition which could not be observed if they were liable to be called away for other duties, as to which, even if India were interested, the Indian Government had no sort of control. Obviously it would only be for Indian purposes, as above defined, that the Government of India would have any wishes with which it would be the duty of the admiral to comply. If "Indian purposes" had included the general duties for which the Admiralty contend, these restrictions upon the employment of the ships maintained for those purposes would never have been proposed, much less agreed to.

As a further argument in support of the contention that the portion of the squadron for which India was to pay was designed for local purposes off the coasts of India, and not for the security of Indian commerce generally, reference may be made to the circumstances in which the Government of India originally undertook to pay a portion of the cost of the East Indies Squadron.

It was laid down in 1861, when the abolition of the Indian Navy was under consideration, that the general protection of trade must rest with the British Government, as previously (*see* paragraphs 3 to 5 of the India Office letter to the Treasury of 6th March, 1890, attached).

The Indian Navy was abolished in 1862, that is to say, it was converted into a non-combatant force, now called the Royal Indian Marine. Up to that date, all "Indian purposes" were provided for by the Indian Navy, but under the arrangements made in 1862 the Royal Navy undertook that portion of the duties involved in the expression "Indian purposes" which could not be carried out by a non-combatant force, such as the Indian Marine had become. These duties were, the maritime police of the coast and the repression of piracy and of the local slave trade.

In 1869, however, it was arranged that the crews of ships maintained *for these purposes* should be paid for by India, and, accordingly, that India should pay 70,000*l.* a year, being the cost of the crews of six ships which were to be maintained for those local duties. Of these, three were for service in the Persian Gulf.

In 1887, the Government of India represented that the number might well be reduced to four, one for the Bay of Bengal, one to be stationed at Aden, one (specially constructed for this service) in the Persian Gulf, and one at Bombay, ready for service in the Persian Gulf. This was done, and the subsidy was reduced to 38,500*l.* a year, plus a payment of 5 per cent. a year towards replacement of the cost of the "Sphinx," the vessel in the Persian Gulf. These arrangements were approved by the Admiralty, who were represented on a joint committee which considered the subject.

It was reasonable to suppose that the ships, the whole cost of which India was to pay under the Foreign Office agreement, were to be maintained for the same purposes as those for the crews of which she had previously paid.

For the remaining local duties, such as the transport of troops, the inspection and relief, &c., of lighthouses and light ships, conveyance by sea of the Viceroy and Governors, marine surveys, despatch vessels, and harbour service, a considerable fleet is maintained by the Government of India.

It should also be remembered that as regards local defences, in addition to forts, armaments, and a submarine mining service, India has undertaken liabilities amounting to 60,000*l.* a year for the manning and maintenance of her floating defences, and has provided two turret ships, two gunboats, and seven torpedo boats, from her own funds. These vessels are under the command of the naval Commander-in-Chief; and it is obvious that the effect of this large addition to the squadron, at the expense of India, is to liberate for the protection of commerce a much larger force than would otherwise be available.

In the report of the Foreign Office Conference special reference was made, as a ground for claiming from India the whole cost of the vessels needed for Indian purposes, "to the example of the Australasian "Colonies (which are contributing liberally for the "protection of the floating trade)." But, on referring to the Australasian agreement, it will be found that the colonies were only to contribute towards the cost of the *additional* force needed for the protection of the floating trade in Australasian waters, and that it was expressly provided that no reduction was, in consequence thereof, "to take place in the normal strength "of Her Majesty's Naval Force employed on the "Australian station." For this "normal strength" Australasia never has paid, and does not now pay, anything. She bears, it is true, the expense of an important part of the total cost of the squadron required for *all* purposes, Imperial and local, on that station; but it is equally true that India, if the contention of the India Office is accepted, will bear a no less important part of the cost of the force maintained for *all* purposes on the East India Station.

Such are, briefly, the grounds on which the India Office contend that they were justified in using the words "Indian purposes" in the restricted sense above mentioned.

15th December, 1894.

SUB-APPENDIX.

Extract paragraphs 3–5 of Letter from the INDIA OFFICE to the TREASURY, No. M 1186, dated 6th March, 1890.

3. In 1861 it was represented by the Government of India that the nature of the services required to be performed by vessels of war in the Red Sea and upon the East Coast of Africa had recently been much changed, in consequence of the extension of the foreign slave trade, and the more frequent presence of foreign ships of war. Her Majesty's Government, therefore, considered that, in the future, vessels of the Royal Navy should be employed in those seas instead of vessels of the Indian Navy, and that, as the purposes for which they were employed were Imperial, so their cost should be borne by the Imperial Exchequer.*

4. In 1862 the question again came under the consideration of the Secretary of State, in connexion with the proposed abolition of the Indian Navy, and he then proposed to the Admiralty that, "as regards India, "the general defence, the protection to trade gene-"rally, and the measures for putting down the slave "trade on the eastern coast of Africa, which have "hitherto been performed partly by Her Majesty's "Navy and partly by the Indian Navy, should be "undertaken altogether by Her Majesty's Navy."

The means of local defence, by floating batteries or otherwise, were to be provided by the Government of India. It was also pointed out that at all times there had been several vessels of Her Majesty's Navy in the Indian seas, for the general protection of trade, and at the same time available for any naval services which might be required by the Government of India.

The proposal was at once accepted by the Admiralty, who undertook that Her Majesty's ships should carry out these duties, and instructions were accordingly sent to the Government of India for the abolition of the Indian Navy.†

5. It was, I am to observe, no part of this arrangement that the Admiralty should be relieved at the cost of Indian revenues of any portion of the expense, which they had always borne, of maintaining a naval squadron in Indian waters. On the contrary, when the Government of India proposed in 1861 that a force of ships should be placed at their disposal which should never be withdrawn without their consent, and the cost of which should be defrayed by India, the Secretary of State pointed out the insuperable objections to the proposal, and said that, "as India "cannot be permitted to exercise any control over the "disposition of the Imperial Navy, so she cannot "properly be charged with any portion of its cost."

* These words are taken verbatim from a Despatch written by Sir Charles Wood.

† This arrangement was agreed to by the Admiralty in their Secretary's letter of 12th November 1862. The question of a division of payment was not raised till the year 1869.

SUPPLEMENTARY STATEMENT: INDIA OFFICE CASE.

1. What were the duties of the Indian Navy?

So far as these were *combatant* duties, they are given in a letter from the India Office to the Admiralty of 7th November 1862 (Appendix B), namely, the maritime police of the coast and the repression of piracy and the local slave trade; nothing more. At that time, when the Suez Canal did not exist, and few foreign ships showed themselves in that neighbourhood, the repression of the slave trade on the coast of East Africa was, in view of the Indian administration of Aden, regarded as part of the local slave trade; but when foreign ships began to appear in these waters, it was recognised that it had become an Imperial duty and was taken over by the Imperial Government. See India Office letter of 7th November (Appendix B), and the Admiralty reply of 12th November 1862 (Appendix C).

2. Did the Admiralty in 1862 clearly accept the *cost* of the duties?

It will be seen that the India Office letter of 7th November 1862 gave the opinion of the Secretary of State as to the duties which should be performed by Her Majesty's ships, and the Admiralty in their reply of 12th November agreed that they should be so performed. As nothing was said, nor any reservation made, as to a contribution by India, and as the result of the agreement was that for seven years the whole cost was borne by the Imperial Government, we maintain that the Admiralty did in fact accept the whole cost of discharging these duties. Moreover, in 1870 the Admiralty wrote, 8th August . . . "After the "abolition of the Indian Navy the Admiralty under-"took in 1862, *without payment*, to perform duties "which had hitherto been jointly carried out by the "Royal Navy and vessels of the Indian Navy." . . .

3. What authority is there for the principle laid down in Sir C. Wood's despatch, that if a ship is employed for Imperial purposes it should be paid for by the Imperial Exchequer?

See letter to Admiralty of 10th October 1862 (Sub-Appendix A). The Admiralty replied (13th October) asking for further information, which was given in the India Office letter of 7th November (Sub-Appendix B). The Admiralty then, 12th November (Sub-Appendix C), undertook to perform the duties as set forth and explained in the letters above mentioned, thereby accepting the principle laid down by Sir C. Wood. It may also be observed, as showing that the principle has been generally accepted,—

(*a.*) that it was only when the Indian Government obtained some control for their own purposes over a portion of the squadron that they were made to contribute to its cost, and

(*b.*) that among the objects of the Conference of 1890 agreed to by the Admiralty we find the following:—

(1.) to place the ships more completely under the control and at the disposal of the Government of India, and

(2.) to arrange that India shall pay their *whole* cost instead of paying only for the pay and provisions, &c., of the crews.

4. For what purposes were the ships, for the crews of which India paid under the agreement of 1869, employed?

Three were detailed for constant and exclusive service in the Persian Gulf and the adjacent waters, and were under the immediate control of the Government of India. The other three were to be at the disposal of the Government of India for their own purposes, "whenever and so far as the requirements of "the Imperial service will permit." (See Sub-Appendix D and E). By these words the Admiralty admit the distinction between Indian and Imperial purposes. And as regards the payment made by India under the

agreement of 1869, it should be observed (1) that, inasmuch as India did not bear the whole cost of the ships (as she will under the new arrangement) but only paid a capitation rate for their crews, she could not expect to have the exclusive use for Indian purposes of all of them; (2) that, if they were removed beyond a certain imaginary line, India ceased to pay for them until they returned. See Admiralty letter dated 30th July 1869 (Sub-Appendix E).

Sub-Appendix A.

Letter to the ADMIRALTY, dated 10th October 1862.

SIR,

I AM directed by the Secretary of State for India to acquaint you, for the information of the Lords Commissioners of the Admiralty, that he has had under his consideration in Council the manner in which the various naval services in the Indian seas can best be performed.

Sir Charles Wood concurs in the general view contained in the letter from the Secretary of the Admiralty to the Under Secretary of State for the Colonies, dated the 24th of January 1857, that—whilst the transport of troops and stores, and the local means of defence, should be provided by local resources—the general naval defence of Her Majesty's possessions abroad, and the protection to trade, can be most advantageously performed by the ships and vessels of Her Majesty's Navy.

He is of opinion, therefore, that, as regards India, the general defence, the protection to trade generally, and the measures for putting down the slave trade on the eastern coast of Africa, which have hitherto been performed partly by Her Majesty's Navy and partly by the Indian Navy, should be undertaken altogether by Her Majesty's Navy.

Sir Charles Wood is the more inclined to this view from the change which has taken place of late years in the character of the slave trade from the eastern coast of Africa, and from the more frequent presence of vessels of the French Navy, both there and in the Red Sea. A French frigate has recently visited the port of Muscat, at the entrance of the Persian Gulf; and Sir Charles Wood is of opinion that it is very desirable that vessels of Her Majesty's Navy should be more frequently seen in those waters. He also would wish to know if the Lords of the Admiralty would be prepared to undertake the duty.

The vessels employed in this part of the Indian seas will have the ready means of repair at the dockyard at Bombay; and the Government of Bombay will be ready to furnish any assistance which may be necessary, in order to enable Her Majesty's ships effectually to perform their duty.

Sir Charles Wood understands that the Lords Commissioners of the Admiralty have already appointed an officer, with the rank of commodore, to take under his orders all the ships and vessels employed in the Indian seas. Sir Charles Wood is of opinion that this is an arrangement most advantageous to Her Majesty's service, and that such officer should be instructed to communicate freely and constantly with the Governments of India and of Bombay, and to meet, as far as in his power, any demands for naval assistance which those Governments may find it necessary to make.

The transport of troops and stores will be provided for by vessels either belonging to, or hired by, the Government of India; and the means of local defence, by floating batteries or otherwise, may be provided in the same way.

Before taking any step, however, Sir Charles Wood is desirous of learning whether the Lords Commissioners of the Admiralty will be prepared to undertake the performance of the duties which, in his opinion, ought to be assigned to Her Majesty's Navy.

I have, &c.

H. MERIVALE.

The Secretary, Admiralty.

Letter from the ADMIRALTY, dated 13th October 1862.

SIR,

HAVING laid before my Lords Commissioners of the Admiralty your letter of the 10th instant, stating that Secretary Sir Charles Wood has had under his consideration in Council the manner in which the various naval services in the Indian seas can be performed, and that he is desirous of knowing whether their Lordships will be prepared to undertake the performance of the duties which, in his opinion, ought to be assigned to Her Majesty's Navy, viz., as regards India, the general defence, and the protection to trade generally, and the measures for putting down the slave trade on the East Coast of Africa, also stating that Sir Charles Wood considers that vessels of Her Majesty's Navy should be more frequently seen in the waters of the Persian Gulf, and wishes to know whether their Lordships would also be prepared to undertake the duty there, I am commanded to acquaint you that, previous to considering the steps to be taken for the protection of the Indian seas, my Lords would be glad to learn from Sir Charles Wood what force, in detail, has been maintained for the various duties to which your letter has reference, and likewise the force which, in the opinion of the Secretary of State, may be considered adequate for the due performance for the future of those duties.

My Lords would also be glad to be furnished with any further information with regard to the nature and extent of the duties which Her Majesty's ships may be called on to perform under the proposed arrangement.

I am, &c.

Herman Merivale, Esq. C. PAGET.

Sub-Appendix B.

Letter to the ADMIRALTY, dated 7th November 1862.

SIR,

I HAVE laid before the Secretary of State for India in Council your letter of the 13th ultimo, requesting information as to the force which has been maintained for the performance of the various naval services on the coasts of India and in the neighbouring seas, referred to in the India Office letter of the 10th ultimo, and what force the Secretary of State for India may deem adequate for the due performance of those duties for the future.

In reply, I am directed to observe that at all times there have been several vessels of Her Majesty's Navy in the Indian seas for the general protection of trade, and to be at the same time available for any naval service which might be required by the Government of India. A considerable squadron of the Royal Navy has always been maintained on what is called "the East India and China Station," and the number of ships and vessels on the coasts of India has varied from time to time according to the known or anticipated requirements of the various posts of that extensive naval station.

So far as the coasts of India are concerned, there has been since the Burmese war little occasion for the services of the Royal Navy vessels, whilst the demand for ships and vessels in other posts of the command has increased. Fewer vessels have consequently been there for some time past than it had been usual to keep there at former periods. During the mutiny in India, Her Majesty's ships "Shannon" and "Pearl" were at Calcutta, and their officers and crews rendered very valuable aid in the field. Sir Charles Wood does not anticipate that any active service is likely to be required from the Royal Navy on the coasts of India, but it is undoubtedly desirable that some of Her Majesty's ships should show themselves from time to time at the different ports in that country.

French frigates and vessels occasionally appear in the Indian waters, and that is done to impress the natives with an idea of the power and influence of France. It is not well for the character of this country that, from the absence of Her Majesty's ships, England should seem to be wanting either in naval force, or in care for those under Her Majesty's dominion.

With regard to the East Coast of Africa and to the slave trade upon that coast, the only naval force there in former years consisted of Arab dhows, and the only slave trade was the domestic slave trade of the Arabs. No foreign vessels of war ever showed themselves there. In these circumstances the little duty required was easily performed by the vessels of the Indian Navy. Now, however, the French have established themselves at Zanzibar and are endeavouring to do the same in the Red Sea, their vessels are frequently there, and it is stated that the slave trade has been carried on under their flag as well as under the Spanish flag supported by them. They are also establishing a line of packets down the Red Sea, and the visits of their vessels of war will probably be now more frequent than heretofore. These circumstances entirely alter the state of the case, and it must be obvious to the Lords Commissioners of the Admiralty that Her Majesty's Navy must

undertake this duty, which may bring them into communication or possible collision with the vessels of war of other European powers.

With regard to the Persian Gulf, the duties there are on a much less scale, principally consisting of the police of the Gulf; that is, preventing the small Arab chiefs from rendering the navigation unsafe by their piratical expeditions. Most of these chiefs are bound by treaty not to engage in any hostilities by sea. The force of the Indian Navy which was generally maintained there has been one or two small sailing vessels and sometimes a steamer.

Opinions have been expressed by merchants that the presence of a steamer moving periodically to and fro would be sufficient protection, and a mail service in the Persian Gulf by steamers has been contracted for, by which this end has been attained, but Sir Charles Wood cannot doubt that the occasional visits of small armed vessels are advisable.

For the purpose of the general naval defence of India and the service on the East Coast of Africa, the number of vessels must vary, as heretofore, according to circumstances, and on this point the Lords Commissioners of the Admiralty must necessarily be the best judges. With regard to the service in the Persian Gulf, and that within the Red Sea, Sir C. Wood is of opinion that probably two small vessels, one to be generally available at Aden and in the Red Sea, and the other for occasional visits to the Persian Gulf, would suffice, or at the most three vessels, so as to provide a reserve in case of necessity.

I have to add that Sir Charles Wood understands that a vessel of the Royal Navy has been sent to the Straits and the coast of Borneo, which has generally been considered as beyond the limits of the Indian waters.

I have, &c.
T. G. BARING.

The Secretary, Admiralty.

Sub-Appendix C.

Letter from the ADMIRALTY, dated 12th November 1862.

SIR,

WITH reference to your letter of the 7th instant, stating the views of Secretary Sir Charles Wood with regard to the duties which Her Majesty's ships would have to perform on the coasts of India, and in the neighbouring seas, for the general protection of trade, &c., I am commanded by my Lords Commissioners of the Admiralty to state, for the information of Sir Charles Wood, that they will undertake for Her Majesty's ships to carry out the various duties as detailed in your letter.

I am, &c.
T. G. Baring, Esq. W. G. ROMAINE.

Sub-Appendix D.

Extract from a Letter from the INDIA OFFICE to the ADMIRALTY, dated 25th February 1869.

* * * *

Their Lordships are aware that the Government of India have recently invited the serious attention of the Secretary of State for India in Council to the want (especially for service in the Persian Gulf, where complications are frequently arising which demand our intervention for the maintenance of the maritime police of these waters) of an adequate naval force, under the control of the Indian Governments and their representatives, for the support of British authority on the seaboard. It was the opinion, both of the Governor-General and of the Governor of Bombay in Council, that the required duties might be most efficiently performed by a special service organised with reference to Indian requirements. Her Majesty's Government, however, after full consideration of this proposal, determined that there were many important reasons which rendered it desirable that the proposed arrangement should not be carried into effect. It remained therefore, to be considered in what manner the required service might be performed by Her Majesty's vessels on the East Indian station. The Lords Commissioners of the Admiralty now suggest that, whilst the entire expense of that part of the squadron employed in the suppression of the slave trade on the East Coast of Africa should be provided for out of Imperial funds, the cost for the maintenance of the ships employed in the Bay of Bengal, the Arabian Gulf, the Persian Gulf, and the Red Sea, should be charged upon the revenues of India, the number of vessels so employed and paid for by India being six (including three detached for service in the Persian Gulf), and the total annual charge, estimated according to a capitation rate of 70*l.* per man for 1,000 men, being 70,000*l.*

With reference to these suggestions, I am instructed to observe that, the object sought to be attained by the Indian Governments being the greater efficiency of the public service by means of increased facilities for the prompt and effectual employment of naval force in the above-mentioned waters, it is of the utmost importance that a distinct understanding should be arrived at with respect to the extent to which the Admiralty vessels so employed are to be subject to the Indian authorities. In the Persian Gulf, and in the neighbouring waters, where embarrassments sometimes arise suddenly and require to be promptly dealt with, it would be necessary, the Duke of Argyll observes, to have vessels always ready for service at the call of the local authorities. In the Bay of Bengal, and in the Red Sea, it might not be necessary to the same extent for the Indian authorities to be enabled promptly to regulate the movements of Her Majesty's vessels; but a general power to call those services when they may be required should be recognised by the Admiralty, and the officers on the station should be instructed to attend to the requisitions made by the Viceroy.

Should these arrangements be put upon such a footing as to secure the desired benefits to India, the Secretary of State for India in Council would not object to the payment, from the revenues of that country, of the annual sum of 70,000*l.* for the naval services offered by the Lords of the Admiralty, in place of the special flotilla recommended by the Government of India.

* * * *

Sub-APPENDIX E.

Extract from a Letter from the ADMIRALTY, dated 30th July, 1869.

With reference to your letter dated the 25th February stating that His Grace the Duke of Argyll had assented to the proposal that a capitation rate of 70*l.* per man should be paid yearly out of Indian funds on account of six of Her Majesty's vessels to be employed in Indian waters in general, three of which would be detailed for constant and exclusive service in the Persian Gulf and the adjacent waters, to be under the immediate control of the Government of India, the other three being also at their disposal, whenever, and so far as, the requirements of the Imperial service will permit, I am commanded by their Lordships to acquaint you, for the information of his Grace, that . . . a fixed sum of 70,000*l.* should be paid yearly out of Indian funds for the above service from a date to be named hereafter, it being understood that no larger sum is at any time to be chargeable against the Indian Government without the previous assent of the Secretary of State for India in Council, and that the Admiralty will bear the whole expense of the wear and tear of the hulls, rigging, machinery, and stores of the ships.

Should any doubt at any time arise on the part of the Indian Government as to the stipulated number of six vessels having been maintained as agreed upon, the Admiralty will consider themselves bound to establish the fact, and a proportionate reduction of the contribution will be made if the number of ships should not have been kept up. . . .

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ii.—Admiralty Case.

Note.—The correspondence contained in Part II. of the present collection was put before Lord Rosebery by the Treasury, with the exception of Nos. 66 to 75.

Treasury Letter to the Right Hon. the Earl of Rosebery of 14th July 1892.

My Lord,

With reference to the letter from this Department of the 18th ultimo, the Lords Commissioners of Her Majesty's Treasury direct me to submit to your Lordship the enclosed printed papers on behalf of the Imperial Government, with a view to obtaining your decision, as arbitrator, on the following questions connected with the subsidy payable by India for ships of Her Majesty's Navy in Indian waters, viz.:—

1. For what purposes are the ships chargeable to India required?
2. What ought to be the number and class of ships so charged?
3. How ought their cost to be calculated?

The papers consist of:—(*a*) a Memorandum by the First Lord of the Admiralty, dated the 28th November 1891, explaining what the naval contributions of India have hitherto been, and what the present demand upon her is; (*b*) the Minutes of two meetings of an Inter-Departmental Committee held on 11th and 25th January last, which resulted in the present reference to your Lordship; (*c*) a print of correspondence between the Admiralty, India Office, and Treasury, from 5th May 1890 to 4th January last, together with certain Appendices; (*d*) some remarks which my Lords thought it as well to add on each of the three questions submitted to your Lordship.

Some additional papers have, as my Lords understand, been already sent to you by the India Office.

My Lords must apologise for the fragmentary and discursive character of the enclosed papers. The subject is one that cannot be understood without some knowledge of the circumstances under which the late Indian Navy was abolished, and of the subsequent negotiation between the Imperial and Indian Governments, and it is hoped that the papers will afford this knowledge. But my Lords will try to complete them by briefly summarising in this letter the arguments on which the Imperial Government rest their view on each of the three questions.

1. As regards the purposes to be fulfilled by the vessels for which India is called upon to pay. The Imperial Government contend that, as these vessels are to fulfil, in their measure, the purposes formerly fulfilled by the late Indian Navy, these purposes must comprise the general protection of India and her trade, instead of being confined to police duties on her coast. The printed remarks of the Treasury on this head will perhaps make it unnecessary to say more upon it here.

2. The number and class of ships to be paid for by India. The Indian Government wish to reduce these to three, viz.:—

Name of Ship.	Tonnage.	Complement.
"Sphinx" - -	1,130	104
"Pigeon" - - -	755	87
" - - -	755	87
Total - - -	2,640	278

But the Imperial Government, guided by the Admiralty, which is responsible for the efficiency of the Navy in Indian waters, maintain that some more powerful vessels, capable, if need be, of steaming against the monsoon, and at least four in all, are requisite, viz.:—

Name of Ship.	Tonnage.	Complement.
"Marathon" - -	2,950	238
"Brisk" - - -	1,770	194
"Pigeon" - -	755	87
"Sphinx" - - -	1,130	104
Total - -	6,605	623

It is obvious that this little squadron could not do more than serve the purposes of the late Indian Navy, in the Persian Gulf, and off the coasts of India, a much narrower area than was formerly protected by that navy. Nor is it stronger than the force which the Indian Government were pressing the Admiralty to furnish before they thought that India was to pay the whole cost.

3. The mode of calculating the cost to be paid by India.

The Indian Government wish to confine the charge to current maintenance, effective and non-effective, plus 5 per cent. per annum on cost of construction, because this is the charge paid by the Australasian Colonies for the addition to the Australian Squadron. That charge was, however, fixed by Act of Parliament, subject to specified maxima for prime cost and yearly maintenance, both of which fall short of what is actually incurred. It, therefore, cannot justly be regarded as a standard of charge in other cases. The Imperial Government hold that India will not be paying the full cost of the ships unless she makes an annual payment to repay first cost, with 3 per cent. interest, in addition to current maintenance. This will amount for the four ships "Marathon," "Brisk," "Pigeon," and "Sphinx," to £121,736

Less paid direct by India 4,000

Net - - £117,736 per annum.

The Indian method of calculation would give about 10,000*l.* less than that charge.

Further, the Imperial Government, looking to the great advantages derived by India from the presence of the rest of Her Majesty's ships on the East Indies Station, and to the fact that, but for their presence, the ships charged against her could not suffice for the purposes to which they are destined, are strongly of opinion that the contribution should not be subject to any diminution by reason of the accidental absence or disablement of one or more of the particular ships assigned to her. Though based on the exact cost of those ships, the contribution is really a small and imperfect recognition by India of the enormous debt she owes to Her Majesty's Navy for services rendered to her commerce all round the world, as well as for the protection of her coasts.

Your Lordship will observe that a fourth question is alluded to in the papers, viz., the control which India ought to be allowed to have over the ships; but the Imperial Government do not ask for your arbitration upon it, because they understand that the Indian Government are now content with the stipulation in the Minute of the Conference at the Foreign Office of 26th March 1890, that the ships "will be under the "control and orders of the Naval Commander-in-Chief, "to whom will be sent the wishes of the Indian "Government, with which it will be his duty to "comply."

Lastly, the Imperial Government would ask your Lordship to fix the duration of the contribution which you may deem it proper that India should pay. In their own view, the period should be for not less than ten years, provided that no change be made in the number and class of the ships.

I am, &c.
(Signed) R. E. Welby.

Treasury Addition to the Admiralty Case submitted for Lord Rosebery's Arbitration, dated 12th July, 1892.

Indian Squadron Annuity.

My Lords understand that the main questions to be decided by the Arbitrator are: (1) What is the meaning of the term "Indian purposes" in the minute of the Foreign Office Conference of 26th March, 1890;

(2) What number and class of ships are required for fulfilling those purposes; (3) How their cost ought to be calculated. Looking at the case in its financial aspect, they would say a few words on each of these questions, and more particularly on the first.

I.—Meaning of "Indian Purposes."

(a.) *They must be those formerly fulfilled by the abolished Indian Fleet.*

The India Office maintain that these purposes are only the maritime police of the coast, and the repression of piracy and of the local slave trade. They acknowledge that the Indian Navy, abolished on 30th April, 1863, also discharged services connected with general defence and the protection of trade in Indian waters, as well as with the suppression of the slave trade on the East Coast of Africa. But they hold that Her Majesty's Government consented to assume the whole burthen of all these latter services as an Imperial charge in 1863, because they could be rendered more efficiently by ships of the Royal Navy.

No doubt Her Majesty's Government made no claim upon India for a contribution during the negotiations of 1861–62 which resulted in the abolition of the Indian Navy. But this is to be explained by the fact that India was then only just recovering from the shock of the Mutiny, which had added Rx. 42,100,000 to her debt. The abolition of her sea-going fleet, favoured by the Admiralty on strategical grounds, was one of the steps taken in order to restore her finances to an equilibrium, and to have demanded a contribution at once would have gone far to neutralize the advantage of the measure to India. But Her Majesty's Government never intended to permanently transfer the charge of the Indian sea-going fleet to the British taxpayer, without any pecuniary compensation. In the years 1866–68, when Indian finances had thoroughly recovered, the question of reviving a separate Indian fleet was mooted by the Indian Government. The Admiralty opposed the dual administration which this would involve, and at last, on 23rd January, 1869, they wrote to the India Office, that, as the projected revival of the Indian fleet was abandoned. "My Lords would venture "to suggest, for the consideration of his Grace the "Secretary of State, whether the time has not arrived "for adjusting the proportion in which the cost of the "naval squadron on the East Indian Station should "be borne by naval votes, and by the revenues of India.

"The entire expense of that part of the squadron employed in the suppression of slave trade on the East Coast of Africa will be provided for out of Imperial funds; and my Lords would propose that the cost for the maintenance of the ships employed in the Bay of Bengal, the Arabian Gulf, and the Persian Gulf, and the Red Sea, should be charged on the revenues of India, observing that the strength of the squadron will have to be modified to meet the increased duties required to carry out the policy of the Indian Government in the Persian Gulf."

This letter, which resulted in the payment of such contribution as India has hitherto given, seems to my Lords to prove that Her Majesty's Government never adopted the theory that India ought not to pay anything for the protection of her commerce in Indian waters.

My Lords hold, therefore, that the true basis of India's contribution towards the Indian Squadron is the charge which devolved on the Royal Navy through the abolition of the Indian fleet in 1863, and *Indian purposes* must mean the purposes which the fleet used to fulfil.

(b.) *What the Purposes of the abolished Indian Fleet were.*

When the Secretary of State for India first proposed the abolition of the Indian Navy in a letter to the Admiralty of 10th October, 1862, he said, "as regards "India, the general defence, the protection to trade "generally, and the measures for putting down the "slave trade on the eastern coast of Africa, which "have hitherto been performed partly by Her "Majesty's Navy and partly by the Indian Navy, "should be undertaken altogether by Her Majesty's "Navy."

The purposes which formed the subject of transfer between the two navies were, therefore,—

1. General defence.
2. Protection of trade.
3. Suppression of slave trade.

The first two of these purposes seem to be practically one, and may be described as the defence of Indian commerce in Indian waters.

The Indian Marine Budget included several other purposes, viz., coast defence, Indus and Irrawaddy flotillas, Bengal pilot service, transport of troops and stores, but these may be excluded from consideration because they either continue to be discharged by the Indian Marine or are separately paid for by India, and the abolition of the Indian seagoing war navy in no way affected the method of their fulfilment.

(c.) *The Cost of the abolished Indian Fleet.*

For the years 1851 to 1857 the Indian seagoing fleet in Indian waters, viz., the Red Sea, Arabian Sea, Persian Gulf, and Bay of Bengal, seems to have consisted, on the average, of about seven steam frigates, and as many sailing vessels, apart from receiving ships and surveying vessels. But the Indian Mutiny largely added to it. In 1858, eight steam frigates, two steam sloops, three sailing sloops, two sailing schooners, and one sailing brig, with a total burthen of 13,769 tons (old rating), were in commission.

The published accounts do not afford the means of accurately stating the cost of this fleet, but an approximation to it can be arrived at from the ordinary naval charges at Bombay, which seem to have consisted in the main of that cost, exclusive of charges in England. These are shown in the following table, as well as the total of Indian Marine expenses, for the years mentioned:—

Year.	Bombay Naval Charges.	Total Indian Marine Expenditure (including Bombay Naval Charges).	
	Rx.	Rx.	
1855–56	201,885	641,994	Exclusive of Home charges.
1856–57	237,964	666,221	
1857–58	512,633	1,171,706	
1858–59	387,078	1,022,273	Inclusive of Home charges.
1859–60	327,795	1,018,811	
1860–61	358,014	1,070,877	
1861–62	358,714	724,223	
1862–63	325,522	844,003	

It must be remembered that these Indian seagoing ships were manned by white crews, with highly paid and highly pensionable officers, and their maintenance was more costly than that of like ships in the Royal Navy at the time. Lieutenant Low, an opponent of the abolition of the Indian Navy, when advocating the economy of its maintenance, in his history (Vol. II., p. 568), says the average annual cost for the 10 years, 1853–54 to 1862–63, was probably less than Rx. 350,000 per annum, an estimate which derives some corroboration from the foregoing statement of Bombay naval charges. In order to be well within the mark, and to avoid giving too much weight to the mutiny increases, my Lords will suppose that the cost of the seagoing War Navy of India, abolished in 1863, was only Rx. 300,000 per annum.

(d.) *The Proportion borne by that Cost to the proposed Contribution.*

This Rx. 300,000 may be regarded as the yearly premium that India used to pay for the insurance of her trade in Indian waters; for in those days the repression of slave trade on the East Coast of Africa was an insignificant service. The value of her seaborne trade, taking the year to 30th April 1862 as a standard, was Rx. 74,000,000 per annum, and on this India was ready to pay an insurance of about Rx. 4 per 1,000.

Now, however, that Great Britain is bearing the full weight of general defence, protection of trade, and suppression of slave trade in Indian waters, and although Indian trade has risen to Rx. 200,000,000 per

annum, India offers a contribution of only about Rx. 75,000 (50,000*l.*) per annum, or an insurance of less than Rx. 4 per 10,000.*

But this comparison is far from fully bringing out the inadequacy of India's offer, because it takes no account of the immense increase of cost of all naval services since 1863, owing to the increase in speed and strength required of seagoing war vessels.

When the Red Sea, Arabian Sea, Persian Gulf, and Bay of Bengal were left to the almost exclusive charge of the Indian Navy, one station of the Royal Navy sufficed to cover the East Indies, China, and Australia, and two or three British warships at most visited Indian waters, in order to give political rather than naval support to the Indian fleet. In 1862 there were three such ships, with an aggregate burthen of 2,540 tons (old rating), and costing perhaps 50,000*l.* per annum. Now the East Indies and Ceylon, excluding the Red Sea, form a single station, and require a squadron of nine vessels of an aggregate burthen of 16,490 tons (new rating), costing about 300,000*l.* per annum, a force which, but for the possibility of obtaining aid from other stations, would be insufficient for its purpose. Towards the cost of this squadron the Admiralty are asking for a contribution of much less than half cost. Some charge ought properly to be made for the Red Sea, but as it now belongs to the Mediterranean Station, it is perhaps difficult to calculate the cost of its naval safe-guarding.

Taking the gross Admiralty claim for the Indian Squadron at 121,736*l.*, or Rx. 180,000, and adding India's payment of 60,000*l.*, or say Rx. 90,000 for the coast flotilla, a total of Rx. 270,000 is reached, or Rx. 30,000 less than the assumed saving by the abolition of the Indian fleet.

II.—Number and Class of Ships required.

My Lords hold that the Admiralty alone are competent to say what ought to be the number and class of the ships required for Indian purposes. It is true that under the Minute of the Foreign Office Conference the Indian Government is to be consulted on the subject; but the reasons which make it inexpedient that a separate Indian fleet should be revived seem to tell as strongly in favour of the acceptance by that Government of the skilled judgment of the Department which is solely responsible for the naval defence of India and her commerce. It would be unfair of India to throw the whole of this responsibility upon the Admiralty, and yet refuse to allow the Admiralty to judge of the means by which their responsibility is to be discharged.

My Lords, indeed, find it difficult to believe that the purposes formerly fulfilled by the Indian seagoing fleet, even after discarding the East African slave trade and the Red Sea, can be discharged by only four such vessels as the "Marathon," "Brisk," "Pigeon," and "Sphinx," or by those vessels and the coast flotilla† combined; but on such a point they of course unhesitatingly submit their own opinion to that of the Admiralty.

III.—Mode of calculating Cost.

Under the agreement arrived at in March 1890, the charge against India is to take the form of the whole cost, effective and non-effective, of certain ships. My Lords remark that the maximum calculation by the Admiralty of this cost seems very moderate. To compare it with the charge made to the Australasian Colonies for the increase of the Australian squadron is irrelevant, because that charge does not pretend to represent the whole cost of the ships, but is what the Australian Colonies were willing to pay, and Parliament thought it expedient to accept. Theretofore those colonies had paid nothing for the Navy, and it was good policy to encourage them to pay something. India, on the contrary, is in the position of having transferred the whole of her seagoing naval charge to the British taxpayer.

The Admiralty calculation is confined to the direct cost of the ships, such as would be saved to this country if they did not exist. No attempt is made to charge them with a proportionate share of the cost of home dockyards, or of the general administration of the Navy. If the effective seagoing war tonnage afloat and in reserve be regarded as the net product of the whole naval expenditure, it will be found, roughly speaking, that the average cost to the United Kingdom per ton is double the average Admiralty charge to India of about 18*l.* per ton per annum.

Semi-Official Letter from Lord Rosebery to Lord Spencer, dated 6th December, 1894.

I have received from the Treasury the papers relating to the questions at issue between the Admiralty and the India Office, which, I understand, you have agreed to refer to me.

The first question on which a decision seems to me to be required is the precise meaning which is to be attached to the words "for Indian purposes" in the Report of the Conference of 1890; and I shall be glad if you will furnish me with the definition of this phrase as it was understood by your department at that time, together with a concise statement of the grounds on which that understanding was based.

When a decision on this point has been arrived at, it will probably not be difficult for the two departments to settle the number and class of vessels required for the service and the consequent payment to be made by the Indian Government.

In the event, however, of your failing to agree within a period of, say two months, I shall be ready myself to undertake the solution of this question also if you are prepared to accept my decision as final.

Semi-Official Letter from Lord Spencer to Lord Rosebery, dated 14th December, 1894.

In compliance with your letter of the 6th instant, I enclose a brief statement of our definition of the phrase "Indian purposes," as it appears to have been understood at the time of the Conference of 1890.

It is difficult at this time to state with exactitude what was in the minds of our predecessors who took part in the Conference, but I think the statement now enclosed may be taken as representing their views, which are given at length in the printed papers laid before you, and more especially in the Memorandum of Lord G. Hamilton and the Minutes of the Committee held at the Admiralty.

I agree with you in thinking that when a decision upon the definition of this term is given, there ought to be no difficulty in coming to an agreement upon the remaining points at issue between us and the Indian Government.

I need hardly add that we are anxious for this question to be settled before our next year's Estimates take their final shape.

(Enclosure to above letter.)

"Indian Purposes," as regards Ships in Indian Waters.

The Admiralty view of the interpretation to be placed on the words "Indian purposes" is stated in para. 5 of the Minutes of the Committee held at the Admiralty on the 11th January, 1892, viz., that they have a "broader and wider significance" (than that assigned to them by the Indian Representatives in the preceding paragraph) "and that they comprise the general protection of "India, her trade and her coast."

In the preceding paragraph the Indian representatives limited the liability of India to payment only for such vessels as are jointly considered necessary for Indian purposes, viz., for service in the Persian Gulf and off the coasts of India.

As regards the service in the Persian Gulf, there is no dispute. The words "off the coasts of India," are taken by India to mean "police duties performed by small vessels," and not to include any contribution towards the cost of vessels for general defence purposes other than those employed by India for the defence of Indian harbours.

At the same meeting of the Committee a letter from the Treasury of 24th December, 1891, was communicated to the Indian representatives, and may be taken as representing the Admiralty reasons for their view,

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* In 1862 the sea-borne trade of the United Kingdom was about 455,000,000*l.*, and the naval expenditure 11,000,000*l.*, or nearly 2½ per cent. of the trade. In 1892 the trade may be put at 800,000,000*l.* and the naval expenditure at 16,500,000*l.*, or little over 2 per cent. of the trade.

† The coast flotilla consists of two turret ships, of 2,900 and 3,340 tons respectively, two torpedo gunboats, and seven torpedo boats, of an aggregate burthen of 2,158 tons. It is a stationary squadron devoted to the defence of Indian harbours, and forms the subject of a distinct charge of 60,000*l.* per annum against India, with regard to which there is no dispute. Only one turret ship, one torpedo gunboat, and three torpedo boats are actually in commission.

viz., that, when the British Government took upon itself all the duties formerly discharged by the Indian navy, in the whole Indian Ocean, whether of general defence, of protection of commerce, or of the suppression of the slave trade, the intention was that India should contribute, according to her means, towards all those services, *i.e.*, that all those services are comprised in the term "Indian purposes."

Although the definition "Indian purposes" was apparently first used by the Foreign Office Conference, "Indian purposes" must have existed long before, and it is only reasonable to assume that the Conference, when framing this definition, must have had in their minds the state of affairs existing previously, say from the time of the abolition of the Indian Navy.

The reasons which induced the British Government to waive for some years any claim on India in connection with maritime expenditure, viz.:—the necessity of allowing India time to recover from the financial disturbance caused by the Mutiny, are explained in the Treasury Minute of 12th July, 1892.

When some years later it was agreed that India should make some payment, it was based on an arbitrary number of men, 1,000 at 70*l.* a head, supposed to constitute the crew of six ships. India paid on those numbers so long as there were six ships in Indian waters, without any reference to their actual crews, which, as a matter of fact, were always much less than a thousand. That the services for which the payment was made were not limited to police duties is evident from the fact that the flag ship was allowed to reckon as a ship in Indian waters, for the purposes of the subsidy.

The Admiralty have a fair reason for assuming that the Conference would have so interpreted Indian services from the terms of their conclusion No. 2, viz.: "When that number (*i.e.*, of ships for Indian purposes) has been settled by the British and Indian Governments jointly, it will be arranged that the ships are not to be employed beyond certain limits to be agreed upon, except with the consent of the Indian Government."

It is obvious from this that the ships were not to be "earmarked" for the exclusive use of India for police purposes, but that in addition to those duties they would be available, within agreed limits, for the General Indian Purposes, as interpreted by the Admiralty, including General Defence, Protection of Commerce, &c.

The Admiralty, consequently, in selecting the ships on which the subsidy should be based, had regard to the "requirements of the station as a whole, and the "proportion which the ships, specially selected for "Indian waters (*i.e.*, Indian purposes) should bear to "the full strength of the East Indian squadron"

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iii.—Lord Rosebery's Award.

10, Downing Street.

When in 1862 India gave up her fleet, that fleet undertook (at a cost of over 300,000*l.* per annum) in conjunction with the Imperial Navy—

1. General defence.
2. Protection of trade.
3. Suppression of slave trade locally or on East Coast of Africa.

[I am aware that the India Office contests this definition of the responsibilities of the old Indian fleet, but the correspondence between the Admiralty and the India Office in 1862 does not appear to me to be susceptible of any other interpretation than that which I have given above.]

As regards the last of these three functions, it may at once be laid down that India should not be called upon to contribute to anything but the suppression of the local slave trade.

As regards the second, it may be admitted that India cannot be asked to undertake the entire protection of her general trade. That she should, however, contribute nothing under any circumstances to that protection, seems to be a proposition difficult to maintain.

The general and effective defence of her own waters, and those of the Burmese Empire, as well as a certain surveillance of the coast of Siam, do certainly fall within her province.

This last is no doubt a new function, but it is entirely bound up with our Indian Empire, its growth and its changed conditions. It is therefore distinctly an Indian purpose.

In consideration of India carrying out these objects in a thoroughly efficient manner, she might be exempted from any further naval responsibility. But I am of opinion that the arrangement now to be made by the two departments should, in the interests of both, be subject to periodical revision at fixed intervals.

My conclusions, therefore, are:—

(1.) That the old Indian Navy did perform or co-operate in the performance of duties more extensive than are now admitted under the expression "Indian purposes," as limited in the India Office case.

(2.) That this expression cannot be limited to merely maritime police and the repression of piracy, but must be held to include some portion, at any rate, of the duties devolving on the Royal Navy for the defence of India and the protection of trade in Indian waters.

(3.) That the transaction of 1862 represented at most a temporary waiver of the claim of the Imperial Government to a contribution from India in respect of the performance of those duties.

(4.) That in any case nothing then said or done could affect the right of the Imperial Government to raise such a claim on its merits at any subsequent period.

(5.) That the basis on which such a contribution should be calculated does not admit of a permanent definition, but should be settled between the Home and Indian Governments from time to time at fixed intervals of, say, 10 years.

PART II.

CORRESPONDENCE between TREASURY, INDIA OFFICE, and ADMIRALTY, relative to the CONTRIBUTION to be paid by INDIA on account of the VESSELS stationed in INDIAN WATERS.

CONTRIBUTION on ACCOUNT of the VESSELS stationed in INDIAN WATERS.

INDEX TO CORRESPONDENCE.

Page.	No.	Letter to, and from, and date.	Subject.
323	1	Treasury to India Office. 6th January 1890. No. 305.	Requesting re-consideration of the question of the annual subsidy, in order that an amount that will cover the cost (76,079*l.*) may be fixed upon.
323	2	India Office to Treasury. 29th January 1890. M. 180.	Asking for a statement showing the grounds on which the sum (76,079*l.*) is based.
323	3	Treasury to India Office. 1st February 1890. No. 1640.	Encloses copy of a statement supplied by the Admiralty, asked for in No. 2.
			Enclosure to No. 3.
324			Statement showing the estimated annual cost of the four vessels of the Royal Navy in Indian waters.
324	4	India Office to Treasury. 6th March 1890. M. 1186.	In reply to Nos. 1 and 3, History of the present agreement. Since the four ships are not placed at the sole disposal of the Government of India, India should not pay the whole cost.
325	5	Treasury to Admiralty and India Office. 5th May 1890. No. 4998/90.	Encloses copy of Memorandum recording the conclusions arrived at by the Foreign Office Conference of 26th March.
			Enclosure to No. 5. *See* Appendix I.
325	6	India Office to Treasury. 4th June 1890. No. F. 1865.	Concurs in the terms of the agreements as to the China establishments ; but stated that the Government of India must be consulted as to the class and number of ships required for Indian purposes, and as regards the Persian Mission and the Aden and African Establishments.
326	7	Admiralty to Treasury. 5th July 1890. No. M. 1061.	Suggesting a revised paragraph instead of the second paragraph of the Minutes of the Foreign Office Conference.
			Enclosure 1 to No. 7.
326			Minute of the Financial Secretary suggesting that copies of tables (enclosures 2 and 3) be sent to the Treasury.
			Enclosure 2 to No. 7.
326			Statement showing the amounts contributed by India on account of Naval Services.
			Enclosure 3 to No. 7.
326			Statement showing the estimated first cost and annual cost of the four vessels of the Royal Navy in Indian waters.
327	8	Treasury to Admiralty. 15th August 1890. No. 12225/90.	Enclosing copy of a Memorandum, and stating that the India Office has accepted the amendments suggested by the Admiralty and Foreign Office, to the conclusions of the Foreign Office Conference.
			Enclosure to No. 8. *See* Appendix I.
327	9	Treasury to India Office. 30th August 1890. No. 3741/90.	Asking that negotiations should be opened between the Government of India and the Admiralty as to the number and class of ships required, and as to the control of them, on the understanding that India pays the full cost. The reasons of the Treasury for being dissatisfied with the arrangements of the Committee of 1887.
327	10	India Office to Treasury. 20th September 1890. No. M. 7880.	Awaits Mr. Forwood's Memorandum before communicating with the Government of India.
327	11	Treasury to Admiralty. 10th November 1890. No. 16008/90,	Encloses copy of despatch from Government of India. States that only question remaining for settlement is the number and class of the Indian ships.
			Enclosures to No. 11.
			See Appendix 2 and Appendix 1.

Page.	No.	Letter to, and from, and date.	Subject.
328	12	Treasury to India Office. 19th December 1890. No. 18173/90.	Encloses copy of Mr. Forwood's Memorandum (enclosures to No. 7). Points out that the charge against India is very moderate. Will be satisfied with a payment of 41,600*l.* for 1890-91, but it is understood that India will pay the full cost for 1891-92.
			Enclosure to No. 12. *See* Enclosures to No. 7.
328	13	Admiralty to Treasury, 8th Jan. 1891, No. 2, E. 48/66.	Naming the four ships to be allotted to India after 1st April 1891; proposes that India should pay the full cost; the basis upon which the proposed charge is made up; the cases of India and Australia are not analogous (*see* Enclosure 2); proposes to take credit for 117,000*l.* in lieu of the 41,600*l.* included in the Estimates for 1890-91. Present arrangement as to the charge for coal to continue.
			Enclosure 1 to No. 13.
329			Statement of the charge proposed to be made on the Indian Government.
			Enclosure 2 to No. 13.
329			The charge on the basis of the Australasian agreement.
330	14	Admiralty to India Office, 15th Jan. 1891, No. 2, E. 97/141.	Naming the ships to be allotted for the service of India, for which an annual charge of 117,000*l.* is proposed; details showing how this charge has been arrived at; comparison of the cases of India and Australia. Encloses undermentioned statements.
			Enclosures to No. 14. *See* Enclosures No. 1 and 2, in No. 13.
330	15	Treasury to Admiralty, 24th Jan. 1891, No. 457/91.	The Admiralty and India Office must first come to an agreement as to the number and class of ships required before the charge is settled. Compares the two estimates submitted by the Admiralty in July and January (*see* 7 and 13).
331	16	Admiralty to India Office, 31st Jan. 1891, No. 2, E. 168/316.	Proposes that a conference should take place between the two departments on the points in dispute, in view of the early date when the Navy Estimates must be laid before Parliament.
331	17	India Office to Admiralty, 3rd Feb. 1891, No. M. 473.	Can give no undertaking as to the 1891-92 contribution, until an expression of opinion has been received from the Government of India, to whom Mr. Forwood's Memorandum has been forwarded; two of the proposed ships are unsuitable.
331	18	India Office to Admiralty, 3rd Feb. 1891, No. M. 1022.	Acknowledges No. 16, and refers to No. 17.
331	19	Admiralty to Treasury, 6th Feb. 1891, No. 2, E. 234/380.	Mentions the receipt of No. 18; the increased contribution of 117,000*l.* has been inserted in the 1891-92 Estimates. Explains undermentioned enclosure.
			Enclosure to No. 19.
331			Statement showing the distribution over votes of the increased subsidy.
332	20	India Office to Treasury, 3rd Feb. 1891, No. M. 11,519.	Must await the opinion of the Government of India, before any specific contribution can be decided upon.
332	21	Treasury to Admiralty, 14th Feb. 1891, No. 1993/91.	Encloses copy of No. 20. No satisfactory arrangements can be made until the composition and method of calculating the cost of the squadron is mutually agreed upon by a conference.
332	22	Treasury to India Office, 14th Feb. 1891, No. 1993/91.	No satisfactory arrangements can be made until the composition, and method of calculating the cost, of the squadron is mutually agreed upon by a conference.
332	23	India Office to Treasury, 20th Feb. 1891, No. M. 1576/91.	Cannot agree to a conference until the Government of India has expressed an opinion.
332	24	India Office to Admiralty, 5th March 1891, No. M. 2001.	Disclaims all responsibility for the inclusion of the increased subsidy in the Navy Estimates for 1891-92.
333	25	Admiralty to India Office, 6th March 1891, No. M/E. 300.	Proposing that a conference shall take place between the two departments as to the composition and cost of the squadron. Names its proposed representatives.
333	26	India Office to Admiralty, 10th March 1891, No. M. 2283.	Cannot consent to the proposed conference until the opinion of the Government of India has been received.
333	27	Admiralty to India Office, 25th March 1891, No. 2, E. 400/873.	The increased subsidy was included in the Estimates for 1891-92, in accordance with the decisions arrived at by the Foreign Office Conference in March.
333	28	India Office to Admiralty, 1st April 1891, No. M. 2826.	The Secretary of State has already declined to give any undertaking as to the 1891-92 contribution, until the opinion of the Government of India has been received. The vessels upon which the estimate is based are unsuitable.

Page.	No.	Letter to, and from, and date.	Subject.
333	29	Admiralty to India Office, 22nd April 1891, No. 2, E. 530/1104.	Great inconvenience is caused by delaying the settlement of the question; again urges the appointment of a conference.
333	30	India Office to Admiralty, 1st May 1891, No. M. 3815.	Regrets delay (for which the India Office is not responsible); cannot consent to the Conference, until the opinion of the Government of India is received.
334	31	India Office to Admiralty, 16th May 1891, No. M. 4202.	Government of India has telegraphed that only three vessels are required, the "Sphinx," and two of the "Pigeon" type.
334	32	India Office to Admiralty, 25th June 1891, No. M. 4867.	The opinions of the Government of India are expressed in under-mentioned enclosure. The number of vessels for Indian purposes is to be three; India should pay no more than would be claimable under the Australian agreement; the arrangements should hold good for five or ten years, when they should again be reconsidered. India is prepared to pay the full cost of the three vessels from April 1891. The question of control, as settled by the Foreign Office Conference, should still hold good, and no reduction of the East Indian Squadron should be made. Enclosure to No. 32. Despatch from Government of India (*see* Sub-Appendix V.). (Also sent to Treasury.)
334	33	Admiralty to India Office, 17th Nov. 1891, No. 2, E. 951/3041.	Recapitulates the history of the subsidy. Points out that the contribution proposed by India is inadequate, and presses for payment of the subsidy entered in the estimates for 1891–92. Again proposes an inter-departmental conference.
335	34	India Office to Admiralty, 11th Dec. 1891, No. M. 10481.	Disclaims any responsibility (on behalf of the Government of India and the Secretary of State) for the delay, or for the inclusion of the increased subsidy in the 1891–92 Navy estimates. Reviews the action taken by the India Office since the conference of 1890. Sees no reason why the ships selected by India should be unsuitable; India should not be charged with the defence of the floating trade. The Government of India is not willing to pay more than 49,600*l.* per annum for the ships required for purely Indian purposes. Agrees to the proposed conference to discuss the question of the number of vessels only.
336	35	Admiralty to India Office, 14th Dec. 1891, No. E. 2220/91.	Urging that the matters in dispute be referred to an independent arbitrator.
336	36	India Office to Admiralty, 19th Dec. 1891, No. M. 11432.	Cannot consent to an arbitration until a conference shall have failed to come to any agreement upon the points at issue.
336	37	Treasury to Admiralty, 4th Dec. 1891, No. 17,972/91.	An arbitration limited to the question of the number of vessels would be useless, the inquiry should be extended to include the question of what are the services for which the contribution is to be in aid.
336	38	Admiralty to India Office, 30th Dec. 1891, No. 2, E. 2300/3542.	Consenting to a conference, and naming its representatives.
336	39	India Office to Admiralty, 1st Jan. 1892, No. M. 11959.	Nominating its representatives.
337	40	Admiralty to India Office, 4th Jan. 1892, No. 2, E. 19/24.	Appointing representatives and date of meeting.
337	41	India Office to Admiralty, 6th Jan. 1892, No. M. 107.	India Office representatives will be present at appointed time and place.
337	42	Admiralty to Treasury, 3rd Feb. 1892, No. 2, E. 378/372.	The Committee has been unable to agree on the definition of the words "Indian purposes," and recommend that this and the number and class of vessels required be submitted to an independent authority. Enclosure to No. 42. Memorandum recording the proceedings of the Conference (*see* Sub-Appendix 8).
337	43	Treasury to Admiralty and India Office, 10th Feb. 1892, No. 1991/92.	Proposing that the matter be referred to the Prime Minister for arbitration.
337	44	Admiralty to Treasury, 12th Feb. 1892, No. 2, E. 453/473.	Concurs in the Treasury proposal (*see* 43).
337	45	Admiralty to India Office, 17th Feb. 1892, No. 2, E. 506/531.	Proposing to submit certain papers to the arbitrator. Enclosures to No. 45. The foregoing correspondence. Memorandum by First Lord of the Admiralty (Appendix 6). Proceedings of the joint committee (Appendix 8).
337	46	India Office to Treasury, 23rd Feb. 1892, No. M. 1522.	Agrees to refer the matter to arbitration; but reference to be limited to the application of principles already settled by the Foreign Office Conference. Names of suitable arbitrators.

Page.	No.	Letter to, and from, and date.	Subject.
338	47	India Office to Admiralty, 29th Feb. 1892, No. M. 1774.	Proposes to submit certain documents to the arbitrator.
			Enclosure to No. 47.
			India Office Memorandum (Appendix 7). India Office Letter (No. 6). Various other letters (Nos. 1 to 4).
338	48	Admiralty to India Office, 10th March 1892, No. 2, E. 660/757.	No objection to the papers proposed to be submitted by the India Office.
338	49	Admiralty to Treasury, 15th June 1892, No. 2, E. 1596/1800.	The delay in determining the subsidy having been commented upon; wishes to know when a decision may be expected from the arbitrator.
338	50	Treasury to Admiralty, 18th June 1892, No. 9549/92.	Lord Rosebery will act as arbitrator. Papers to be submitted by both the English and Indian Governments.
			Enclosure 1 to No. 50.
338		Treasury to Lord Rosebery, 28th March 1892, No. 5021/92.	Asking him to undertake the arbitration.
			Enclosure 2 to No. 50.
339		Lord Rosebery to Treasury, 4th June 1892.	Undertaking the arbitration.
339	51	Admiralty to Treasury, 6th July 1892, No. 2, E. 1747/2039.	To obviate delay, will add no further paper to the Admiralty case to be submitted.
339	52	Treasury to Admiralty, 14th July 1892, No. 1127/92.	Enclosing correspondence.
			Enclosure 1 to No. 52 (*see* Part I. ii.).
			Treasury to Lord Rosebery, 14th July 1892. Enclosing papers submitted by the Admiralty (*see* Enclosure to No. 45). Summarises the views of the Imperial Government on the question.
			Treasury addition to Admiralty case (*see* Part I. ii.).
			Definition of "Indian purposes"; what the purposes of the abolished Indian fleet were; the cost of the abolished Indian fleet; the proportion borne by that cost to the proposed contribution; number and class of ships required; mode of calculating cost.
339	53	Admiralty to Treasury, 20th Sept. 1892, No. E. 1907/92/2814.	Asking whether Lord Rosebery has submitted his award.
339	54	Treasury to Admiralty, 8th Oct. 1892, No. 15,390/92.	Resignation of Lord Rosebery of the position of arbitrator.
339	55	Admiralty to Treasury, 24th Dec. 1892, No. E. 3133/3887.	Urging the necessity for an immediate decision.
340	56	Treasury to India Office, 26th July 1893, No. 10,825/93.	Questions, as proposed by the three departments, to be referred to the arbitrators. Treasury consider that they should be; "what *should* be meaning of the term 'Indian purposes'"; "what ought to be number and class of ships, &c."; and "how ought their cost to be calculated."
340	57	Admiralty to Treasury. 15th Aug. 1893, No. 2, E. 3133/3093.	Inconvenience caused by the delay in settling the questions in dispute.
340	58	India Office to Treasury, 21st Aug. 1893, No. M. 7086.	Cannot agree to the form of the questions as suggested by the Treasury.
341	59	Treasury to India Office, 14th Oct. 1893, No. 12,919/93.	As to the questions to be referred to the arbitrator.
341	60	Treasury to Admiralty, 14th Oct. 1893, No. 12,919/93.	Forwarding copies of Nos. 56, 58, and 59.
341	61	Admiralty to Treasury, 3rd Nov. 1893, No. 2, E. 2612/4010.	In view of the inconvenience caused by the delay, hopes that the terms of reference (to the arbitrator) will be submitted to the First Lord of the Treasury for his decision.
341	62	Admiralty to India Office, 9th Nov. 1394, No. 2, E. 2771/3532.	Wishes that the correspondence may be submitted to the Prime Minister, in order that it may be decided what steps should be taken to settle the matter.
341	63	India Office to Admiralty, 16th Nov. 1894, No. M. 10,765.	No objection to Admiralty proposal (*see* No. 62).
341	64	Admiralty to Treasury, 21st Nov. 1894, No. 2, E. 2857/3677.	Forwarding copies of Nos. 62 and 63.

Page.	No.	Letter to, and from, and date.	Subject.
342	65	Treasury to Admiralty, 29th Nov. 1894, No. 17,164/94.	The matter has been referred to Lord Rosebery, who will shortly communicate with both departments concerned.
342	66	Admiralty to India Office, 25th Feb. 1895, No. 2, E. 540/610.	Lord Rosebery having decided that "Indian purposes" cannot be limited to merely maritime police, Admiralty assume that the India Office will accept the ships formerly proposed by the Admiralty.
342	67	India Office to Admiralty, 28th March 1895, No. M. 2216.	Is unable to agree to the ships and payment proposed; considers that the Australian agreement should be the basis of calculating the cost; urges the value of the Indian Defence Flotilla, which is a relief to the East Indian Squadron. Proposing "Brisk," "Sphinx," and two gunboats. Proposes an annual payment for 10 years of 82,400*l.*
343	68	Admiralty to India Office, 13th April 1895, No. 2, E. 890.	Urges that a larger ship (the "Marathon") is necessary. Comparison of the Australasian ships and the Australian Squadron and the ships proposed for India (by the Admiralty) and the East Indian Squadron. The agreement cannot be made on the Australian basis. Trusts that the matter may be referred to Lord Rosebery for his final decision, to obviate further delay.
343	69	India Office to Admiralty, 23rd May 1895, No. M. 3680.	The proportion of tonnage of the ships suggested by the Admiralty for Indian purposes to that of the East Indian Squadron. The ships proposed by the Secretary of State. Agrees to pay 90,180*l.* for the ships selected on the Admiralty mode of calculation, and to refer the question of number and class of ships to the Prime Minister if it cannot be otherwise settled. Claims a deduction for the amount spent on repairing the "Sphinx"; the India Office is not responsible for any delay. The increased payment should take effect from 1st April 1895.
344	70	Admiralty to India Office, 30th May 1895, No 2, E. 1395/1689.	The only difference in the ships selected by the Admiralty and India Office is the fourth ship, on one side it is the "Marathon," on the other a gunboat; considers that "Indian purposes" require the larger of the two ships. Puts forward a claim of 268,000*l.* for arrears. Proposes an annual subsidy (from 1st April) of 100,000*l.*, a repayment of 17,000*l.* for arrears, and that the Indian Government should defray the cost of repairing the "Sphinx"; failing concurrence, the Admiralty must lay their whole claim before the Prime Minister.
345	71	India Office to Admiralty, 26th June 1895, No. M. 5224.	Accepting the Admiralty terms, subject to any recommendations of the Royal Commission on Indian Expenditure.
345	72	Admiralty to Treasury, 28th June 1895, No. E. 1636/1995.	Inviting the concurrence of the Treasury in the arrangements mutually agreed upon by the India Office and Admiralty.
346	73	Treasury to Admiralty, 29th June 1895, No. 10,008/95.	Approving of the arrangements.
346	74	Admiralty to India Office, 30th July 1895, No. 2, E. 1673/2345.	Acquainting India Office of Treasury approval.
346	75	Admiralty to India Office, 24th Oct. 1895, No. M. 7623.	Forwarding enclosure.
			Enclosure to No. 75.
		Admiralty to Commander-in-Chief, East Indies, 24th Oct. 1895, No. M. 7,623.	Acquainting him of the arrangements made. He is to comply with the wishes of the Government of India. Limits outside of which the ships must not be employed.

NOTE.

For convenience the Admiralty have furnished a list of the documents in which the main features of the Admiralty case are set forth. They are—

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Minutes, Foreign Office Conference. Sub-Appendix 1	347
Memorandum by Lord George Hamilton (First Lord of the Admiralty), 28th November 1891. Sub-Appendix 6	352
Minutes of Joint Committee (Admiralty and India Office), 11th and 25th January 1892. Sub-Appendix 8	354
Treasury Letter to the Earl of Rosebery, 14th July 1892, and enclosure	315
Semi-official Letter of the Earl of Rosebery to Earl Spencer, 6th December 1894	317
Semi-official Letter of Earl Spencer to the Earl of Rosebery	317
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Subsequent Correspondence.

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Admiralty to India Office, 25th February 1895. Letter No. 66	342
India Office to Admiralty, 28th March 1895. Letter No. 67	342
Admiralty to India Office, 13th April 1895. Letter No. 68	343
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Admiralty to India Office, 30th May 1895. Letter No. 70	344
India Office to Admiralty, 26th June 1895. Letter No. 71	345
Admiralty to India Office, 30th July 1895. Letter No. 74	346
Admiralty to India Office, 24th October 1895. Letter No. 75. Enclosing a copy of a letter to the Commander-in-Chief of Her Majesty's Ships, East Indies, of same date	346

No. 1.

TREASURY LETTER to INDIA OFFICE.

No. 305. Treasury Chambers,
SIR, January 6, 1890.

THE Lords Commissioners of Her Majesty's Treasury direct me to request that you will bring before the Secretary of State for India in Council the subject of the annual subsidy paid by the Indian Government to the Admiralty for the maintenance of a naval force in Indian waters.

From 1869 to 1888 India paid 70,000*l.* per annum for this service in respect of a squadron of six vessels and an assumed force of 1,000 officers and men.

In 1888 my Lords reluctantly agreed to accept 38,500*l.* in addition to certain extra charges for the year 1888-89, in accordance with the recommendation of an Inter-Departmental Committee, which had reported on 26th September 1887, the squadron being reduced to four vessels, carrying about 550 officers and men.

The objection of my Lords to this reduced subsidy was that it did not represent the whole cost of the squadron, and they saw no reason why India should not pay the whole cost. They, therefore, pressed the Admiralty to reconsider the subject, with a view to obtaining an increase of subsidy in succeeding years.

No action for this purpose seems to have been taken by the Admiralty in 1883-89, and in January last my Lords found themselves obliged, through pressure of time, to accept the subsidy of 38,500*l.* for a second year, viz., 1889-90.

From information furnished to my Lords, it would appear that the full cost of maintaining the "Turquoise," "Mariner," "Algerine," and "Sphinx" in Indian waters may be estimated at not less than 76,079*l.* per annum.

I am to state that my Lords will not feel justified in accepting so small a subsidy as 38,500*l.* for any year after 1889-90, and to request you to move the Secretary of State in Council to cause the subject to be reconsidered as soon as possible, in concert with the Admiralty, in order that the subsidy may be fixed at an amount which will cover the actual cost of the squadron.

I am, &c.
The Under Secretary of (Signed) R. E. WELBY.
State for India.

No. 2.

INDIA OFFICE LETTER to TREASURY.

M 180. India Office,
SIR, January 29, 1890.

IN reply to your letter of the 6th January, relating to the subsidy to be paid by the Indian Government on account of the naval squadron in Indian waters, I am directed by the Secretary of State for India in Council to request that he may be supplied with a statement showing, in sufficient detail, the manner in which it is estimated that 76,079*l.* is the amount which should be taken as the annual cost of the four ships on account of which the subsidy is payable.

I have, &c.
The Secretary of the (Signed) HORACE WALPOLE.
Treasury.

No. 3.

TREASURY LETTER to INDIA OFFICE.

No. 1640. Treasury Chambers,
SIR, February 1, 1890.

IN reply to Mr. Walpole's letter of 29th ultimo, respecting the subsidy to be paid by the Indian Government on account of the naval squadron in Indian waters, I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit herewith, for the information of the Secretary of State for India in Council, a copy of a statement supplied by the Board of Admiralty showing how the sum of 76,079*l.*, the estimated annual cost of the four ships, is arrived at.

I am, &c.
The Under Secretary of (Signed) R. E. WELBY.
State for India.

Enclosure.

STATEMENT showing the estimated ANNUAL COST for maintaining the four under-mentioned VESSELS in INDIAN WATERS.

	Estimated Complement.				
	247. "Turquoise."	134. "Mariner."	113. "Algerine."	95. "Sphinx."	589. Total.
	£	£	£	£	£
Pay and allowances	12,122	6,707	5,931	5,536	30,296
Victualling	5,574	2,990	2,522	2,118	13,204
Medicines and medical stores	247	134	113	95	589
Repair and maintenance of hull, machinery, masts and yards, rigging, and stores.	5,000	2,000	2,000	2,500	11,500
Maintenance of armament equipment	1,113	660	357	410	2,540
*Retired pay and pensions	5,766	3,359	3,075	2,897	15,097
	29,822	15,850	13,998	13,556	73,226
Reliefs (triennially), estimated average annual cost of (if performed by Imperial troopships).	1,221	650	539	443	2,853
	31,043	16,500	14,537	13,999	76,079

* This amount is only approximate, and has not been made the subject of an actuarial calculation.

No. 4.

INDIA OFFICE LETTER to TREASURY.

M 1186. India Office,
SIR, March 6, 1890.

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letters quoted in the margin,* regarding the annual subsidy paid by the Indian Government for the maintenance of a naval force in Indian waters.

The Lords Commissioners object to the reduced subsidy, on the ground that it does not represent the whole cost of the squadron, and they see no reason why India should not pay the full cost of maintaining the "Turquoise," "Mariner," "Algerine," and "Sphinx," which is estimated at not less than 76,079*l.* per annum.

You add that the Lords Commissioners will not feel justified in accepting so small a subsidy as 38,500*l.* for any year after 1889-90, and request that the subject may be reconsidered, as soon as possible, in concert with the Admiralty, in order that the subsidy may be fixed at an amount which will cover the actual cost of the squadron.

2. Viscount Cross would have been better able to answer the objections of the Treasury had your letter explained the grounds on which it is held that India should pay the whole cost of the squadron, or why the Lords Commissioners propose to disturb an agreement which has been in force without question for more than 20 years, and which has recently been revised solely to meet the reduction in the number of ships, and in their complement. His Lordship desires me, however, to recapitulate briefly the history of the present agreement, and to explain why he is unable to concur in the proposal made by the Treasury.

3. In 1861 it was represented by the Government of India that the nature of the services required to be performed by vessels of war in the Red Sea and upon the East Coast of Africa had recently been much changed, in consequence of the extension of the foreign slave trade, and the more frequent presence of foreign ships of war. Her Majesty's Government, therefore, considered that, in the future, vessels of the Royal Navy should be employed in those seas instead of vessels of the Indian Navy, and that as the purposes for which they were employed were Imperial, so their cost should be borne by the Imperial Exchequer.

4. In 1862 the question again came under the consideration of the Secretary of State, in connection with the proposed abolition of the Indian Navy, and he then proposed to the Admiralty that, "as regards India, "the general defence, the protection to trade generally, "and the measures for putting down the slave trade "on the eastern coast of Africa, which have hitherto "been performed partly by Her Majesty's Navy and "partly by the Indian Navy, should be undertaken "altogether by Her Majesty's Navy."

The means of local defence, by floating batteries or otherwise, were to be provided by the Government of India. It was also pointed out that at all times there had been several vessels of Her Majesty's Navy in the Indian seas, for the general protection of trade, and at the same time available for any naval services which might be required by the Government of India.

The proposal was at once accepted by the Admiralty, who undertook that Her Majesty's ships should carry out these duties, and instructions were accordingly sent to the Government of India for the abolition of the Indian Navy.

5. It was, I am to observe, no part of this arrangement that the Admiralty should be relieved at the cost of Indian revenues of any portion of the expense, which they had always borne, of maintaining a naval squadron in Indian waters. On the contrary, when the Government of India proposed in 1861 that a force of ships should be placed at their disposal, which should never be withdrawn without their consent, and the cost of which should be defrayed by India, the Secretary of State pointed out the insuperable objections to the proposal, and said that "as India cannot be permitted "to exercise any control over the disposition of the "Imperial Navy, so she cannot properly be charged "with any portion of its cost."

6. This arrangement continued in force till the beginning of the year 1869, when the Admiralty suggested, for the consideration of the Secretary of State, whether the time had not now arrived for adjusting the proportions in which the cost of the naval squadron of the East India station should be borne by naval votes and by the revenues of India. The Lords of the Admiralty proposed that "the entire expense" of that part of the squadron employed in the suppression of the slave trade on the East Coast of Africa should be provided out of Imperial funds, and that "the cost for the maintenance" of the ships employed in the Bay of Bengal, the Arabian Gulf, and the Persian Gulf and the Red Sea should be charged on the revenues of India. The number of men to be provided for by India was estimated at 1,000, to be employed in six vessels, and the annual charge per man for pay, provisions, &c., was calculated at 70*l.*, making a total annual charge of 70,000*l.*

7. I am to request that the attention of the Lords Commissioners may be drawn to the expressions above quoted from the Admiralty letter, which draw a marked distinction between the obligations of the Admiralty, on the one hand, to bear the total charge for certain vessels, and of the Indian Government, on the other, to defray only a portion of the expense of certain other vessels. It is clear that the sum of 70*l.* per man did not represent the whole cost, or anything like the whole cost, of these ships.

* No. 305/90, dated 6th January 1890. No. 1640/90, dated 1st February 1890.

It was also stipulated by the Secretary of State, and agreed to by the Admiralty, that no larger sum (than 70,000*l.*) was "at any time to be chargeable against the "Indian Government without the previous assent of "the Secretary of State for India in Council," and that the Admiralty would bear the whole expense of the wear and tear of the hulls, rigging, machinery, and stores. There were some minor stipulations as to supply of coal, use of Bombay dockyard, &c., which need not be noticed here.

8. This agreement, with slight changes of no great importance, held good till 1887, when, the Government of India having expressed an opinion that the number of vessels composing the squadron might be reduced from six to four, it was agreed, on the report of a joint inter-departmental committee, that the subsidy of 70,000*l.* should be reduced to 38,500*l.*, taking into account the smaller complement of men now required, and that as the "Sphinx," the vessel in the Persian Gulf, was built on special designs exclusively for this service, the Indian Government might fairly be asked to pay a contribution of 5 per cent. per annum on her original cost towards replacement.

9. As already observed, your letter under reply does not explain the grounds on which it is held that India should pay the whole cost of the squadron, but Viscount Cross presumes that this contention is based on the assumption that these vessels are at the disposal of the Indian Government, and that, therefore, the whole cost should be defrayed from Indian revenues. This, however, as will in part be evident from the foregoing history of the agreement, is not the case. The squadron never has been at the disposal of the Government of India.

In the instructions to the senior officer on the East India station, issued by the Admiralty in fulfilment of the agreement of 1869, it is laid down that he is to comply with the requisitions of the authorities in India for naval assistance which it may be in his power to afford, consistently with his opinion of the other requirements of the Service on the station. In the same instructions it is further explained, for the guidance of officers commanding ships, that if compliance by them with such requisitions should, in exceptional cases, interfere with the order of the senior officer, they must look to the relative importance of the services, and exercise their own discretion.

10. On these grounds the Government of India objected to the proposal, and pointed out that, as none of these vessels would be exclusively at their disposal, India would be paying a large sum annually for services from the Royal Navy of no greater extent and value than those engaged to be rendered in 1862 without payment, while they would not be enabled to dispense with any of their armed vessels. They desired, accordingly, to have a small force of vessels from the Royal Navy, to be exclusively under their orders, for which they were prepared to pay. To this proposal the Lords of the Admiralty declined to accede, observing that it would be contrary to all the traditions of the Naval Service, and opposed to its best interests, to delegate the authority which they held from the Crown to India or any other British Colony. After further consideration, the Secretary of State for India in Council decided to adhere to the arrangement which had been accepted provisionally in 1869.

11. This view of the obligation of India to pay only a proportionate share of the expense is further confirmed by the report of the Interdepartmental Committee of 1887.

In paragraph 12 they say, "and it appears that upon "occasions of pressure upon local naval resources, in "connection with Imperial policy in various parts of "the East Indian Station, those which have been doing "duty, under the subsidy agreement, in India waters "and in the Persian Gulf have been withdrawn from "the control of the Indian authorities. The vessels in "the Arabian and Red Seas have frequently been "employed upon Imperial political duties, and in the "suppression of the slave trade under the Egyptian "Convention of 1877; but in this latter case it was "decided that no reduction of the subsidy should "be made, provided the general conditions were "fulfilled.

Again, in paragraph 16 they write, "the duties per-"formed by these vessels are so varied and interwoven "as between the Imperial and Indian Governments "that it is, in our opinion, impracticable to arrive at "any adjustment which can be based upon the actual "extent of employment for each; and in regard to "these vessels, and taking the existing basis, we "recommend that the Indian Government shall "continue to pay at the rate of 70*l.* a man; and, in "addition, the cost of the coal expended in steaming "when the vessels are detached on service, upon the "requisition of the Indian authorities."

As illustrating the unsuitableness, apart from other considerations, of the plan proposed by you for basing the contribution on the cost of four specified ships, I am directed to point out that the "Sphinx" is the only one of the four named in your letter which for the last twelve months has been employed in Indian waters; and that of the other three which should have been there according to the last quarterly return from India, at least one, and that the most powerful, and consequently by far the most expensive, namely, the "Garnet," was so recently as last January removed from Indian waters and employed with the force under Admiral Fremantle, on the East Coast of Africa, in connection with the complications with the Portuguese Government.

12 Viscount Cross is confident that, on this statement of the case, the Lords Commissioners will be satisfied that there are no grounds on which India could justly be required to pay the whole cost of the four ships usually employed in Indian waters, or for disturbing the agreement of 1869, as revised in 1887. His Lordship is prepared to admit that the contention of the Treasury would be only reasonable were the squadron placed at the sole disposal of the Government of India, and under their undivided control, in the same way that the British troops in India are employed under their orders. Such, however, it has been shown is not the case, and in these circumstances the Secretary of State for India in Council is unable to consent to any increase of the present contribution, which he believes represents fairly the proportionate value of the services rendered by the Navy to the Government of India.

His Lordship will, however, at once forward the correspondence to that Government for their opinion, on receipt of which a further communication will be made to you.

I have, &c.,

The Secretary, Treasury. (Signed) A. GODLEY.

No. 5.

TREASURY LETTER to ADMIRALTY and INDIA OFFICE of 5th May 1890, No. 4998 90.

SIR,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit herewith a copy of a *memorandum recording the conclusions arrived at by the conference, held at the Foreign Office on the 26th March last, on the subject of the Indian contribution towards the cost of the China diplomatic and consular establishments, the East Indian squadron, and the Persian mission and consulates respectively, and I am to request that my Lords may be informed whether {the Lords Commissioners of the Admiralty concur / the Secretary of State for India in Council concurs} in the terms of the same.

I am, &c.,

(Signed) R. E. WELBY.

No. 6.

INDIA OFFICE LETTER to TREASURY of 4th June 1890, No. F 1865.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter dated the 5th ultimo, transmitting a memorandum* recording the conclusions arrived at by the conference held at the Foreign Office on the 26th of March last, on the subject of the contribution to be made by the Government of India towards the cost of the Diplomatic and Consular Establishments in China, the squadron of the Royal Navy employed in Indian waters, and the Persian Mission and Consulates; and inquiring whether the Secretary of State in Council concurs in the terms of the memorandum.

In reply, I am desired to say, as regards the contribution to the China establishments, that Viscount Cross in Council agrees to the payment of 12,500*l.* a year for 10 years from the 1st of April 1890, as already intimated in Mr. Walpole's letter to you dated the 30th ultimo.

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* Sub-Appendix I.

With reference to the payment to be made towards the cost of the East Indian Squadron, Lord Cross is prepared to consult the Government of India respecting the number and class of ships required in the Persian Gulf and off the coasts of India for Indian purposes (which will be wholly at the disposal of the Indian Government), so soon as he shall receive the memorandum which Mr. Forwood has undertaken to prepare on the subject; and he will at the same time inquire what is their opinion respecting the method on which it is proposed that the Indian contribution shall in future be based.

I am, however, to take this opportunity of stating, with reference to the example of the Australasian Colonies, which are (it is parenthetically observed) contributing liberally for the protection of their floating trade, that it would be an entirely new departure to require that India should be charged with any portion of the expense of protecting the floating trade between that country and the United Kingdom or the East, as distinguished from that which must necessarily be incurred in the defence of the shores and dependencies of India.

In respect of the suggestion relating to the Persian mission and the establishments at Aden and on the African Coast, it will be necessary to consult the Government of India. In the meantime the Secretary of State in Council agrees that the payment on account of the mission and consulates in Persia shall remain at the rate of 10,000*l.* a year till the 31st of March 1891, the question of the future contribution being subject to review when the opinion of the Governor General in Council shall have been expressed.

I have, &c.
(Signed) A. GODLEY.

No. 7.

ADMIRALTY LETTER to TREASURY of 5th July 1890, No. M 1061.

SIR,

MY Lords Commissioners of the Admiralty have had under their consideration your letter of the 5th May last, No. 4998, transmitting copy of a *memorandum recording the conclusions arrived at by the conference, held at the Foreign Office on the 26th March last, on the subject of Indian contributions for Imperial services, and requesting the concurrence of my Lords in the terms of the same.

I am desired by my Lords to request that you will inform the Lords Commissioners of the Treasury that they would suggest the substitution of the following for the second paragraph of Conclusion 2 in the said memorandum, viz.:—

> "When that number is settled by the British and Indian Governments jointly, it will be arranged that the ships are not to be employed beyond certain limits to be agreed upon, except with the consent of the Indian Government. They will be under the control and orders of the naval commander-in-chief, to whom will be sent the wishes of the Indian Government, with which it will be his duty to comply. India is to pay the whole cost, effective and non-effective, of them."

I am at the same time directed by my Lords to transmit herewith a minute, dated 29th April last, by the Financial Secretary of the Admiralty, and tables therewith, showing the estimated actual cost to the Imperial exchequer of the ships more particularly detailed for Indian service.

I am, &c.,
(Signed) ARTHUR B. FORWOOD.

(Enclosure 1 in No. 7.)

FINANCIAL SECRETARY'S MINUTE of 29th April 1890.

IN view of the conference on the contribution by India to naval services, held at the Foreign Office, I suggest that copies of the annexed tables be sent to the Treasury as showing the estimated actual cost to the Imperial exchequer of the ships more particularly detailed for Indian service.

(Signed) A. F.

(Enclosure 2 in No. 7.)

Amounts contributed by INDIA on Account of NAVAL SERVICES. (1890–91.)

	£	£
For the service of four vessels to be maintained in Indian waters	38,500	
Percentage on cost of "Sphinx"	3,100	
		*41,600
Estimated cost of repairs of "Sphinx" defrayed by Indian Government		2,500
For expenses of manning the floating defences of Indian harbours		†58,000
For payment at fixed commuted rates for wages, &c., and victuals of crews of the Indian troopships (as representing the actual cost)		‡67,289
		£169,389

* The annual cost of this service is estimated at 103,577*l.* (*see* Statement attached), of which India defrays (as shown above) 44,100*l.*
† Calculated to cover the entire cost of service.
‡ Actual expenses incurred in repairs, &c. charged direct to the Indian Government, by whom first cost of ships was defrayed.

(Enclosure 3 in No. 7.)

STATEMENT showing the estimated First Cost and Annual Cost for maintaining the four under-mentioned Vessels in Indian Waters.

	Estimated Complement.				
	247. "Turquoise."	134. "Mariner."	113 "Algerine."	95. "Sphinx."	589. Total.
FIRST COST.	£	£	£	£	£
(*a.*) Building	109,532	70,966	42,633	56,280	279,411
(*b.*) Armaments	12,363	3,987	5,321	6,700	28,371
Total	121,895	74,953	47,954	62,980	307,782

* Sub-Appendix I.

	Estimated Complement				
	247. "Turquoise."	134. "Mariner."	113. "Algerine."	95. "Sphinx."	589. Total.
ANNUAL COST.	£	£	£	£	£
Interest on First Cost, at 3 per cent.	3,657	2,248	1,439	1,889	9,233
Waste, hulls, &c. (6 per cent. on (*a*))	6,572	4,258	2,558	3,377	16,765
Waste, armaments, (6 per cent. on (*b*))	654	211	281	354	1,500
Pay and allowances	12,122	6,707	5,931	5,536	30,296
Victualling	5,574	2,990	2,522	2,118	13,204
Medicines and medical stores	247	134	113	95	589
Repair and maintenance of hull, machinery, masts and yards, rigging and stores.	5,000	2,000	2,000	2,500*	11,500
Maintenance of army equipment	1,113	660	357	410	2,540
†Retired pay and pensions	5,766	3,359	3,075	2,897	15,097
	40,705	22,567	18,276	19,176	100,724
Reliefs (triennially), estimated average annual cost of (if performed by Imperial troopships).	1,221	650	539	443	2,853
Total	41,926	23,217	18,815	19,619	103,577

* Paid direct by India. (*See* separate paper, Enclosure No. 2.)
† This amount is only approximate, and has not been made the subject of an actuarial calculation.

No. 8.

TREASURY LETTER to ADMIRALTY of 15th August, 1890, No. 12225/90.

M 1999/90.

SIR,

WITH reference to your letter of the 5th July last, M/1061, and previous correspondence as to the memorandum of the Conference held at the Foreign Office on the 26th March, on the subject of Indian contributions, I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit herewith copy of a *revised memorandum containing the amendments suggested by the Lords Commissioners of the Admiralty and the Foreign Office, and to state that the same meet with the concurrence of the Secretary of State for India in Council and of my Lords.

I am, &c.,
(Signed) R. E. WELBY.

No. 9.

TREASURY LETTER to INDIA OFFICE of 30th August, 1890, No. 3741/90.

SIR,

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 6th March criticising their proposal that India should, in future, pay the full cost of the naval force maintained in Indian waters, including the Persian Gulf.

The Secretary of State for India in Council is aware that this subject has been considered in the interval at a conference at the Foreign Office, on the 26th March, 1890, between the India Office, Foreign Office, Admiralty, and Treasury; and in accordance with the conclusion then arrived at, my Lords have to request you to move the Secretary of State to open negotiations with the Government of India, and with the Board of Admiralty, in order to arrive at a common agreement as to the number and character of the ships required, and the means by which they can be placed wholly at the disposal of the Indian Government, upon the understanding that India is to pay the full effective and non-effective charge of such ships from 1st April, 1890.

My Lords will add a very brief statement of their reasons for being dissatisfied with the arrangement made by the Committee of 1887:—(1) That Committee estimated the aggregate crews of the four ships employed at 550. They really amount to 589; (2) the Committee estimated the cost of paying and victualling those crews at 70*l.* a head per annum, or a total of 38,500*l.* per annum. The cost is, in fact, 43,500*l.* per annum, or about 74*l.* a head; (3) the charge for pay and victualling bore a much larger proportion to the whole cost of the squadron in 1869, when it was first made the basis of India's payment, than it does now, when the cost of constructing, arming, and equipping vessels has so largely increased; (4) to charge India with a percentage of the original cost of the single vessel in the Persian Gulf, and to charge her nothing of the kind for the other vessels of the squadron, seemed to my Lords unreasonable; (5) to split charges for these vessels, on the ground of divided interests, or occasional absences, appeared inconsistent with the fact that India is not called upon to contribute anything towards the cost of protecting her trade outside Indian waters.

I am, &c.,
(Signed) R. E. WELBY.

No. 10.

INDIA OFFICE LETTER to TREASURY of 20th September, 1890, No. M 7880.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 30th August, 1890, No. 3741/90, on the subject of the Indian contribution towards the East India Squadron.

2. In reply, I am desired to request that you will inform the Lords Commissioners of Her Majesty's Treasury that Viscount Cross, before communicating with the Government of India, awaits the receipt of the memorandum which it has been arranged that Mr. Forwood shall draw up on the subject.

I have, &c.,
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 11.

TREASURY LETTER to ADMIRALTY of 10th November, 1890, No. 16008/90.

M 2751/90.

SIR,

THE Lords Commissioners of Her Majesty's Treasury direct me, with reference to their letters of the 30th August (3741/90), and 25th September (13983/90) last, to transmit to you, for the observations of the Lords Commissioners of the Admiralty, the enclosed copy of a printed despatch* from the Government of India of the 25th August last, received through the India Office, respecting the Indian contribution towards the East Indian Squadron.

I am also to enclose, for convenience of reference, two more printed copies of the memorandum of the

* Sub-Appendix 1.

* Sub-Appendix 2.

decisions arrived at on this amongst other subjects, at the Foreign Office Conference of the 26th March last.

My Lords would observe that the question whether the whole cost of ships composing the squadron is to be charged to India, or not, appears to have been settled at the Conference in the affirmative. If so, the only question remaining open is that of the number and class of ships required.

No copy of Mr. Forwood's memorandum on this subject, if it has been prepared, has been sent to this department.

I am, &c.
FRANK MOWATT.

No. 12.

TREASURY LETTER to INDIA OFFICE of 19th December, 1890, No. 18173/90.

SIR,

ADVERTING to the letter from this Board of 13th ultimo, respecting a memorandum which, as agreed at the Conference on 26th March last, was to be drawn up by the Financial Secretary to the Admiralty, respecting the Indian contribution towards the East Indian squadron, the Lords Commissioners of Her Majesty's Treasury desire me to say. for the information of the Secretary of State for India in Council, that, through a misapprehension as to the character that would be given to the memorandum, it was overlooked in this department that Mr. Forwood had in fact forwarded it so long ago as on the 5th July last.

I am now to transmit to you a *copy of the document in question, consisting of a prefatory memorandum initialed by Mr. Forwood, and two tables, one showing the actual present cost of the four vessels now composing the squadron, and the other showing the present contributions from India for naval services.

It will be seen that these tables show an actual cost of 103.577*l.* per annum, in respect of which India is contributing only 41,600*l.* (*plus* actual cost of repairing the "Sphinx"). The estimate is very moderate, being only about 17*l.* 10s. per ton for effective, and less than 3*l.* per ton for non-effective charges.

If the whole cost of the Navy at home and abroad be divided by the effective tonnage, it has been calculated to come to about 50*l.* a ton.

The principle that India ought to pay for the whole cost of the squadron was admitted at the Conference, with the proviso that its composition was to be revised, and that arrangements were to be made for securing to India an effective voice in its control, through the medium of the naval authorities.

Looking to the advanced period of the current year, my Lords will be satisfied if the Indian Government will pay to the Admiralty, for 1890-91, the contribution of 41,600*l.* (*plus* cost of repairing the "Sphinx") which was anticipated when the estimates of this year were prepared. But they understand that the full cost of 103,577*l.* will be paid for 1891-92.

I am, &c.
(Signed) R. E. WELBY.

No. 13.

ADMIRALTY LETTER to TREASURY of 8th January, 1891, No. 2 E 48/66.

SIR,

WITH reference to Treasury letters of the 10th November and †19th December last, I am commanded by My Lords Commissioners of the Admiralty to state, for the information of the Lords Commissioners of Her Majesty's Treasury, that, after the 1st April, 1891, the four ships allotted to India will be the "Marathon," "Brisk," "Pigeon," and "Sphinx," of which three are vessels of modern type and high speed.

2 In accordance with the principles agreed to by the Conference at the Foreign Office on the 26th March, 1890, my Lords propose, with the concurrence of their Lordships of the Treasury, that the contribution to be paid by India on their account should represent the whole cost, effective and non-effective.

3. My Lords have accordingly directed me to forward herewith a statement, marked A, of the charge they propose to make on the Indian Government in respect of the services of the vessels employed in the Indian waters. The basis on which the charge is made up is as follows. It is assumed that India is to recoup the full cost of the expenditure involved in providing and maintaining the four vessels which are specially stationed for service in connection with the defence of India. Interest is charged at the rate of three per cent. per annum upon the cost of these vessels, and a sum of 17,868*l.* is charged for the replacement of the vessels within a certain number of years, say 21, and for the armament in 10 years, at the termination of which periods it may reasonably be supposed that they will have become obsolete, and will require to be reinstated by vessels and armaments of the newest type of construction at that period. The calculation is made on the basis of the period for renewal which my Lords apply in their Annual Estimates placed before Parliament to show the depreciation on the fleet generally. The other items are for the estimated annual expenditure and liability, effective and non-effective, incurred in connection with repairs, wages, victuals, reliefs, pensions, and general upkeep of the ships.

4. It should be observed that for the purpose of calculating the sum necessary to be set aside for the replacement or sinking fund, allowance has been made for cumulated interest thereon, at the rate of 3 per cent. per annum, subject to a deduction for the renewal of boilers, which would be required before the expiration of the 21 years to keep the vessels efficient.

5. In the minutes of the Conference, an allusion is made to the arrangement with the Australian Governments for the vessels provided under the Imperial Defence Act

6. This had reference more especially to the l of radius of employment of the special Indian s rather than to the financial terms of the arrangem For the purposes of comparison, I am instructed enclose a memorandum, marked B., showing what amount payable by India would be if the terms w the same as those with Australia. In doing so, howev I am to observe that the circumstances of the two cas are not altogether analogous, and that although n provision was made with the Australasian Colonies fo a sinking or replacement fund, on the other hand th duration of the contract is limited to 10 years, and the rate of interest chargeable on first cost is 5 per cent. instead of 3 per cent., as now proposed. The proposal is based on the principle of India recouping the actual outlay incurred in providing and maintaining the vessels.

7. My Lords propose, with the sanction of their Lordships of the Treasury, to take credit, under the various votes concerned of the Navy Estimates of 1891-92, for the sum of ‡117,000*l.*, as shown in the margin, as an appropriation in aid to be received from the Indian Government on account of ships in Indian waters in lieu of the sum of 41,600*l.* now included in Votes 1, 2, and 8, Section II., of the Navy Estimates for 1890-91.

8. No charge has been inserted for coal, as the present arrangement would, in this respect, continue, viz., that India should pay the entire cost of coal in the Persian Gulf, and the cost of coal consumed in other vessels when on services performed at the request of the Indian authorities. This leaves a considerable charge for coal on Imperial funds.

I am, &c.
(Signed) ARTHUR B. FORWOOD.

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* No. 7. † Simply forwarding No. 12.

‡

£	
121,000	
4,000	— Paid direct by India for repairs of "Sphinx."
117,000	

Enclosure 1 in No. 13.

STATEMENT (A.) showing the First Cost and Estimated Annual Charge for Renewal and Maintenance, together with Interest on First Cost of the four under-mentioned Vessels to be employed in INDIAN WATERS.

	Estimated Complement.				
	238. "Marathon."	194. "Brisk."	87. "Pigeon."	104. "Sphinx."	623. Total.
FIRST COST.	£	£	£	£	£
Building	136,166	86,423	41,850	55,019	319,458
Armaments	29,561	23,308	6,067	6,165	65,101
Total	165,727	109,731	47,917	61,184	384,559
Interest on First Cost at 3 per cent.	4,972	3,292	1,437	1,836	11,537
RENEWALS.					
Hulls	4,550	3,610	1,830	2,200	12,190
Armaments	2,578	2,032	529	539	5,678
MAINTENANCE AND REPAIRS.					
Hulls, machinery, gun mountings, masts and yards, and rigging.	7,150	4,840	3,220	*4,000	19,210
Consumable and other stores	1,930	1,640	705	540	4,815
Armaments	2,549	2,108	671	672	6,000
Pay and allowances	12,660	9,973	4,314	5,854	32,801
Victualling	4,032	3,282	1,479	1,761	10,554
Medicines and medical stores	238	194	87	104	623
†Retired pay and pensions, and half-pay	5,616	4,411	1,841	2,879	14,747
	46,275	35,382	16,113	20,385	118,155
Reliefs (triennially), estimated average annual cost of (if performed by Imperial troopships).	1,152	917	400	470	2,939
Total	47,427	36,299	16,513	20,855	121,094
					*4,000
					117,094

* Paid direct by India. † This amount is only approximate, and has not been made the subject of an actuarial calculation.

Enclosure 2 in No. 13.

STATEMENT (B.) showing the First Cost, the Contribution at the rate of 5 per cent. per annum on First Cost, and the estimated amount of Annual Maintenance of the four under-mentioned Vessels to be employed in INDIAN WATERS (on the basis of the arrangement made with the AUSTRALASIAN COLONIES).

	Estimated Complement.				
	238. "Marathon."	194. "Brisk."	87. "Pigeon."	104. "Sphinx."	623. Total.
FIRST COST.	£	£	£	£	£
Building	136,166	86,423	41,850	55,019	319,458
Armaments	29,561	23,308	6,067	6,165	65,101
Total	165,727	109,731	47,917	61,184	384,559
Five per cent. on above	8,286	5,487	2,396	3,059	19,228
MAINTENANCE AND REPAIRS.					
Hulls, machinery, gun mountings, masts and yards, and rigging.	7,150	4,840	3,220	*4,000	19,210
Consumable and other stores	1,930	1,640	705	540	4,815
Armaments	2,549	2,108	671	672	6,000
Pay and allowances	12,660	9,973	4,314	5,854	32,801
Victualling	4,032	3,282	1,479	1,761	10,554
Medicines and medical stores	238	194	87	104	623
*Retired pay and pensions, and half pay	5,616	4,411	1,841	2,879	14,747
	42,461	31,935	14,713	18,869	107,978
Reliefs (triennially), estimated average annual cost of (if performed by Imperial troopships).	1,152	917	400	470	2,939
Total	43,613	32,852	15,113	19,339	110,917
					*4,000
					106,917

* Paid direct by India. † This amount is only approximate, and has not been made the subject of an actuarial calculation.

No. 14.

ADMIRALTY LETTER to INDIA OFFICE of 15th January 1891, No. 2, E 97/141.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to state, for the information of the Secretary of State for India, that my Lords have had under their consideration the copy of a despatch from the Government of India dated 25th August last, and forwarded in a Treasury letter of 10th November, on the subject of the contribution towards the East Indian squadron.

2. Subsequently to the conference at the Foreign Office of the 26th March last, when it was settled that India should pay the whole cost, effective and non-effective, of the ships specially allotted for service in Indian waters, my Lords caused to be submitted to the Lords Commissioners of Her Majesty's Treasury a statement showing the total estimated cost of the four ships now on the station. This statement, they were informed by the Treasury, had been forwarded to the India Office in Treasury letter of 19th December last.

3. Since that date, with the view of meeting objections which, not only in the despatch before alluded to, but at the conference, were entertained against the ships now on the station, my Lords have arranged to allot, from the 1st April next, for the service and defence of India, in addition to the "Sphinx," specially built for employment in the Persian Gulf, three vessels of modern type and high speed, viz., the "Marathon," "Brisk," and "Pigeon," for which they propose to charge the Indian Government an annual contribution amounting to *117,000*l.*, as shown in the margin, in lieu of the sum of 41,600*l.* now paid.

Details showing how this contribution has been arrived at are given on the statement enclosed, marked A.†

4. In this statement are included:—

(1.) Interest at the rate of 3 per cent. per annum on the first cost of the vessels, with their armaments.

(2.) A sum of 17,860*l.*, being an annual charge towards the replacement of the vessels in 21 years, and of the armaments in 10 years, at the termination of which period it is considered that they will respectively have become obsolete and require replacement.

(3.) The estimated expenditure and liability for repairs, wages, victuals, reliefs, non-effective charges, and general maintenance.

5. As regards (2), I am to observe that the calculation of the annual amount required as a sinking fund for replacement is based on the periods for renewal, which my Lords adopt, to show in their annual estimates placed before Parliament the depreciation of the fleet generally.

There is also included the cost of renewal of boilers required before the expiration of 21 years to keep the vessels in repair, but credit is given for cumulative interest at 3 per cent. per annum.

6. No charge has been inserted for coal, as regards which the present arrangement would continue, viz., that India should pay the entire cost of coal in the Persian Gulf, and of that consumed in the other vessels, when on services performed at the request of the Indian authorities. This leaves a considerable charge for coal to be borne by Imperial funds.

7. I am further to enclose a statement, marked B.,† showing the annual contribution which would be paid by India if the terms were the same as those of an arrangement which exists with the Australasian colonies as regards certain vessels provided under the Imperial Defence Act, and to which allusion is made in the minutes of the conference.

8. While this allusion had reference more especially to the limit of radius of employment of the special Indian ships rather than to the financial terms of the arrangement, I am to observe that the circumstances of the two cases are not altogether analogous, and that, although no provision was made with the Australasian colonies for payment of a sinking or replacement fund, on the other hand the duration of the contract is limited to 10 years, and the rate of interest chargeable on the first cost is 5 per cent. as against 3 per cent. included in the proposed charges against India, which are based on the principle that the latter shall recoup the Imperial Government the actual outlay in providing and maintaining the vessels.

9. My Lords trust that the Secretary of State for India will be able to accept the proposal made in this letter, to which they would be glad to receive an early reply, in view of the approaching presentation to Parliament of the Navy Estimates for 1891–92, in which the contribution to be paid by India will be included as an appropriation in aid.

I am, &c.
(Signed) R. D. AWDRY.

No. 15.

TREASURY LETTER to ADMIRALTY of 24th January 1891, No. 457/91.

E 168/91.

SIR,

THE Lords Commissioners of Her Majesty's Treasury direct me to acknowledge the receipt of your letter of the 8th instant, 2 E 48/66, enclosing, by direction of the Lords Commissioners of the Admiralty, an entirely different estimate of the cost of the British squadron in Indian waters, from that which was sent to the India Office on the 19th ultimo, and had been furnished by the Admiralty on the 5th July last.

My Lords would observe that the difference arises, not merely from a different composition of the squadron, but in some important respects from a different method of calculating cost. It seems to their Lordships that, until the Admiralty have, by personal communication, arrived at a definite understanding with the India Office, both as to how the squadron is to be constituted, and how the cost is to be calculated, it is not desirable to make this department the medium for an interchange of conflicting statements. My Lords believe that the above course has been already suggested by the Chancellor of the Exchequer to the First Lord of the Admiralty, and agreed to by his Lordship.

If my Lords were now to send the statement enclosed in the letter under reply to the India Office in substitution to that sent already, it would be a direct invitation to that office to dispute some items, because the two together show that the Board of Admiralty are still uncertain as to what the cost of a ship really is.

Further, the Board state that after the 1st April next the four ships allotted to India will be the "Marathon," "Brisk," "Pigeon," and "Sphinx," representing an aggregate burthen of 6,605 tons, and complement of 623 officers and men, in lieu of the "Turquoise," "Mariner," "Algerine," and "Sphinx," of 5,055 tons, and 589 complement. But I am to inquire whether, as agreed at the conference of 26th March last, the number and class of ships has been definitely settled between the British and Indian Governments. This was a condition preliminary to the payment by India of the full cost.

My Lords will now contrast a few of the items in the two estimates submitted by the Admiralty in July last and now respectively per ton or per head, as the case may be.

	July Estimate.		Present Estimate.	
	Per Ton.	Per Head.	Per Ton.	Per Head.
	£	£	£	£
Building	55·2	—	48·4	—
Arming	5·6	—	9·8	—
	60·8	—	58·2	—
Waste or renewal:—Hulls	3·3	—	1·8	—
Armament	·3	—	·9	—
Maintenance of machinery, hulls, &c.	2·3	—	3·	—
Pay and allowances	—	51·4	—	52·6
Victualling and consumable stores.	—	22·4	—	24·6
Retired pay, &c.	—	26:	—	23·6

The differences between these figures arise in part from other causes than the different composition of the two squadrons, and confirm the view above expressed

* £
121,000
4,000 — Paid direct by India for repairs of "Sphinx."
117,000

† *See* enclosure to letter 13.

by my Lords, that no agreement is likely to be arrived at unless every particular is carefully discussed by a committee of Admiralty and Indian officers.

I am, &c.
(Signed) R. E. WELBY.

No. 16.

ADMIRALTY LETTER to INDIA OFFICE of 31st January 1891, No. 2 E 168/316.

SIR,

WITH reference to the conference at the Foreign Office on the 26th March last, at which were present, among others, Lord Cross and Mr. Bertram Currie, when a conclusion was arrived at relative to the basis of calculation of the Indian contribution to the East Indian Squadron, and to the Admiralty letter of the 15th January, forwarding a statement of the actual cost of the vessels to be allocated for the service of India in the ensuing financial year, with an increased annual subsidy of 117,000*l.*, I am commanded by my Lords Commissioners of the Admiralty to request that you will inform Lord Cross that, as the Navy estimates for 1891–92 must forthwith be laid before Parliament, it is very important that an immediate settlement of the question should be arrived at.

2. My Lords would therefore propose that a conference should at once take place between representatives of the two departments, with a view of settling any points in dispute, and I am to request that you will move Lord Cross to consent to this course being adopted.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 17.

INDIA OFFICE LETTER to ADMIRALTY of 3rd February, 1891, No. M 473.

E 224/91.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 15th January, 1891, No. 2, E 97/141, on the subject of the Indian contribution towards the East India Squadron.

In reply, I am desired to point out that, according to the agreement arrived at by the Conference of the 26th March, 1890, the new arrangement under which India was to pay the whole cost, effective and non-effective, of the East India Squadron, was not to come into force until, after receipt of Mr. Forwood's Memorandum, the Government of India had been consulted as to the number and class of ships required, and a decision on this point had been arrived at by the British and Indian Governments.

Mr. Forwood's Memorandum was only forwarded to this office by the Treasury on the 19th December last, and it is now in course of transmission to the Government of India, who have been asked for an early reply.

The despatch of the Government of India of the 25th August last, to which you refer, must not be considered as expressing their final opinion upon the subject, and until that opinion is received the Secretary of State for India in Council can give no undertaking as to the contribution to be paid in 1891–92.

With reference to the vessels which it is stated the Lords Commissioners of the Admiralty have arranged to allot, from 1st April next, for the service and defence of India, in addition to the "Sphinx," Viscount Cross desires me to point out that while the "Pigeon" is one of the vessels mentioned by the Government of India, and therefore suitable for their purpose, the "Marathon" and "Brisk" are far too large and costly, and probably far less suitable for much of the work that has to be done, than gunboats like the "Pigeon" and "Redbreast."

His Lordship also observes from the statements enclosed in your letter that it is proposed to charge India more by 10,177*l.* a year than if the arrangement were analogous to that with Australia, and he desires me to say that he can see no sufficient reason for this difference.

I have, &c.
(Signed) JOHN E. GORST.

No. 18.

INDIA OFFICE LETTER to ADMIRALTY of 3rd February, 1891, No. M 1022.

E 223/91.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 31st January, 1891, 2 E 168/316, on the subject of the Indian contribution to the East Indian Squadron.

In reply, I am desired to refer you to Sir J. Gorst's letter of this day's date, No. M 473.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General, Military Secretary.

No. 19.

ADMIRALTY LETTER to TREASURY of 6th February, 1891, No. 2 E 234/380.

SIR,

WITH reference to the Treasury letter of the 24th January, No. 457/91, with respect to the contribution to be paid by India towards the expenses of the British Squadron in Indian waters, I am commanded by My Lords Commissioners of the Admiralty to state, for the information of the Lords Commissioners of Her Majesty's Treasury, that a further letter on the subject has been received from the India Office dated the 3rd February.

In this letter the Secretary of State for India in Council intimates that, pending the receipt of further information from the Indian Government he is as yet unable to give any undertaking as regards the contribution to be paid in the year 1891–92.

Looking at the objections entertained by their Lordships of the Treasury, and shared by my Lords, to the present very inadequate contribution, my Lords have caused to be inserted in the Navy Estimates for 1891–92 the increased contribution proposed in the Admiralty letters of 8th January to the Treasury, and 15th *idem* to the India Office, and have further directed me to enclose a statement showing its distribution over the several Navy votes affected.

With the exception of Vote 1 "Wages," the credits have not been inserted in the votes already submitted for the approval of their Lordships of the Treasury, but the full effect, which is a reduction in the aggregate of 75,400*l.* will appear on the complete copy of the estimates, which my Lords trust will be submitted in the course of a few days.

I am, &c.
(Signed) EVAN MACGREGOR.

Enclosure to No. 19.

DISTRIBUTION over NAVY VOTES, for the year 1891–92, of the proposed increased subsidy for SHIPS in INDIAN WATERS.

Vote.	Service.		Amount.
			£
1	Wages of Officers, Seamen, &c.		32,800
2	Victualling and Clothing		10,600
3	Medical Services		600
8, Sec. I.	Wages—Shipbuilding, Repairs, &c		14,600
8, Sec. II.	Stores—Shipbuilding, Repairs, &c.		12,000
8, Sec. III.	Contract Work—Shipbuilding, Repairs, &c.		15,200
9	Naval Armaments		13,600
11	Miscellaneous Services		2,900
13	Half and Retired Pay		5,000
14	Naval and Widows' Pensions		9,700
			117,000
	Less Amounts included in 1890–91:—		
		£	
1	Wages of Seamen, &c.	28,600	
2	Victualling, &c.	9,900	
8, Sec. II.	Naval Stores (percentage on cost of "Sphinx.")	3,100	
			41,600
	Increased contribution		75,400

No. 20.

INDIA OFFICE LETTER to TREASURY of 3rd February, 1891, No. M 11519.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 19th December, 1890, No. 18173/90, enclosing copy of a memorandum by Mr. Forwood, with its accompaniments, regarding the Indian contribution towards the East India Squadron.

2. It is shown that the actual cost of the four vessels now composing the squadron is 103,577*l.*, in respect of which India is contributing only 41,600*l.* (*plus* the actual cost of repairing the "Sphinx").

3. The Lords Commissioners of Her Majesty's Treasury observe that the principle that India ought to pay for the whole of the squadron was admitted at the conference which was held at the Foreign Office on the 26th March, 1890, with proviso as to its composition and control, and they add that they will be satisfied if the Indian Government will pay to the Admiralty, for 1890-91, the contribution of 41,600*l.* (*plus* cost of repairing the "Sphinx") but that they understand that the full cost of 103,577*l.* will be paid for 1891-92.

4. Viscount Cross desires me to point out that the delay in the settlement of this matter has not arisen in this Office. According to the agreement arrived at by the conference of the 26th March, 1890, the new arrangement under which India was to pay the whole cost, effective and non-effective, of the East India Squadron, was not to come into force until, after receipt of Mr. Forwood's Memorandum, the Government of India has been consulted as to the number and class of ships required, and a decision on this point had been arrived at by the British and Indian Governments.

The despatch from the Government of India, of which a copy was sent to you with Mr. Walpole's letter of 5th November, 1890, M 8479, must not be considered as expressing the final opinion of the Government of India on this point, as they had not at that time received the further despatch from the Secretary of State for India, which was to be sent on receipt of Mr. Forwood's Memorandum.

That Memorandum will now be sent out, and the Government of India will be asked for an early reply.

Meanwhile the Secretary of State for India in Council can give no undertaking as to the extent of the contribution to be paid in 1891-92.

I have, &c.
(Signed) JOHN E. GORST.

No. 21.

TREASURY LETTER to ADMIRALTY of 14th February, 1891, No. 1993/91.

E 300/91.

SIR,

THE Lords Commissioners of Her Majesty's Treasury desire me, with reference to their letter of the 24th ultimo, and to yours of the 6th instant, to transmit to you the enclosed copy of a letter* from the India Office, of 3rd instant, respecting the Indian contribution for the East India Squadron for 1891-92, and to state for the information of the Lords Commissioners of the Admiralty that it confirms the view of this Board that no satisfactory arrangement can be arrived at regarding this contribution, unless a personal conference be forthwith held between representatives of the Indian Government and of the Admiralty, who will agree upon:—

1. The composition of the squadron;
2. The method of calculating its annual cost.

My Lords hope that the Board of Admiralty will place their department in direct communication with the India Office as soon as possible, with a view to making such an arrangement.

I am, &c.
(Signed) R. E. WELBY.

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* No. 20.

No. 22.

TREASURY LETTER to INDIA OFFICE of 14th February 1891, No. 1993/91.

SIR,

IN reply to your letter of the 3rd instant, respecting the Indian contribution for the East India Squadron for 1891-2, the Lords Commissioners of Her Majesty's Treasury desire me to say, for the information of the Secretary of State for India in Council, that subsequently to the Treasury letter of 19th December last, my Lords received from the Admiralty a notification that, after the 1st April 1891, the squadron would be composed of fresh vessels, and an estimate of their cost (121,094*l.* per annum) framed in a somewhat different manner from the estimate enclosed in the Treasury letter of 19th December last.

My Lords are of opinion that until some agreement had been arrived at between that department and the Indian Government as to the composition of the squadron and the manner of calculating its cost, no trustworthy estimate can be made; my Lords accordingly suggested that a conference should forthwith be held between representatives of the Indian Government and the Admiralty, for the purpose of arriving at an agreement on these points.

My Lords have now communicated your present letter to the Admiralty and repeated their suggestion, and they hope that the Secretary of State in Council will concur in its adoption.

I am, &c.
(Signed) R. E. WELBY.

No. 23.

INDIA OFFICE LETTER to TREASURY of 20th February 1891, No. M 1576/91.

SIR,

I AM directed to acknowledge the receipt of your letter of 14th February 1891, No. 1993/91, and to acquaint you in reply that the Lords of the Admiralty, in a letter of the 31st January 1891, had already suggested that a conference should be held between representatives of the department and of the India Office, to discuss questions relating to the payment for the East India Squadron.

2. Viscount Cross, however, thought it desirable that the opinion of the Government of India as to the number and class of ships required should be awaited before entering on any discussion of the calculation of their cost.

3. His Lordship is still of the same opinion, and regrets that he is unable to concur in the adoption of the suggestions that the conference should now take place. He will take steps to procure the opinion of the Government of India as early as possible.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 24.

INDIA OFFICE LETTER to ADMIRALTY of 5th March, 1891, No. M 2001.

E 400/91.

SIR,

WITH reference to this Office letter of the 3rd February, 1891, M 1022, I am directed to acquaint you, for the information of the Lords Commissioners of the Admiralty, that Viscount Cross has noticed the fact that, in the Navy Estimates for 1891-92, an addition of 75,400*l.* has been made to the Appropriations in Aid, "being the difference between the partial "cost hitherto borne by the Indian Government of "vessels stationed in Indian waters, and the full cost "of certain vessels which it is proposed shall hereafter "be paid by that Government."

In view of the previous correspondence, and to obviate the risk of possible misapprehension, his Lordship thinks it necessary to disclaim any responsibility for the inclusion of the increased amount in the Estimates of 1891-92, and to observe that, so far as this Office is concerned, no decision has been, or can

be, arrived at pending receipt of the views of the Government of India as to the size and number of ships required.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 25.

ADMIRALTY LETTER to INDIA OFFICE of 6th March, 1891, No. M/E 300.

SIR,

WITH reference to previous correspondence on the subject of the Indian contribution for the East India Squadron, I am commanded by my Lords Commissioners of the Admiralty to request that you will state to Viscount Cross that they propose that a meeting shall take place between representatives of the India Office and the Admiralty respecting the composition of the squadron and the method of calculating its annual cost.

My Lords propose to nominate as their representatives—

Admiral Sir Vesey Hamilton, K.C.B., Senior Naval Lord of the Admiralty;
Mr. A. B. Forwood, M.P., Financial Secretary to the Admiralty;
Sir Gerald FitzGerald, K.C.M.G., Accountant-General of the Navy;

and they will be glad to learn, at as early a date as practicable, the names of the gentlemen nominated to represent the India Office.

In view of the great pressure on the time of the Senior Naval Lord of the Admiralty, my Lords would propose that the meeting shall take place at the Admiralty, and they trust the Secretary of State will concur in this course being adopted.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 26.

INDIA OFFICE LETTER to ADMIRALTY of 10th March, 1891, No. M 2283.

M 610/91.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 6th March, 1891, No. M-E-300, and in reply to forward herewith, for the information of the Lords Commissioners of the Admiralty, copy of correspondence with the Treasury, from which it will be seen that Viscount Cross is unable to concur in the proposal that a conference should be held between representatives of the Admiralty and the India Office, respecting the composition of the squadron in Indian waters, and the method of calculating its annual cost.

In accordance with the promise made in the letter to the Treasury, the Government of India were asked to telegraph their opinion on these points, and they have replied that they will do so as soon as possible, but that the important points involved require careful consideration.

Viscount Cross considers that until the opinion of the Government of India has been received no advantage would result from the proposed conference.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 27.

ADMIRALTY LETTER to INDIA OFFICE of 25th March 1891, No. 2 E 400/873.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of your letter of the 5th instant, No. M 2001, stating that Viscount Cross thinks it necessary to disclaim any responsibility for an increase of 75,400*l.*, which he has noticed in the appropriations in aid of the Navy Estimates, 1891-92, on account of the contribution payable for vessels stationed in Indian waters.

2. In reply, I am to request that you will be good enough to inform Lord Cross that this increase—intimation of which was furnished in the letter from this Department of the 15th January—was made in accordance with the decision of the conference held at the Foreign Office on the 26th of March last, viz., that the full cost of these vessels, effective and non-effective, should be paid by India.

3. I am to add that my Lords have made arrangements for fulfilling their responsibility to India by supplying vessels of modern type and high speed, full details of which were given in the letter from this Department above quoted.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 28.

INDIA OFFICE LETTER to ADMIRALTY of 1st April 1891, No. M 2826.

E 530/91.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 25th March 1891, 2 E 400/873, regarding the increase of 75,400*l.* in the appropriations in aid of the Navy Estimates, 1891-92, on account of the contribution payable for vessels stationed in Indian waters.

In reference thereto I am desired to state that in Sir J. Gorst's letter of the 3rd February 1891, M 473, which replied to your letter of the 15th January, you were informed that the Secretary of State for India in Council could give no undertaking as to the contribution to be paid in 1891-92 until the opinion of the Government of India as to the number and class of ships required had been received.

I am desired to add that the estimate given in your letter of the 15th January is based upon the supply of a class of vessels which, as pointed out in Sir J. Gorst's letter, is probably unsuitable for the work to be performed.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 29.

ADMIRALTY LETTER to INDIA OFFICE of 22nd April 1891, No. 2 E 530/1104.

SIR,

WITH reference to Major-General Newmarch's letter of the 1st instant, and other correspondence on the subject of the contribution payable for vessels stationed in Indian waters, I am commanded by my Lords Commissioners of the Admiralty to request that you will represent to the Secretary of State for India in Council the great inconvenience caused to my Lords by the delay in the settlement of the question.

I am further, on the part of my Lords, to express the hope that Viscount Cross will now be able to accede to the request for the appointment of a Conference, contained in my letter of the 6th March, 1891, No. M/E 300.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 30.

INDIA OFFICE LETTER to ADMIRALTY of 1st May, 1891, No. M 3815.

E 674/91.

SIR,

ON the receipt of your letter of the 22nd April, 1891, No. 2 E 530/1104, the Government of India were asked by telegram when their report with regard to the Royal Navy subsidy might be expected, and a reply has been received that they hope to be able to send it by an early mail. They have already been asked to telegraph the substance of the despatch. Viscount Cross regrets that inconvenience has been caused to the Lords Commissioners of the Admiralty by the delay in the settlement of this question, but he does not consider that he is in any way responsible for that

delay, and, as stated in my letter of the 10th March, 1891, M 2283, his Lordship thinks that until the opinion of the Government of India has been received no advantage would result from the proposed Conference.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 31.

INDIA OFFICE LETTER to ADMIRALTY of 16th May, 1891, No. M 4202.

M 1315/91.

SIR,

IN continuation of this office letter, M 3815, of the 1st May, 1891, I am directed to request you will inform the Lords Commissioners of the Admiralty that a telegram has been received from the Government of India, in which it is stated that only three vessels will be required, the "Sphinx" and two others of the "Pigeon" type, for the Persian Gulf, Aden, and the Bay of Bengal.

On receipt of the despatch on the subject, which, it is stated, will follow, a further communication will be made to you.

(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 32.

INDIA OFFICE LETTER to ADMIRALTY of 25th June, 1891, No. M 4867.

M 1747/91.

SIR,

IN continuation of this office letter of the 16th May, 1891, M 4202, I am directed by the Secretary of State for India in Council to forward herewith, for the information of the Lords Commissioners of the Admiralty, copy of a despatch* from the Government of India, conveying their opinion regarding the number and class of vessels to be maintained in Indian waters, the Indian contribution on this account, and the extent to which it is desired that they shall be at the entire disposal of the Government of India.

It is proposed that the number of vessels shall be fixed at three; the "Sphinx" to be stationed, as at present, in the Persian Gulf, and two gunboats of the "Pigeon" class, of which one would ordinarily be at Aden, and the other in the Bay of Bengal.

As regards the charge to be made for these ships, the Secretary of State for India in Council has already pointed out in Sir J. Gorst's letter of the 3rd February, 1891, M 473, that he can see no reason why India should pay more than would be claimable under the Australian agreement, and he concurs with the Government of India that the arrangement now about to be entered into should hold good for five or 10 years only, at the expiration of which it should be reconsidered. Subject to this understanding Viscount Cross is prepared, with effect from the 1st April, 1891, to pay the full cost of the above vessels, effective and non-effective, and including a charge for depreciation. Calculated on the basis of the arrangement with the Australian Colonies, as shown in Table B, attached to Mr. Awdry's letter of the 15th January, 1891, No. 2, E 97/141, the subsidy would be—

	£	£
"Sphinx" - - -	19,339	
Less paid in India - -	4,000	
		15,339
2 Gunboats "Pigeon" class - -		30,226
		£45,565

or in round numbers 45,600*l.* a year. Lastly, as regards the question of control, the Secretary of State for India in Council has nothing to add to the agreement arrived at by the Conference held at the Foreign Office on the 26th March, 1890. The ships for which the subsidy is paid "are not to be employed beyond certain "limits to be agreed upon, except with the consent of "the Indian Government. They will be under the "control and orders of the Naval Commander-in-Chief, "to whom will be sent the wishes of the Indian Go- "vernment, with which it will be his duty to comply." It only remains therefore to fix the above limits.

It is also understood by the Secretary of State for India in Council that, following the principle of the Australian agreement, no reduction will take place in the normal strength of the naval force employed on the East India station. On this point I am to request that the attention of the Lords Commissioners may be invited to the fourth paragraph of Mr. Godley's letter of 4th June, 1890, F 1865.

A copy of the enclosure will be sent to the Treasury.

I have, &c.
(Signed) JOHN E. GORST.

* Sub-Appendix 5.

No. 33.

ADMIRALTY LETTER to INDIA OFFICE of 17th November, 1891, No. 2, E 951/3041.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to request that you will express to the Secretary of State for India their regret at the delay which has occurred in replying to the India Office letter of the 25th June, 1891, No. M 4867, transmitting the copy of a despatch from the Government of India (No. 6 of 13th May, 1891) in connection with the subsidy payable by India for the maintenance of Her Majesty's ships in Indian waters.

The letter, with other papers, was by inadvertence placed on one side, the Senior Naval Lord being anxious to consider more fully the bearing of that portion of the despatch which defined the claim of the Indian Government to control over vessels of the Indian squadron.

There are three points of importance dealt with in your letter under reply and in the despatch of the Indian Government, viz.:—

1. The control to be exercised by India.

My Lords understand that the Secretary of State for India in Council is prepared to adhere to the terms agreed upon by the Foreign Office Conference of 26th March, 1890, and on this understanding will offer no remarks on the subject.

2. The number and class of ships to be allotted to the service of India.

3. The contribution to be paid to the Imperial Exchequer.

On these points the Indian Government have expressed the opinion that in addition to the "Sphinx" they require two ships only and those the smallest on the station.

By this reduction in numbers, the selection of gunboats in lieu of the vessels allotted by the Admiralty, and by adopting the mode of calculation on which the Australasian subsidy has been based, it is proposed in your letter to reduce the annual contribution payable by India (exclusive of the cost of repairs of the "Sphinx" defrayed by India on the spot) from 117,000*l.*, as fixed by the Admiralty, to 45,000*l.*

My Lords would remark that such an arrangement, whilst possibly not absolutely opposed to a literal interpretation of the agreement entered into at the Foreign Office, does not in their judgment represent either its spirit or intention.

The arrangement of 1888, under which India was to pay a reduced subsidy of 41,600*l.* including a charge of 5 per cent. on the cost of the "Sphinx," was strongly objected to by the Treasury as unfair to Imperial Revenues, and a revision of that arrangement was necessary, as it was felt that India did not contribute her legitimate share toward the maintenance of Her Majesty's ships in Indian waters, upon whom has devolved the duties and responsibilities of the old Indian Navy.

On the abolition of that force in 1862 its duties were undertaken by six of Her Majesty's ships, and in 1869 it was agreed that India should pay an annual subsidy of 70,000*l.* representing the cost of the pay and victuals of 1,000 officers and men, assumed to be approximately the number of the crews of those vessels.

By the arrangement of 1888 the number of these ships was reduced to four and the subsidy to 38,500*l.*, calculated at the same rate of 70*l.* a head on an assumed complement of 550 officers and men, together with a further sum of 3,100*l.*, being 5 per cent. on the cost of the "Sphinx," making the total annual payment by India 41,600*l.*

It is to be observed that under neither of these arrangements were any vessels, with the exception of the "Sphinx," specially allotted to India, as is now proposed to be done, the subsidy being payable as long as the agreed number of vessels out of the whole East Indian squadron was present in Indian waters.

As before remarked, this arrangement did not meet with the approval of the Treasury, and as the result of their objections the proposal now under discussion has been made. In this proposal my Lords have endeavoured, and they think with success, to carry out in their entirety the conclusions arrived at by the Foreign Office Conference.

My Lords would remind Lord Cross that the Indian Government, in their Despatch No. 14 of the 29th July, 1887, and more recently in the Despatch No. 117, of the 25th August, 1890, pressed upon the Admiralty the substitution of modern vessels of increased speed and with powerful armaments for the older types then on service in Indian waters and forming part of the East India Squadron. My Lords have spared neither pains nor expense to give effect to these recommendations. The vessels especially objected to in the Despatch of the 25th August, 1890, viz., the "Ranger," "Kingfisher," "Turquoise," and "Garnet," have all been replaced, the East Indian Squadron has been practically reconstituted and now consists almost exclusively of new war vessels.

My Lords cannot help viewing with disappointment and regret the manner in which their endeavours, carried out at an increased cost to the Imperial Exchequer, have been met by the Indian Government.

So far from evincing any disposition to bear a portion of this increase, the Government of India, while reaping the benefit of the greater protection afforded to their commerce by the reconstitution of the squadron, seek to minimise their contribution towards its maintenance by selecting, as a basis for calculating the payment to be made by Indian revenues, the two smallest gunboats in the squadron, and the "Sphinx" which was specially built for Indian service.

My Lords feel sure that, on reconsideration, the Indian Government will recognise the inadequacy of the contribution proposed as a compensation for the advantage derived by India from the presence and protection of H.M. Navy, and they must press for payment of the contribution inserted in the Estimates of the current year.

As the question imperatively calls for settlement in time for the preparation of the Estimates of 1892-93, my Lords have directed me to request you to be good enough to convey to Lord Cross their hope that he will either cause a communication to be addressed to the Indian Government in the sense of this letter, or that he will consent to the Inter-departmental Conference, proposed in Admiralty letter of the 6th March last, being held without further delay.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 34.

INDIA OFFICE LETTER to ADMIRALTY of 11th December, 1891, No. M 10,481.

E 2220/91.

SIR,

I AM directed to acknowledge the receipt of your letter of the 17th November, 1891, No. 2 E 951/3041, relating to the subsidy payable by India for the maintenance of H.M. ships in Indian waters.

Before discussing the proposal made therein, Viscount Cross considers it desirable to place on record that the Government of India and this Office are in no way responsible for the delay which has taken place in settling this question, or for the inclusion in the Admiralty Estimates of the increased contribution proposed by the Admiralty.

According to the agreement arrived at by the Conference of 26th March, 1890, the new arrangement under which India was to pay the whole cost of the East India Squadron, was not to come into force until (after receipt of a memorandum which Mr. Forwood was to prepare) the Government of India should have been consulted as to the number and class of ships required, and a decision on this point should have been arrived at by the British and Indian Governments. Mr. Forwood's memorandum was sent to the Treasury on 5th July, 1890, but owing to a misapprehension in that department it was not forwarded to this office till 19th December, 1890. On its receipt, the Secretary of State in Council lost no time in consulting the Government of India, according to the agreement, and subsequently telegraphed to expedite their deliberations.

In March 1891 Viscount Cross, having noticed that, notwithstanding that no decision on the above points had been arrived at, the Admiralty had added 75,400*l.* to the appropriations in aid in the Navy Estimates for 1891-92, caused a letter to be addressed to the Admiralty disclaiming all responsibility for this increase, and pointing out (what had indeed been expressly stated in this Office letter, M 475 of the 3rd February 1891) that the question had not been and could not be settled pending the receipt of the views of the Government of India as to the size and number of the ships required.

The views of the Government of India and of the Secretary of State for India in Council were communicated to you in Sir J. Gorst's letter of the 25th June 1891, and Lord Cross had no reason to believe that those views were not accepted by the Lords Commissioners of the Admiralty as being in accordance with the agreement of the 26th March 1890.

It now appears that through inadvertence this letter was placed on one side in the Admiralty, and it was only on the 17th November 1891 that Lord Cross learned that the Lords of the Admiralty were unable to concur in the proposed arrangement.

In reply to your present letter, I am desired by the Secretary of State for India in Council to observe that, not only as regards the control over the vessels, but on other points also, he is prepared to adhere strictly to the terms agreed upon at the Foreign Office conference of March 26th, 1890; and I am to express his regret that, in the opinion of the Lords Commissioners of the Admiralty, an opinion in which he is unable to concur, the arrangement proposed in Sir J. Gorst's letter of the 25th June 1891 does not represent either the spirit or the intention of the agreement arrived at by that conference. The terms of the agreement are that "the "Indian Government is to be consulted as to the "number and class of ships required in the Persian "Gulf and off the coast of India for Indian purposes." It will be observed that the agreement nowhere either states or implies that in considering this question the Government of India were to have in view the protection of their commerce by the reconstitution of the squadron, as might be inferred from your letter under reply. It was to be settled solely with regard to Indian purposes, that is, the maritime police of the coast, and the repression of piracy and of the local slave trade.

Prior to this agreement, the Government of India have never been consulted as to the class of vessels to form part of the East Indian Squadron, though they have repeatedly pointed out their inefficient condition, the great expense for outfit and repairs which was thus imposed on Indian revenues, and their unsuitability for the requirements of Indian waters. But Viscount Cross observes that when the agreement of 1869 was put into force, the vessels then considered suitable for the service were three small gunboats for the Persian Gulf, and, for service elsewhere, the "Cossack" (1,296 tons), the "Bullfinch" (663 tons), and the "Lynx" (464 tons). His Lordship therefore can see no reason why the Government of India should not select the "Sphinx" (1,130 tons) and two gunboats of the "Pigeon" class (775 tons) as sufficient for Indian purposes. They expressly state that ships of the size of the "Marathon" (2,950 tons) and "Brisk" (1,770 tons) are not adapted to their special requirements, and are entirely unsuitable for the service of India.

In regard to the question which is raised indirectly in your letter, and to which I have already referred, the protection afforded to Indian commerce by the East Indian Squadron, I am desired to forward, for the information of the Lords Commissioners of the Admiralty, a copy of Mr. Godley's letter to the Treasury of 4th June 1890, F 1865, from which they will observe that the Secretary of State for India in Council distinctly guarded against any suggestion that India should be charged with any portion of the expense of protecting the floating trade between that country and the United Kingdom or the East, as distinguished from that which must necessarily be incurred in defending the shores and dependencies of India.

The Government of India have agreed to pay a sum of 59,589*l.* a year for the manning and maintenance of the turret ships, gunboats, and torpedo boats, provided at the expense of India, for the defence of Indian harbours, and are now willing to pay 49,600*l.* a year (inclusive of 4,000*l.* already paid directly for the

"Sphinx") for the maintenance of the small naval force considered necessary for Indian purposes in Indian waters.

More than this amount the Secretary of State for India in Council considers India cannot fairly be called on to pay, and he can hold out no expectation of his agreeing to make the increased contribution which has been inserted in the Navy Estimates as to be received from India in 1891-92. His Lordship has, however, no objection to the appointment of the inter-departmental conference proposed in Admiralty letter of the 6th March last, provided their discussions are limited to the question of the number of vessels required for Indian purposes, a point which, by the terms arranged at the conference, is to be settled by the British and Indian Governments jointly.

I have, &c.
(Signed) A. GODLEY.

No. 35.

ADMIRALTY LETTER to INDIA OFFICE of 14th December 1891, No. E 2220/91.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of your letter, of 11th instant, M 10,481, respecting the subsidy payable by India for the maintenance of H.M. ships in Indian waters.

In reply, I am to state that my Lords would be glad to bring this controversy to a close, but the limitation proposed by the Secretary of State for India in Council to the discussions of an inter-departmental conference render it highly improbable that any decision could be arrived at, though time would be consumed in their discussions. It is essential that the question in dispute should be soon settled, and my Lords therefore urge that the matters in controversy be at once referred to the arbitration of a third person of authority and experience.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 36.

INDIA OFFICE LETTER to ADMIRALTY of 19th December, 1891, No. M 11432.

E 2300/91.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 14th December, 1891, E 2220/91, and to acquaint you in reply that his Lordship is willing that the reference to the Inter-Departmental Committee shall include the number and "class" of the vessels required for Indian purposes in Indian waters; but he regrets that he cannot entertain the proposal of a reference to arbitration, unless and until such a committee, having met and considered the subject, shall : to come to any agreement upon the points at issue.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 37.

TREASURY LETTER to ADMIRALTY of 24th December, 1891, No. 17972/91.

E 2336/91.

SIR,

THE Lords Commissioners of Her Majesty's Treasury have had before them your letters* of the 17th ultimo, and 15th instant, Numbers 2/F 951/3040, and 2220/91, enclosing copies of correspondence between the Lords Commissioners of the Admiralty and the Secretary of State for India in Council, respecting the contribution to be paid by India on account of Her Majesty's ships stationed in Indian waters and the Persian Gulf.

The conclusion at which this correspondence arrives is that the controversy should be referred to a third person of authority and experience for arbitration, and in this proposal my Lords entirely concur. They would point out, however, that, if the reference is to be limited in the manner indicated in the last paragraph of Mr. Godley's letter of the 11th instant, no useful object can be attained by making it. If the Secretary of State for India in Council premises that, on no consideration, will he agree to the amount of contribution expected by the Admiralty, and announced in the Navy Estimates for 1891-92, and that the only question to be discussed is the number of vessels required *for Indian purposes*, those purposes being defined in a previous part of the letter as the maritime police of the coast, and the repression of piracy, and of the local slave trade, the arbitration will be nugatory.

My Lords are most anxious for the arbitration, if it be extended to the question of what are the services of which the contribution for the Indian Squadron is to be in aid. In the view of this department, when the British Government took upon itself all the duties formerly discharged by the Indian Navy, in the whole Indian Ocean, whether of general defence, of protection of commerce, or of suppression of the slave trade, the intention was that India should contribute according to her means towards all those services. This is not the view of the Indian Government, as my Lords are well aware. But let this be the first question to be submitted to arbitration. When it has been decided what are the services or purposes to be embraced by the contribution, it will be a comparatively easy matter to express it in the form of a given number of ships, the whole cost of which is to be paid for by India.

My Lords hope that the First Lord of the Admiralty will press the Secretary of State for India in Council to agree to an arbitration on these lines.

I am, &c.
(Signed) G. L. RYDER.

No. 38.

ADMIRALTY LETTER to INDIA OFFICE of 30th December, 1891, No. 2 E 2300/3542.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of Major-General Newmarch's letter of the 19th December, 1891, M 11432, and in reply to state, for the information of Lord Cross, that my Lords reluctantly assent to the proposal to hold an Inter-Departmental Conference in connexion with the subsidy payable by India for the maintenance of vessels stationed in Indian waters, and suggest the 6th January for the meeting. The Admiralty will be represented by the First Naval Lord and the Financial Secretary.

I am to add that it is necessary the Committee should arrive at a conclusion, or refer the question in dispute to arbitration, in time to make the necessary financial arrangements for the present and prospective financial years.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 39.

INDIA OFFICE LETTER to ADMIRALTY of 1st January, 1892, No. M 11959.

E 19/92.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 30th December, 1891, 2 E 2300/91, and to acquaint you in reply that Viscount Cross has nominated, as representatives of this office, the Permanent Under-Secretary of State and the Financial and Military Secretaries.

It would be more convenient to this office, if equally convenient to the Admiralty representatives, that the meeting of the Committee should be held on Thursday, the 7th instant.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

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* Simply forwarding correspondence.

No. 40.

ADMIRALTY LETTER to INDIA OFFICE of 4th January, 1892, No. 2 E 19/24.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of Major-General Newmarch's letter of the 1st January, 1892, M 11959, stating that the Permanent Under-Secretary of State and the Financial and Military Secretaries have been nominated as representatives of the India Office on the Inter-Departmental Committee to consider the subsidy payable by India for the maintenance of ships stationed in Indian waters.

2. I am to acquaint you, for the information of Lord Cross, that, in consequence of the pressing public engagements of Admiral Sir A. H. Hoskins, K.C.B., the name of Rear-Admiral Bedford, C.B., one of the Lords Commissioners of the Admiralty, will be substituted for that of the First Naval Lord, and the Admiralty will be further represented by the Financial Secretary and the Accountant-General of the Navy.

3. My Lords regret their inability to arrange for a meeting on the 7th instant, and trust that Monday, the 11th instant, at 2.30 p.m., will be convenient to the representatives of the India Office.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 41.

INDIA OFFICE LETTER to ADMIRALTY of 6th January 1892, No. M 107.

E 79/92.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 4th January 1892, 2 E 19/24, and to acquaint you in reply that the India Office representatives on the Inter-Departmental Committee to consider the subsidy payable by India for the maintenance of ships stationed in Indian waters, &c., will be at the Admiralty at 2.30 p.m. on Monday next, the 11th instant.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General,
Military Secretary.

No. 42.

ADMIRALTY LETTER to TREASURY of 3rd February 1892, No. 2 E 378/372.

SIR,

WITH reference to your letter of the 24th December last, No. 17972/91, respecting the contribution to be paid by India on account of Her Majesty's ships stationed in Indian waters and the Persian Gulf, I am commanded by my Lords Commissioners of the Admiralty to forward, for the information of the Lords Commissioners of Her Majesty's Treasury, the enclosed Memorandum* of the proceedings of a committee formed of representatives of the India Office and this Department, held at the Admiralty on the 11th and 25th January last.

2. The committee have reported (*see* last paragraph of Memorandum) that they are unable to agree as to the scope of the words "Indian purposes" in the minutes of the Conference at the Foreign Office, and recommend that this point shall be referred to an independent authority, as well as that of the number and class of vessels required for such purposes.

I am, &c.
(Signed) ARTHUR B. FORWOOD.

No. 43.

TREASURY LETTER to ADMIRALTY and INDIA OFFICE of 10th February 1892, No. 1991/92.

E 453/92.

SIR,

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 3rd instant, No. 2 E 378/372, enclosing, by directions of the Lords Commissioners of the Admiralty, a Memorandum of the proceedings of a committee of officers of the Admiralty and India Office, who recently met to consider the amount of the subsidy to be paid by India for ships of Her Majesty's Navy in Indian waters.

It appears that the committee found it impossible to agree as to what are the purposes for which the ships to be charged to the Indian Government are required; and they recommend that this point, as well as that of the number and class of vessels required for such purposes, should be referred to an independent authority.

My Lords think this is a reasonable recommendation, and they accordingly propose that, with the concurrence of the Board of Admiralty and the Secretary of State for India in Council, the points in question should now be referred to an arbitrator, and that the Prime Minister should be requested to undertake the arbitration.

I am, &c.
(Signed) R. E. WELBY.

No. 44.

ADMIRALTY LETTER to TREASURY of 12th February 1892, No. 2 E 453/473.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of your letter of the 10th instant, No. 1991/92, proposing that the points in connexion with the subsidy to be paid for ships of Her Majesty's Navy in Indian waters, on which the Committee of officers of the Admiralty and India Office were not able to agree, should be referred to the Prime Minister for arbitration.

My Lords cordially agree with the proposal, which they presume has been communicated to the Secretary of State for India, and trust that steps may be taken to bring it into effect at an early date.

I am, &c.
(Signed) ARTHUR B. FORWOOD.

No. 45.

ADMIRALTY LETTER to INDIA OFFICE of 17th February 1892, No. 2 E 506/531.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to transmit, for the information of the Secretary of State for India in Council, the enclosed documents in connexion with the subsidy to be paid on account of ships in Indian waters which my Lords propose to submit as constituting the case of the Admiralty in the arbitration proposed by their Lordships of the Treasury, viz.:—

Correspondence between the Admiralty, Treasury and India Office subsequent to the conference held at the Foreign Office.

†Memorandum by the First Lord of the Admiralty.

‡Minutes of Proceedings of the Committee of Officers of the Admiralty and India Office.

My Lords will be glad to know if the Secretary of State for India desires to add anything further on behalf of the India Office.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 46.

INDIA OFFICE LETTER to TREASURY of 23rd February 1892, No. M 1522.

SIR,

I AM directed to acknowledge the receipt of your letter of the 10th instant, No. 1991, respecting the amount of the Indian contribution towards the East Indian Squadron, and to acquaint you in reply, that the Secretary of State for India in Council concurs in the proposal that a reference be made to some independent authority to determine what are the "Indian purposes" mentioned in the minutes of the conference held at the Foreign Office on the 26th of March 1890, and what are "the number and class of ships required in the "Persian Gulf and off the coasts of India" for such purposes.

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* Sub-Appendix 8.

† Sub-Appendix 6. ‡ Sub-Appendix 8.

Viscount Cross observes that the proposed reference does not involve any question of principle, as that has been already settled at the conference; and that the only point now to be decided is the application of the principles laid down, after due consideration of the divergent views held by the Government of India and the Lords Commissioners of the Admiralty.

He considers, therefore, that the authority to be invited to adjudicate should be some one in no way connected with the British or Indian Government, and would suggest, for the consideration of the Lords Commissioners of the Treasury, that the proposed reference should be made to either the Earl of Northbrook or Field Marshal Sir Lintorn Simmons. Lord Northbrook would probably be the fittest to select, as he has held the post of First Lord of the Admiralty, and also that of Viceroy of India.

I am, &c.
(Signed) G. N. CURZON.

No. 47.

INDIA OFFICE LETTER to ADMIRALTY of 29th February 1892, No. M 1774.

E 660/92.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 17th February 1892, No. 2 E 506/531, forwarding the documents which the Lords Commissioners of the Admiralty propose to submit as constituting the case of the Admiralty in the arbitration proposed by the Lords of the Treasury.

2. Viscount Cross proposes to add on behalf of this office the following papers, copies of which are attached:—

(1.) *India Office Memorandum of the 23rd December 1891.

(2.) †India Office Letter F 1865 of 4th June 1890 to the Treasury. (This is quoted in the last paragraph of India Office Letter to Admiralty of 25th June 1891, M 4867, page .)

(3.) ‡Copy of the following letters:—From Treasury, 6th January 1890; to Treasury, 29th January 1890. From Treasury, and enclosure, 1st February 1890; to Treasury, and enclosure, 6th March 1890. (This correspondence is important as showing the action taken by the Treasury preliminary to the conference at the Foreign Office.)

Viscount Cross thinks also that Part 2 of the printed papers "Outstanding Claims on account of 'Sphinx'" might be omitted as having no particular connexion with the proposed reference, but will not object to its retention if considered necessary by the Admiralty.

I have, &c.
(Signed) O. R. NEWMARCH,
Major-General.
Military Secretary.

No. 48.

ADMIRALTY LETTER to INDIA OFFICE of 10th March, 1892, No. 2 E 660/757.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of Major-General Newmarch's letter of the 29th February, 1892, M 1774, and in reply to state that my Lords have no objection to the papers particularised therein being added on behalf of the India Office to the case which this department has proposed to submit to the arbitrator to be appointed to consider the subsidy payable by India on account of the maintenance of ships in Indian waters.

I am to add that my Lords also have no objection to the omission of Part II of the printed papers "Out-" standing Claims on account of the 'Sphinx,'" as suggested in the second paragraph of the letter under reply.

I am, &c.
(Signed) EVAN MACGREGOR.

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* Sub-Appendix 7. † No. 6. ‡ Nos. 1 to 4.

No. 49.

ADMIRALTY LETTER to TREASURY of 15th June, 1892, No. 2 E 1596/1800.

SIR,

THE Committee of Public Accounts in their Second Report, paragraphs 1 and 2, having called attention to the delay in the settlement of the subsidy to be paid by the Indian Government on account of the services of Her Majesty's ships in Indian waters, I am commanded by my Lords Commissioners of the Admiralty to request that you will be good enough to move the Lords Commissioners of Her Majesty's Treasury to cause me to be informed, with reference to Treasury letter of the 10th February last, No. 1991, and to the reply thereto from this department, dated 12 idem, whether the case has been submitted to arbitration as proposed, and, if so, when my Lords may expect to receive a decision on the points in dispute.

I have, &c.
(Signed) EVAN MACGREGOR.

No. 50.

TREASURY LETTER to ADMIRALTY of 18th June, 1892, No. 9549/92.

E 1690/92.

SIR,

THE Lords Commissioners of Her Majesty's Treasury desire me, with reference to your letter of 15th instant, 2 E 1596/1800, and previous correspondence, respecting arbitration on the question of the subsidy to be paid by India for ships of Her Majesty's Navy in Indian waters, to acquaint you, for the information of the Lords Commissioners of the Admiralty, that, as the India Office wished the arbitrator to be someone unconnected with the British or Indian Government, it was arranged, with the concurrence of that Office, and of the First Lord of the Admiralty, to ask Lord Rosebery, in a letter of the 29th March last, of which a copy is enclosed, to act as arbitrator. His Lordship has now accepted the office in a letter of 4th instant, of which a copy is also enclosed.

My Lords are informing Lord Rosebery that papers will be furnished to him on behalf of the Imperial and Indian Governments setting forth the exact points to be decided, and their respective views upon them, and that both Governments will be ready to give any further information which his Lordship may desire.

My Lords would suggest that the Admiralty should prepare a Memorandum expressing their Lordships' views, which might be communicated to this Board in order that my Lords may add any remarks which they may think desirable on the financial aspect of the case.

I am, &c.
(Signed) R. E. WELBY.

Enclosure 1 in No. 50.

TREASURY LETTER to the Right Hon. The EARL OF ROSEBERY, P.C., of 28th March, 1892, No. 5021/92.

MY LORD,

THE Lords Commissioners of Her Majesty's Treasury direct me to say that the Board of Admiralty and the Secretary of State for India in Council unite with them in asking your Lordship to be so good as to consent to act as arbitrator upon the question of the amount of contribution to be annually paid by India to the United Kingdom for the maintenance of a squadron in Indian waters.

For many years this contribution consisted of 70*l.* per man for the assumed cost of the pay and victuals of the crews of six ships. About five years ago, the number of ships was reduced to four, and it was soon afterwards pointed out by the Treasury that India ought to pay the whole cost of them, effective and non-effective, instead of an obsolete valuation of part of the cost.

The question was brought before an Inter-Departmental Conference presided over by the Marquis of Salisbury, on the 26th March, 1890, and the decision arrived at was that, when the number and class of ships required in the Persian Gulf and off the coasts of India, *for Indian purposes*, had been settled by the British and Indian Governments jointly, India would pay the whole cost.

Since then the question has turned on the meaning of *Indian purposes*. If these purposes are to be merely those of police, very few and very small vessels will be needed; if they are in any degree to include purposes of external defence, more and larger vessels are required. The departments concerned can arrive at no agreement on this point.

When the number and class of ships have been agreed upon, some minor points of doubt will remain as to the method of calculation to be adopted in arriving at the whole cost of the ships, which it will be expedient to decide at the same time.

Although the subject matter is one of very considerable importance, my Lords believe that a decision upon it need not occupy much of your Lordship's time; and they hope to learn that you are willing to undertake the arbitration.

I am, &c.
(Signed) R. E. WELBY.

Enclosure 2 to No. 50.

LETTER from the Right Hon. The EARL OF ROSEBERY, P.C., to the TREASURY, of 4th June, 1892.

SIR,

I AM very sensible of my unfitness for the task; but, as it is deemed that my services can be of use, I shall be happy to undertake the arbitration mentioned in your letter of 28th March. Perhaps you will kindly inform me whether it is proposed to submit the cases in writing or by word of mouth.

I am, &c.
(Signed) ROSEBERY.

No. 51.

ADMIRALTY LETTER to TREASURY of 6th July 1892, No. 2 E 1747/2039.

SIR,

MY Lords have had before them your letter of the 18th ultimo, No. 9549, stating that Lord Rosebery has consented to act as arbitrator on the question of the Indian subsidy.

With regard to the suggestion that the Admiralty should prepare a memorandum on the matter, my Lords desire me to request that you will inform their Lordships of the Treasury that the Admiralty case for arbitration has been agreed on with the India Office, and consists of—

1. Correspondence subsequent to the conference at the Foreign Office.
2. Memorandum of the First Lord of the Admiralty.
3. Minutes of committee of officers of the Admiralty and India Office.

To add to this would, my Lords consider, require the consent of the India Office, and would probably lead to correspondence and the indefinite postponement of the arbitration.

The case, as forwarded to the Treasury in letter of 17th February last, No. 2 E 506/531, only needs amendment to the extent of eliminating, as requested by the India Office, the correspondence in connexion with the "Sphinx." This has been done in the papers enclosed, to which, however, has been added, for convenience of reference, an index of the financial statements included therein.

My Lords have also considered the Treasury memorandum on the financial aspect of the case, forwarded to the Admiralty in Mr. Ryder's note of the 23rd ultimo, but I am to say that, for the reasons stated above, they feel that they are precluded from adopting it as part of their case, though they see no objection to their Lordships of the Treasury putting it forward separately.

I am to add that my Lords, should the India Office consent, would be glad of arbitration as to the method of calculation to be adopted in arriving at the total cost of the ships.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 52.

TREASURY LETTER to ADMIRALTY of 14th July 1892, No. 1127/92.

E 1907/92.

SIR,

WITH reference to your letter of the 6th instant, 2 E 1747, the Lords Commissioners of Her Majesty's Treasury direct me to enclose, for the information of the Lords Commissioners of the Admiralty,* a copy of a letter of to-day's date which they have addressed to Lord Rosebery as arbitrator in the matter of the subsidy payable by India for Her Majesty's ships in Indian waters.

A copy of the printed remarks of the Treasury, alluded to in that letter, is also enclosed.

I am, &c.
(Signed) R. E. WELBY.

No. 53.

ADMIRALTY LETTER to TREASURY of 20th September 1892, No. E 1907/92, 2814.

SIR,

WITH reference to Treasury Letter of the 14th July 1892, No. 11,277, I am commanded by my Lords Commissioners of the Admiralty to ask whether the award of Lord Rosebery on the points submitted to him in connexion with the subsidy to be paid by India as regards Her Majesty's vessels in Indian waters has yet been communicated to their Lordships of the Treasury.

My Lords are most anxious that an early settlement should be arrived at of the questions outstanding in connexion with this matter, in view of their bearing on the expenditure of the current year, and the estimates for 1893-94.

I am, &c.
(Signed) R. D. AWDRY.

No. 54.

TREASURY LETTER to ADMIRALTY of 8th October 1892, No. 15390/92.

E 2537/92.

SIR,

WITH reference to previous correspondence respecting the arbitration in the matter of the subsidy payable by India for Her Majesty's ships in Indian waters, the Lords Commissioners of Her Majesty's Treasury announce, with regret, for the information of the Lords Commissioners of the Admiralty that, owing to his appointment as Secretary of State for Foreign Affairs, the Earl of Rosebery has been compelled to renounce the task of arbitrator.

I am, &c.
(Signed) FRANK MOWATT.

No. 55.

ADMIRALTY LETTER to TREASURY of 24th December 1892, No. E 3133, 3887.

SIR,

WITH reference to previous correspondence relative to the arbitration in the matter of the subsidy payable by India for Her Majesty's ships in Indian waters, and particularly to Mr. Mowatt's letter of the 8th October last, No. 15,390, I am commanded by my Lords Commissioners of the Admiralty to request that you will represent to their Lordships of the Treasury that great inconvenience in connexion with the preparation of the Navy Estimates for 1893-94, as well as in dealing with the current year's expenditure, is being occasioned by the continued delay in arriving at a settlement of this question.

My Lords hope that the matter may be pressed forward as much as practicable, and that the arbitrator's decision may be obtained at an early date.

I am, &c.
(Signed) EVAN MACGREGOR.

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* *See* Part I., ii.

No. 56.

TREASURY LETTER to INDIA OFFICE of 26th July 1893, No. 10,825/93.

SIR,

THE Lords Commissioners of Her Majesty's Treasury request you to call the attention of the Secretary of State for India in Council to the long pending question of Arbitration in the matter of the subsidy payable by India for Her Majesty's ships in Indian waters, dealt with in India Office letter of the 15th October last, and previous correspondence.

Since that date, as you are aware, various semi-official communications have passed between the two Departments with regard especially to the exact terms of reference to the arbitrator, the points of difference being as shown in the following table:—

Questions as proposed by the India Office (3221/92).	Questions as proposed by the Treasury, with Concurrence of the Admiralty.
1. What are the "Indian purposes" mentioned in the Minutes of the Conference held at the Foreign Office on the 26th March 1890?	1. For what purposes are the ships chargeable to India required?
2. What are the numbers and class of ships required in the Persian Gulf and off the coast of India for such purposes?	2. What ought to be the number and class of ships so charged?
	3. How ought their cost to be calculated?

I am to say that the Treasury would be willing to word the first question thus:—

1. What *should be* the meaning of the term "Indian purposes" which was used in the Minutes of the Conference at the Foreign Office, on the 26th March 1890? If the India Office will agree to the above wording of question 1, and to the addition of the third question, about cost, the Treasury will accept the India Office wording of the second question.

The reason why my Lords object to the India Office form of the first question is very simple. That form confines the question exclusively to one of documentary fact, viz.:—"What are the Indian purposes mentioned "in the Minutes of Conference?" No arbitrator is needed to say that the memorandum of the 12th August 1890, which is the sole Minute of the Conference, contains no specification of Indian purposes. An allusion, indeed, is made to protection of floating trade, which affords a strong presumption that such protection was one of the purposes in view. But the Conference consisted of persons with probably conflicting opinions, and they left the term "Indian purposes" undefined.

It is obvious, therefore, that no one can decide the meaning of that term without first making up his mind as to what it ought to mean.

As regards the second question, the area in which the ships are to operate ought, of course, to be determined by the purposes which they are to fulfil; therefore, my Lords much prefer their own form of this question, but they reluctantly accept the India Office form on the understanding that "off the coasts of India" means as far off as the legitimate Indian duties of the ships will take them. The Secretary of State will observe that the limits within which the ships were to be employed were left by the Foreign Office Conference for settlement between the two Governments.

The third question is added because it relates to a necessary part of the controversy which must be settled before the amount of subsidy can be arrived at, and it is most desirable that the award of the arbitrator should settle that amount for a definite period.

I am, &c.
(Signed) JOHN T. HIBBERT.

No. 57.

ADMIRALTY LETTER to TREASURY of 15th August 1893, No. 2 E 3133/92/3093.

SIR,

ADVERTING to my letter of the 24th December, 1892, No. 2 E 3133/3887, on the subject of the arbitration in the matter of the subsidy payable by India for Her Majesty's ships in Indian waters, I am commanded by my Lords Commissioners of the Admiralty to request that you will again represent to their Lordships that great inconvenience is being felt in dealing with the current year's expenditure owing to the continued delay in arriving at a settlement of this question.

My Lords observe that the Public Accounts Committee, in the 43rd paragraph of their second Report of this year, express the opinion that "public interests "urgently claim a speedy settlement of this con-"troversy," and they hope that the arbitrator's decision may be obtained at an early date.

I am, &c.
(Signed) R. D. AWDRY.

No. 58.

INDIA OFFICE LETTER to TREASURY of 21st August 1893 No. M 7086.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 26th July 1893, No. 10,825/93, regarding the question of Arbitration as to the subsidy payable by India for Her Majesty's ships in Indian waters.

I am in the first place to point out that the two sets of questions detailed in your letter are not correctly described as those proposed by this Office, and by the Treasury with concurrence of the Admiralty. The first set of questions is that originally proposed by the Treasury in their Letter No. 1991/92, of the 10th February 1892, and accepted by this Office in Mr. Curzon's letter of 23rd February 1892; the second set is that which the Treasury substituted in the letter to Lord Rosebery, of the 14th July 1892, and to which objection was at once taken in the letter from this Office of the 21st July.

The Secretary of State for India in Council agreed to refer to the Inter-Departmental Committee these two questions, and on the failure of the Committee to come to an agreement, he assented to the suggestion that they should be referred to some independent authority. To that agreement Lord Kimberley is prepared to adhere, and he is not prepared to go beyond it.

His Lordship must decline to submit to arbitration the question as to what "*should*" be the meaning of the term "Indian purposes" used in the Minutes of the Conference at the Foreign Office on the 26th March 1890. He has himself no doubt that the meaning of the term is as stated in the letter from this Office of 11th December 1891, M 10,481, "the maritime police "of the coast, and the suppression of piracy, and of "the local slave trade." That this was the meaning intended by the Conference at the Foreign Office is confirmed by the fact that it was the Government of India which was to be consulted "as to the number "and class of ships required in the Persian Gulf, and "off the coasts of India, for Indian purposes." Had these last words been intended to have the wider meaning which the Treasury now desire them to bear, of the protection of commerce and the external and general defence of the Indian seas, it would hardly have been necessary to consult that Government, and assuredly the reference would not have been narrowed down to the limits of the Persian Gulf and the coasts of India.

The point for reference to the arbitrator is simply the meaning which an impartial person, from a study of the previous correspondence, would attribute to the words "Indian purposes," as used in the Memorandum of the 26th March 1890.

The next question naturally follows the same lines, and the arbitrator should have no difficulty in arriving at a conclusion from a study of the papers and the arguments of both Departments.

These are the only two points on which any difference arose between the representatives of the Admiralty and the India Office, and, when these are settled, there will be no difficulty in settling the third point raised by the Treasury, how the cost of ships shall be calculated.

I have, &c.
(Signed) GEORGE W. E. RUSSELL.

No. 59.

TREASURY LETTER to INDIA OFFICE of 14th October 1893, No. 12,919/93.

SIR,

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 21st August respecting the terms of reference to the arbitrator on the naval subsidy payable by India.

The Secretary of State for India in Council objects to the description given in the Treasury letter of the 26th July last of the two sets of questions detailed in parallel columns in that letter, and says that the first set was originally proposed by the Treasury on the 10th February 1892, and was only accepted, not proposed, by the India Office, on the 23rd of the same month. The following table will show that this statement is not well founded.

Questions as worded in Treasury Letter of the 10th February 1892.	Questions as worded in India Office Letter of 23rd February 1892.
1. What are the purposes for which the ships to be charged to the Indian Government are required?	1. What are the "Indian purposes" mentioned in the Minutes of the Conference held in the Foreign Office on the 26th of March 1890?
2. What are "the number and class of vessels required for such purposes"?	2. What are the numbers and class of ships required "in the Persian Gulf and off the coasts of India for such purposes"?

It will be seen that the Treasury questions of the 10th February 1892, so far from being those accepted by the India Office on the 23rd February, are really the equivalents of Questions 1 and 2 of the Treasury letter to Lord Rosebery of the 14th July 1892, viz.: (1) "For "what purposes are the ships chargeable to India "required"? (2) "What ought to be the number and class of ships so charged"?

Their Lordships much regret that the Secretary of State in Council should object to the submission to the arbitrator of the second question, as to how the cost of the ships ought to be calculated. His Lordship dismisses this point as one raised by the Treasury only, and not one that gave rise to difficulty between the representatives of the Admiralty and India Office. It is true that the Minutes of the Inter-Departmental Committee of the 11th and 25th January 1892 do not mention the point, because the inability of the Committee to agree on the two preliminary questions prevented them from reaching the third. But the method of calculation is discussed as one of the controversial questions requiring settlement in Lord G. Hamilton's printed Memorandum of the 28th November 1891, forming part of the case which the India Office agreed that the Admiralty should submit to the arbitrator, as well as in the India Office printed Memorandum of the 23rd December 1891, comprised in the Indian Addendum to that case.

I am, &c.
(Signed) R. E WELBY.

No. 60.

TREASURY LETTER to ADMIRALTY of 14th October 1893, No. 12,919 E 2612/93.

SIR,

ADVERTING to Mr. Awdry's letter of the 15th August, on the question of the Arbitration as to the Subsidy payable by India for Her Majesty's ships in Indian waters, the Lords Commissioners of Her Majesty's Treasury direct me to enclose, for the information of the Lords Commissioners of the Admiralty, copy of correspondence, as noted below, which has passed between the India Office and this Department on the subject:—

*Treasury to India Office, 26th July 1893.
India Office to Treasury, 21st August 1893.
Treasury to India Office, this day.

I am, &c.
(Signed) R. E. WELBY.

* Nos. 56, 58, and 59.

No. 61.

ADMIRALTY LETTER to TREASURY of 3rd November 1893, No. 2 E 2612/4010.

SIR,

IN acknowledging the receipt of your letter of the 14th October 1893, No. 12,919, I am commanded by my Lords Commissioners of the Admiralty to express their extreme regret that the terms of reference for the arbitration on the subsidy payable by India for Her Majesty's ships in Indian waters have not yet been settled.

2. The delay which has occurred in this matter has caused my Lords very serious inconvenience, and, as the payment now being made by India is short by 67,000*l.* of the sum included in the Navy Estimates, it may lead to the necessity of a supplementary estimate.

3. Their Lordships would readily agree to an arbitration on Question 1 as proposed by the India Office (*see* Treasury Letter to that Department of the 26th July last), or would even prefer the reference as very clearly stated in paragraph 5 of the India Office Letter to the Treasury of the 21st August last.

4. As the question has been kept open since the late Government left office, and the India Office and the Treasury seem no nearer a settlement than they were, my Lords hope that the matter in dispute between these two Departments of the Government may be now submitted to the First Lord of the Treasury for decision as to the terms of the reference.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 62.

ADMIRALTY LETTER to INDIA OFFICE of 9th November 1894, No. 2 E 2771/3532.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to state, for the information of the Secretary of State for India in Council, that they have viewed with much regret the difficulties which have arisen in bringing to arbitration the differences between this Department and the India Office, as regards the subsidy payable by India on account of Her Majesty's ships in Indian waters, and I am to express a hope that Mr. Fowler will consent to lay the whole correspondence before the Prime Minister in order that we may settle what can best be done under the circumstances.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 63.

INDIA OFFICE LETTER to ADMIRALTY of 16th November 1894, No. M 10765.

E 2857/94.

SIR,

I AM directed to acknowledge the receipt of your letter of 9th November 1894, and to acquaint you in reply that the Secretary of State for India in Council has no objection to the proposal to lay before the Prime Minister the correspondence regarding the subsidy to be paid by India for Her Majesty's ships in Indian waters, in order that Lord Rosebery may consider what course should, under the circumstances, be taken in order to settle the questions at issue.

I have, &c.
(Signed) REAY.

No. 64.

ADMIRALTY LETTER to TREASURY of 21st November 1894, No. 2 E 2857/3677.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to forward, for the information of the Lords Commissioners of Her Majesty's Treasury, copies of correspondence (Admiralty letter to India Office of the 9th November 1894, and reply thereto of the 16th idem), which has taken place between the India Office and this Department relative to the subsidy to be paid by India on account of Her Majesty's vessels stationed in Indian waters.

I am to add that it is presumed that my Lords will be informed what papers their Lordships of the Treasury propose to submit to the Prime Minister.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 65.

TREASURY LETTER to ADMIRALTY of 29th November 1894, No. 17164/94.

E 2940/94.

SIR,

WITH reference to previous correspondence on the subject of the subsidy payable by India for services rendered by Her Majesty's ships in Indian waters, I am desired by the Lords Commissioners of Her Majesty's Treasury to acknowledge the receipt of your letter of 21st inst., transmitting copies of letters which have passed between the Board of Admiralty and the Secretary of State for India in Council, and in which it is agreed to submit the questions at issue to the Prime Minister for his decision as to the course which should now be adopted to effect a final setlement.

My Lords have laid the correspondence before the Earl of Rosebery and they instruct me to state that his Lordship will very shortly cause a communication upon the subject to be addressed to each of the Departments concerned.

I am, &c.
(Signed) FRANCIS MOWATT.

No. 66.

ADMIRALTY LETTER to INDIA OFFICE of 25th February 1895, No. 2 E 540/610.

SIR,

WITH reference to my letter of the 9th November last, and the India Office reply of the 16th idem, in which it was agreed to lay before the Prime Minister the correspondence regarding the subsidy to be paid by India for Her Majesty's ships in Indian waters, I am commanded by my Lords Commissioners of the Admiralty to state, for the information of the Secretary of State for India in Council, that they have received Lord Rosebery's award as to the definition of the term "Indian purposes" used in the agreement entered into at the Foreign Office Conference with reference to the maintenance of certain vessels in Indian waters.

Lord Rosebery in this award decides that the expression "Indian purposes" cannot be limited to merely maritime police "and the repression of piracy, "but must be held to include some portion at any rate "of the duties devolving on the Royal Navy for the "defence of India and the protection of trade in Indian "waters."

In view of this award, my Lords assume that the Government of India will now be prepared to concur in the list of ships put forward by the Admiralty in 1891, as those upon which the subsidy was to be paid.

The Secretary of State for India is no doubt aware that these ships were selected by the late Board of Admiralty on the interpretation of the term "Indian purposes" as now defined in the award.

I am to add that the present Board, after full consideration of the subject, are in accord with their predecessors both as to the number and class of ships selected.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 67.

INDIA OFFICE LETTER to ADMIRALTY of 28th March 1895, No. M 2216.

E 890/95.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of 25th February 1895, No. 2 E 546/610, regarding the number and class of ships to be allotted for Indian purposes, as those upon which the Indian contribution to the cost of the East India Squadron is to be based.

When the question of revising the annual subsidy was first raised by the Treasury, in January 1890, it was proposed that India should pay the full cost, estimated at 76,079*l.* per annum, of the

"Turquoise"	2,120 tons.
"Algerine"	970 "
"Mariner"	835 "
"Sphinx"	1,130 "

Subsequently a revised statement, prepared by Mr. Forwood (July 5th, 1890), put the annual cost of the "Turquoise," "Mariner," "Algerine," and "Sphinx" at 103,577*l.*

In 1891 the Admiralty proposed to substitute for these vessels the

"Marathon"	2,950 tons.
"Brisk"	1,770 "
"Pigeon"	755 "
"Sphinx"	1,130 "

with the view, it was said, of meeting objections which were entertained against the ships then on the station. On the other hand, the Government of India pointed out that ships of the size of the "Marathon" and "Brisk" were not suited to their special requirements, and entirely unsuitable for the service of India. The annual cost was calculated by the Admiralty at 121,094*l.* In addition to this, it was proposed that India should pay the entire cost of coal in the Persian Gulf, and of that consumed in the other vessels when on services performed at the request of the Indian authorities. As 4,000*l.* was estimated to be paid in India for repairs of the "Sphinx," the amount claimed by the Admiralty on the 15th January 1891 as the annual charge upon India was 117,000*l.*; and it is presumed that it is that sum to which your present letter refers.

In reply I am to state, for the information of the Lords Commissioners of the Admiralty, that the Secretary of State for India in Council is unable to agree to the list of ships and payment proposed.

The Secretary of State for India in Council considers that the payment by the Australian Colonies, to which special reference was made at the Foreign Office Conference, might, under the award by Lord Rosebery, be taken as a basis for calculating the subsidy to be paid by India. Under the Australasian Agreement, three cruisers and one gunboat are to be kept in commission in time of peace, and two cruisers and one gunboat in reserve, and the total payment by the Colonies is not to exceed 126,000*l.* a year. The strength of the Australian Squadron, including the above vessels in commission, amounts to 20,645 tons, and that of the East India Squadron, exclusive of the "Magdala" and "Plassy," but including the ships which the Admiralty propose to allot for Indian purposes, is 13,500 tons. Mr. Secretary Fowler is of opinion that the Indian contribution should bear the same proportion to the Australian payment as the East India Squadron bears to the Australian Squadron. Calculated on this basis the contribution by India would be 82,392*l.* a year, nearly double the payment under the Agreement of 1887—41,600*l.* This sum would provide for the following ships, the cost being taken from Statement "B" attached to your letter of 15th January 1891, No. 2 E 97/141, that is, on the scale adopted for the Colonies:—

	Tons.	£
"Brisk"	1,770	32,852
"Pigeon"	755	15,113
Gunboat (same class)	755	15,113
"Sphinx"	1,130	19,339
Total		82,417

The Lords Commissioners will observe that the Indian Defence Flotilla, the property of India, maintained out of Indian revenues for the protection of Indian harbours, will be in addition to the foregoing. Though these vessels are primarily intended for the above purpose, they may, except in certain special circumstances, be utilised in time of war by the Naval Commander-in-Chief; and it is obvious that the disposal of this large addition to the East India Squadron will liberate for the protection of commerce a much larger force than would otherwise be available.

More than this the Secretary of State for India in Council considers the Government of India cannot be asked to contribute towards naval expenditure in Indian waters.

As regards coal, I am to inquire whether its cost in Colonial ships is included in the payment under the agreement, or defrayed separately.

Mr. Secretary Fowler proposes, therefore, that the annual payment by India be fixed at 82,400*l.*, and that this arrangement should hold good for 10 years, beginning from the 1st April 1895.

I have, &c.
(Signed) REAY.

No. 68.

ADMIRALTY LETTER to INDIA OFFICE of 13th April 1895, No. 2 E 890.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to acknowledge the receipt of your letter of the 28th March, No. M 2216, on the subject of the subsidy on account of Her Majesty's ships in Indian waters, and in reply to express their satisfaction that the Secretary of State for India in Council has, to some extent, complied with the award of Lord Rosebery, by raising the number of ships, for which it is proposed to pay, from three to four, the number fixed by my Lords; but they cannot admit that the ships selected on behalf of India, which are only applicable to the limited definition of Indian purposes now decided to be untenable, meet the wider definition given to that term by Lord Rosebery, which includes "some portion of the "duties devolving on the Royal Navy for the defence "of India and the general defence of trade in Indian "waters."

To meet this requirement, my Lords consider that there should be at least one ship of a larger type than those desired by India, and they must adhere to their opinion that the "Marathon," a vessel of 2,950 tons, should be one of the selected ships. They therefore regret that they cannot agree to the ships named by the India Office.

My Lords notice that by a method of calculation based partly on tonnage and partly on the amount of the Colonial subsidy (which does not adequately represent the cost of the ships), the India Office has arrived at the result that vessels, whose tonnage amounts in the aggregate to 4,410 tons, a little more than one-quarter of the total tonnage of the Indian Squadron, properly represent the proportion of the Indian Squadron to which the term "Indian purposes" is applicable.

Although my Lords could not admit that any comparison between two stations would necessarily or probably hold good even as regards tonnage, yet, as the India Office has made the comparison, they would remark that the proportion which the tonnage of the ships selected by the Admiralty bears to the total tonnage of the East India Squadron, does not much differ from that of the Australasian ships to the tonnage of the Australian Squadron.

The East Indian squadron at present consists of vessels having an aggregate tonnage of 15,060 tons. The tonnage of the ships selected by the Admiralty amounts to 6,605 tons, or ·44 of the whole.

The tonnage of the Australian Squadron in commission is 23,220, and of the Australasian ships in commission under the Convention 8,460 tons, or ·36 of the whole; but in addition there are maintained in the Colonies under the Convention, ships in reserve having a tonnage of 5,885 tons, If an allowance be made for these as part of the strength of the squadron, say one-half only of their tonnage, the total tonnage of the squadron will be increased to 26,162 tons, and that of the subvention ships to 11,402 tons, making the percentage of the latter to the former rather more than ·43.

My Lords would remind Mr. Secretary Fowler that, while constantly pressing the Australasian agreement as the basis of charge for the Indian ships, in which my Lords cannot concur, the Indian Government has never contended that the Admiralty calculation does not accurately represent their whole cost.

The terms of the memorandum of the Foreign Office Conference, viz., "that India is to pay the full cost, "effective and non-effective, of the ships required for "Indian purposes," entirely shut out the pecuniary arrangement entered with the Australasian Colonies as the basis for calculating the subsidy to be paid by India.

The subsidy paid by the Australasian Colonies was fixed by an Act of Parliament, and was subject to specified maxima for prime cost and yearly maintenance, both of which fall considerably short of what is actually incurred. There is a further important difference in the arrangement, viz., the control of the Colonies is limited to their consent being required to the removal of a ship from the station, but does not extend to requisitioning their services for purely Colonial purposes, such as would correspond to those to which the Indian Government wished to limit "Indian purposes."

It by no means follows that, on a renewal of the arrangement, terms more favourable to the Imperial Government will not be obtained from the Colonies.

My Lords, while agreeing to the term of 10 years being fixed for the continuance of the agreement which is about to be made, cannot assent to the proposal that the arrangement should take effect from the 1st April 1895.

This view is supported by the fact that the India Office has paid, without prejudice, since 1891-92, a sum of 50,000*l.*, based on the cost of the ships selected by the Indian Government, and in the opinion of my Lords the payment should commence from 1st April 1891.

As regards coal, my Lords consider that, under the terms of the Foreign Office memorandum, and of the Prime Minister's award, they would have been justified in claiming the whole cost of coal consumed by the ships selected for Indian purposes; but they do not desire to go beyond the arrangement proposed in the Admiralty letter of 15th January 1891, E 97/141, viz., that India should pay, in addition to the subsidy, the entire cost of coal used in the Persian Gulf, and of that consumed in the vessels when on services performed at the request of the Indian authorities.

My Lords feel sure that Mr. Secretary Fowler will agree with them in deprecating any further delay in the settlement of this long outstanding controversy.

Should Mr. Fowler, unfortunately, not feel able to concur in the views expressed in this letter, my Lords trust that to obviate further delay he will consent to submit the correspondence for the decision of the Prime Minister, who, in a note to the First Lord of the Admiralty of the 6th December last, intimated that, should there be any difficulty, after defining the words "Indian purposes," in settling the number and class of vessels required, and the payment to be made for them, he would be ready to undertake the solution of this question also, if his decision would be accepted as final.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 69.

INDIA OFFICE LETTER to ADMIRALTY of the 23rd May 1895, No. M 3680.

E 1395/95.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of your letter of the 13th April 1895, No. 2 E 890/1229, regarding the subsidy for Her Majesty's ships in Indian waters.

2. With reference to the observations in the fourth and following paragraphs of your letter regarding the proportion of tonnage of the ships selected by the Admiralty to the total tonnage of the East India Squadron, I am to observe that according to the Navy List on 1st January 1895 (the only source of information available to this department) the East India Squadron consisted of the vessels noted in the margin,* with an aggregate tonnage of 13,500 tons, and not 15,060 tons as stated in your letter. It is also stated in your letter that the tonnage of the Australian Squadron in commission is 23,220, but according to the Navy List this includes *four* Australian cruisers and one gunboat, while the Australian agreement provides for only three cruisers and one gunboat in commission. And, though four cruisers out of five are included in the above total tonnage, one of these cruisers is again taken into account as being in reserve. One ship seems therefore to be taken twice over. Deducting this ship, the tonnage is 20,645, as given in the letter from this Office. Moreover, if the ships of the Australian Government out of commission are to be taken into account, some weight must also be allowed to the ships and torpedo boats, in commission and in reserve, which are kept up at the expense of the Government of India. In time of war they would be at the disposal of the admiral, except in very exceptional circumstances, and in ordinary times the gunboat in commission could at any time be used for Indian purposes off the coast of India.

3. The method of calculation adopted by this Office was, in the opinion of the Secretary of State for India in Council, a fair and reasonable way of settling the share which India should pay of the cost of the squadron; but he is willing to consider any alternative proposal, based on some definite principle, which the Admiralty may suggest Your letter ignores the consideration that, according to the terms of the Foreign

* "Bonaventure," "Bramble," "Brisk," "Cossack," "Lapwing," "Marathon," "Sphinx."

Office Conference, the Indian Government was to be consulted as to the number and class of ships required for Indian purposes, and that the number was to be settled by the British and Indian Governments jointly. The Indian Government proposed accordingly the "Sphinx" and two gunboats of the "Pigeon" class, the cost of which, if calculated according to the Australasian agreement, would be 49,565*l.* per annum. To this number the Secretary of State for India in Council has now added the "Brisk" (1,770 tons), in accordance with Lord Rosebery's award. On the other hand, the ships proposed by the Admiralty are merely those which it was stated in your letter of 15th January 1891, No. 2 E 97/141, the Lords of the Admiralty had arranged to allot for the service and defence of India, before the Government of India had given their opinion, as required by the Foreign Office agreement, and no reasons were, or are now, assigned for the selection of these particular vessels rather than any other number or class of ships.

4. As regards the mode of calculating the cost of the ships, I am to point out that one of the grounds urged at the Foreign Office Conference for an increased payment by India was "the example of the Australasian "Colonies (which are contributing liberally for the "protection of their floating trade)." In Sir J. Gorst's letter to your address of the 3rd February 1891, the Secretary of State in Council at once noticed that it was proposed to charge India more by 10,177*l.* a year than if the arrangement were analogous to that with Australia, and that he saw no sufficient reason for this difference. You now, however, state that the subsidy paid by the Australasian Colonies falls considerably short of the sum actually incurred; and, as Mr. Fowler does not wish to urge a departure from the agreement to pay the whole cost of the vessels that may be selected, he will no longer press for a reduction on the analogy of the Australasian agreement. He is willing, therefore, to pay for the ships detailed in this Office letter of the 28th March 1895, according to the Statement A., received with your letter of the 15th January 1891, as follows:—

	£
"Brisk" - - -	36,299
"Pigeon" - - -	16,513
Gunboat, same class - -	16,513
"Sphinx" - - -	20,855
Total - -	90,180

instead of 82,417*l.* as proposed in my letter of 28th March. Should the Lords Commissioners still feel unable to accept the proposals made in this Office letter of the 28th March last, with the modification last mentioned, Mr. Secretary Fowler will have no objection to submit for the decision of the Prime Minister the question of the number and class of ships required for Indian purposes, and on receipt of a further communication from you a case will be submitted for Lord Rosebery's consideration.

5. The Lords Commissioners also object to the proposal that the new arrangement should take effect from the 1st April 1895, and they find support for their view in the fact that this Office has paid annually without prejudice, since 1891–92, a sum of 50,000*l.*, based on the cost of the ships selected by the Indian Government. In reply I am to observe that the Secretary of State for India in Council agreed to pay this sum, as being in round numbers the cost of the ships which, after consulting the Indian Government, he considered to be those required in the Persian "Gulf and off the coasts of India for Indian purposes." In consenting to this interim payment, it was assumed that there would be no great delay in settling the question at issue, and that the charge in India for repairs of the "Sphinx," estimated at 4,000*l.* a year, would shortly cease. As, however, these repairs have still been carried out in India at the expense of Indian revenues, it is evident that this Office is entitled to claim as a deduction from the payment of 50,000*l.* a year the amount actually spent in India on these repairs since 1st April 1891.

6. I am to request that you will invite the attention of the Lords of the Admiralty to paragraphs 2–6 of Sir A. Godley's letter of 11th December 1891, in which it was pointed out that the Government of India and this Office were in no way responsible for the delay which originally took place in dealing with this question. Since then there has been still further delay, in no way due to this Office, and the meaning of the term "Indian purposes" has only recently been settled by Lord Rosebery's decision. The Secretary of State for India in Council has always been anxious to expedite a settlement, but he must remind the Lords Commissioners that under the terms of the Foreign Office Conference the new arrangement was not to come into force till the number and class of ships had been settled by the British and Indian Governments jointly. This question of arrears is a point which Mr. Fowler cannot agree to refer to Lord Rosebery's decision, as he considers it to be clearly settled by the Foreign Office agreement; and, accordingly, he must adhere to the view that the increased payment, whatever it be, shall take effect only from the 1st April 1895, from which date a certain provision has been made in the Indian Estimates for the purpose.

I have, &c.
(Signed) REAY.

No. 70.

ADMIRALTY LETTER to INDIA OFFICE of 30th May 1895, No. 2 E 1395/1689.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to state for the information of the Secretary of State for India in Council that they have had under their consideration Lord Reay's letter of the 23rd May on the subject of the subsidy for Her Majesty's ships in Indian waters.

In reply I am to express the satisfaction of my Lords that the mode of calculation adopted by the Admiralty in assessing the total cost of the selected ships is now concurred in.

In view of this concurrence, and as my Lords have never considered that any comparison, useful in settling the points in dispute, could be made between the Indian and Australian Squadrons, they do not propose to make any further remarks on the question of tonnage raised in your letter under reply, although if necessary there would be no difficulty in substantiating the statements as to the composition of the two squadrons made in my letter of the 13th April last.

As the two Departments are now in accord as to the number of ships (viz., four) to be selected for Indian purposes, my Lords are glad to find that there remain no more than two further points for settlement: the class of the four vessels and the commencing date of the arrangement.

As regards the class of ships, the views of the two Departments may be thus contrasted:—

ADMIRALTY.		INDIA.	
	Tons.		Tons.
"Marathon" -	2,950	"Brisk" - -	1,770
"Brisk" - -	1,770	"Pigeon" - -	755
"Pigeon" - -	755	Do. - -	755
"Sphinx" - -	1,130	"Sphinx" - -	1,130
	6,605		4,410

It will be seen that the difference is as regards one ship only, viz., that Mr. Fowler proposes to substitute for the "Marathon," selected by the Admiralty, a gunboat of the "Pigeon" class.

Lord Rosebery's award decides that "Indian purposes must be held to include some portion at any "rate of the duties devolving on the Royal Navy for "the defence of India, and the protection of trade in "Indian waters." This conclusion of Lord Rosebery would, in the opinion of my Lords, clearly not be met by the selection of ships none of which exceeds 1,770 tons. They adhere to their view that the "Marathon," which is not the largest ship on the station (the flag ship the "Bonaventure" having a tonnage of 4,360 tons), should remain as one of the selected ships.

It may further be observed that no inconsiderable protection to Indian trade, and even to the defence of India itself, is afforded by squadrons on other stations to the cost of which India is in no way asked to contribute. My Lords regret, therefore, that they are unable to concur in the proposal under this head made in your letter.

As to the commencing date of the arrangement, my Lords fail to understand why there should be any

objection to referring the question for the Prime Minister's decision. They do not concur in Mr. Fowler's view that it has been clearly settled by the Foreign Office Conference, and have directed me to make the following remarks for his consideration.

Obviously the proposal as to the ships to be selected must have emanated either from the Admiralty or from the India Office.

On this point Lord George Hamilton, in his Memorandum of the 28th November 1891, contended that "the initiative in the selection of the ships necessarily "rests with the Admiralty, who must consider the "requirements of the station as a whole, and the proportion which the ships, specially selected for Indian "waters, should bear to the full strength of the "squadron. The letter of the Foreign Office Memorandum undoubtedly requires the consent of the "Indian Government to the selection, but its spirit "would equally forbid that consent to such selection "should be unreasonably withheld."

To this, in the India Office Memorandum of the 23rd December 1891, it was replied:—"This appears "to reverse the order of the procedure. By the terms "of the Foreign Office Memorandum, the Indian "Government was first 'to be consulted as to the "'number and class of ships required in the Persian "'Gulf and off the coasts of India for Indian pur-"'poses.' It can hardly be denied that the initiative "as to what is required 'for Indian purposes' must "rest with the Government of India. When their "opinion as to their requirements should have been "given, the Memorandum provided that the settlement of the number was to rest with the British "and Indian Governments jointly; and, though not "expressed, it may perhaps be admitted that this "applied also to the class of ships. But it would not "be consistent with the spirit of this agreement to "say that when the Indian Government specify that, "in addition to the vessel designed for special service "in the Persian Gulf, they only need two screw gunboats of about 755 tons, they shall be compelled to "have only one such vessel, and in place of the other, "two cruisers of 2,950 and 1770 tons respectively."

My Lords consider that the question of procedure has been settled by the Prime Minister's award—the view that the initiative should rest with India being only tenable under the restricted definition placed on the term "Indian purposes" by the Indian Government, and now decided to be incorrect.

The selection of ships made by the late Board of Admiralty has, in the opinion of my Lords, been fully justified by the definition of that term in the Prime Minister's award, and they hold that the interpretation attached to it by the Indian Government is the primary cause of the delay in settling the subsidy.

It is not open to question that the services implied in the term have been fully rendered at the expense of the Admiralty, and in the view of my Lords it would be unreasonable that India should gain and the Imperial Government suffer from an erroneous interpretation on the part of the former.

Further, my Lords consider that, by agreeing in January 1892, to "pay 50,000*l.* on account of this "(1891–92) year's payment without prejudice," and by basing that subsidy, since continued annually, on their interpretation of the Minutes of the Foreign Office Conference, the Indian Government have virtually recognised the arrangement as in force from the commencement of that year.

To sum up their views briefly, my Lords contend that the annual contribution due from India since the 1st April 1891 must be taken as 117,000*l.* (*i.e.*, excluding the repairs of the "Sphinx"), with the result that the following claim arises for arrears:—

	£
Total subsidy, 1891–92 to 1894–95, four years at 117,000*l.* (excluding repairs of "Sphinx") -	468,000
Less, paid by India, four years at 50,000*l.* - - - -	200,000
Balance due - -	268,000

Failing an agreement with India, they see no alternative but to submit this contention for the arbitration of the Prime Minister.

In the foregoing remarks, and in the calculation of what is due from India, my Lords have stated the correct result of the liability of India to contribute to the expense of the East Indian Squadron, but they are willing to recognise that, as intimated in paragraph 7 of your letter of 28th March, there may be under existing circumstances a limit to what India should be asked to pay.

The Admiralty do not think that it would be creditable to two great Departments of State, that a point which the Prime Minister considered could and ought to be settled by them should again come before him as a dispute on which it had been found impracticable to effect by mutual concession some reasonable settlement. Such a position should, in their opinion, be avoided if possible by both parties.

On their part, therefore, my Lords would be willing to consent to a very considerable concession in order to arrive at an amicable settlement of the matters in dispute, and are prepared, should the proposal meet the views of the Secretary of State for India in Council, to seek the consent of the Treasury to the following arrangement, viz.:—

The subsidy to commence from the 1st April 1891, and be limited to an annual payment of 100,000*l.* excluding repairs of "Sphinx," the arrangement remaining in force for ten years from that date.

The Admiralty to waive all claim for arrears beyond a payment during the present financial year of 17,000*l.* in addition to the subsidy of 100,000*l.*

The repairs of the "Sphinx" to the 31st March next to be defrayed by the Indian Government.

Failing an acceptance on the part of the Indian Government of the concession thus proposed, my Lords would with much regret see no alternative but to lay the entire claim of the Admiralty before the Prime Minister.

It must consequently be understood that this offer is made without prejudice.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 71.

INDIA OFFICE LETTER to ADMIRALTY of 26th June 1895, No. M 5224.

E 1636/95.

SIR,

I AM directed to acknowledge the receipt of your letter of 30th May, 1895, No. 2 E 1395/1689, and to acquaint you in reply that the Secretary of State for India in Council, though unable to concur altogether in the views of the Admiralty, is prepared, subject to the understanding indicated in the last paragraph of this letter, to accept the arrangement proposed by the Lords Commissioners, which he understands to be as follows:—

That all claims to arrears from 1891 to 31st March, 1895, shall be waived.

That from 1st April 1895 to 31st March 1896, India shall pay 117,000*l.* and the repairs of the "Sphinx" in India.

That from 1st April 1896 to 31st March 1901, India shall pay 100,000*l.* a year, and the repairs of the "Sphinx" in India.

As regards coal, India will pay the entire cost of coal used in the Persian Gulf, and of that consumed in other vessels when on services performed at the request of the Indian authorities.

2. Mr. Secretary Fowler, however, desires me to point out that, as a Royal Commission has since this correspondence began, been appointed to report on Indian expenditure and the apportionment of charge between the Governments of the United Kingdom and of India, for purposes in which both are interested, this arrangement cannot with propriety be considered as finally closed, until any recommendation which the Commission may desire to make on the subject has been duly considered.

I have, &c.
(Signed) HORACE WALPOLE.

No. 72.

ADMIRALTY LETTER to TREASURY of the 28th June 1895, No. E 1636/1995.

SIR,

I AM commanded by My Lords Commissioners of the Admiralty to forward, for the information of the Lords Commissioners of Her Majesty's Treasurg, the enclosed copies of correspondence between the India Office and this Department, subsequent to Lord Rosebery's award, relative to the subsidy to be paid by

India on account of Her Majesty's ships in Indian waters.

It will be seen that, subject to the approval of their Lordships of the Treasury, my Lords offered in the letter of the 30th ultimo, to accept the following terms, viz.:—

(1.) The subsidy to commence from the 1st April, 1891, and be limited to an annual payment of 100,000*l.*, excluding repairs of "Sphinx," the arrangement remaining in force for ten years from that date.

(2.) The Admiralty to waive all claim for arrears beyond a payment during the present financial year of 17,000*l.* in addition to the subsidy of 100,000*l.*

(3.) The repairs of the "Sphinx" to the 31st March next to be defrayed by the Indian Government.

In the India Office letter of the 26th instant, these terms have been accepted by the Secretary of State for India in Council, subject to the reservation that the matter cannot, with propriety, be considered as finally closed until any recommendation on the subject that may be made by the Royal Commission now inquiring into the financial arrangements between the two Governments has been considered.

My Lords see no objection to this reservation.

In making these proposals to the India Office, my Lords took into consideration the advantages which would arise from an early settlement of this long-outstanding question. They also bore in mind the present condition of the finances of India.

Under these circumstances, my Lords consider that this may be regarded as a settlement satisfactory to both Governments, and they invite the early concurrence of the Lords Commissioners of Her Majesty's Treasury.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 73.

TREASURY LETTER to ADMIRALTY of 29th June 1895, No. 10008/95.

E 1673/95.

SIR,

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 28th instant, No. 2 E 1636/1995, enclosing copy of a correspondence, subsequent to Lord Rosebery's award of February last, between the Lords Commissioners of the Admiralty and the India Office, respecting the subsidy to be paid by India for Her Majesty's ships in Indian waters.

My Lords approve of this subsidy being fixed as follows:—

	£	
For 1895–96	117,000 *plus* repairs of "Sphinx" in India.	
,, 1896–97	100,000	do. do.
,, 1897–98	100,000	do. do.
,, 1898–99	100,000	do, do.
,, 1899–1900	100,000	do. do.
,, 1900–1901	100,000	do. do.

The payment for the current year is the amount estimated for in the Navy Estimates of the year.

On condition of the above payments being made, all claims in respect of years prior to 1895–96 will be waived.

Should the Royal Commission on Indian Finance, now sitting, make any recommendation on the subject of the above subsidy, my Lords will, of course, be prepared to consider it.

I am, &c.
(Signed) FRANCIS MOWATT.

No. 74.

ADMIRALTY LETTER to INDIA OFFICE of 30th July 1895, No. 2 E 1673/2345.

SIR,

I AM commanded by My Lords Commissioners of the Admiralty to acknowledge the receipt of Sir H. Walpole's letter of the 26th ultimo, No. 5224, and, in reply, to state, for the information of the Secretary of State for India in Council, that the arrangement proposed by My Lords as to the subsidy payable in regard to Her Majesty's ships in Indian waters has been correctly set forth; it being understood that should any claims be outstanding for repairs of the "Sphinx," they will be defrayed by the Indian Government.

So far, however, as my Lords are aware, no such claims are outstanding.

I am to add that the arrangement has received the sanction of the Lords Commissioners of Her Majesty's Treasury, who will be prepared to consider any recommendation on the subject of the "Subsidy" which may be made by the Royal Commission on Indian Finance.

I am, &c.
(Signed) EVAN MACGREGOR.

No. 75.

ADMIRALTY LETTER to INDIA OFFICE of 24th October 1895, No. M 7623.

SIR,

I AM commanded by my Lords Commissioners of the Admiralty to transmit, for the information of the Secretary of State, copy of a letter, dated to-day, sent to the Commander-in-Chief of Her Majesty's ships, East Indies, communicating the conditions of the arrangement for the payment of a contribution by India on account of ships in Indian waters.

I am, &c.,
(Signed) EVAN MACGREGOR.

Enclosure.

LETTER to the COMMANDER-IN-CHIEF, East Indies, of 24th October 1895, No. M 7623.

SIR,

WITH reference to my communication of the 3rd August last informing you that a settlement has been arrived at, between my Lords and the Secretary of State for India in Council, as to the contribution to be paid by India in connexion with ships in Indian waters, I am commanded by my Lords Commissioners of the Admiralty to acquaint you that the conditions of the arrangement are as follows, viz.:—

(1) The subsidy payable by India is to be:—
For 1895–6, 117,000*l.*, plus repairs of "Sphinx" in India.
From 1st April 1896 to 31st March 1901, 100,000*l.*, plus repairs of "Sphinx" in India.

(2) The ships on which this subsidy is based are the
"Marathon," "Pigeon,"
"Brisk," "Sphinx."

(3) No claim is to arise in India in respect of any of these vessels except for coal and repairs of "Sphinx," and for coal for the other vessels when employed under requisition from the Indian Government. The cost of the foregoing should be defrayed by the Indian Government locally.

(4) The ships will be under your control and orders, but you are to comply with the wishes communicated to you by the Indian Government as to their employment.

(5) These ships are not to be employed without the consent of the Indian Government beyond the undermentioned limits, viz.:—
Indian waters, as defined in Article IV. of your Standing Orders of January 1895, viz., north of an imaginary line drawn from Cape Guardafui to Point de Galle, and thence south of the Nicobar Islands to Cape Salang.

It is observed that these arrangements modify the first 21 lines of Article IV. of your Standing Orders of January 1895.

I am, &c.,
(Signed) EVAN MACGREGOR.

SUB-APPENDICES.

Sub-Appendix No. 1.

Conference at Foreign Office, 26th March, 1890.

Extract from Revised Memorandum furnished to the Admiralty, with Letter dated 15th August, 1890, No. 12,225/90.

The Conference arrived at the following conclusion as regards the Indian contribution towards the East Indian Squadron:—

The basis of 70*l.* per annum per man is objected to by the Treasury and Admiralty as obsolete. The Indian Government is to be consulted as to the number and class of ships required in the Persian Gulf, and off the coasts of India, for Indian purposes. When that number is settled by the British and Indian Governments jointly, it will be arranged that the ships are not to be employed beyond certain limits, to be agreed upon, except with the consent of the Indian Government. They will be under the control and orders of the Naval Commander-in-Chief, to whom will be sent the wishes of the Indian Government, with which it will be his duty to comply. India is to pay the whole cost, effective and non-effective, of them.

Special reference was made in this connection to the example of the Australasian Colonies (which are contributing liberally for the protection of their floating trade).

Nothing was said as to what the subsidy for 1890–1 should be. It is assumed in the Navy estimates for that year that it will be—

	£
Wages - £28,600 Victuals - 9,900	- 38,500
Percentage on cost of "Sphinx" in Persian Gulf -	- 3,100
	£41,600

as recommended by the Committee of 1887. Whether any alteration can be made in this will depend on how soon the proposed negotiations can be concluded. Mr. Forwood will draw up a memorandum on the subject.

Sub-Appendix No. 2.

Letter from the Government of India to the Secretary of State for India, of 25th August, 1890 (No. 17).

My Lord,

We have the honour to acknowledge the receipt of your Lordship's Military Despatch, No. 51, dated the 6th March, 1890 (M 1186), forwarding copy of correspondence with the Treasury on the subject of a proposal to increase the subsidy paid by India for the maintenance of a naval force in Indian waters, also of your Despatch, No. 95 (Financial), dated 12th June, 1890, enclosing a summary of the conclusions arrived at by the Conference which assembled at the Foreign Office on the 26th March last, to discuss the question of the contributions payable by India towards the naval squadron in Indian waters, and on account of diplomatic and consular establishments in China and Persia, together with a copy of the correspondence between the India Office and the Treasury on these matters.

2. In the despatch first quoted, the Government of India are asked for their opinion on the subject raised in the enclosed correspondence; and from the further correspondence forwarded with your despatch of the 12th June, we understand that, as regards the contribution towards the cost of the East India Squadron, your Lordship desires an expression of our views on two questions, which practically cover the whole of this subject.

3. The questions are:—

Firstly, the method on which it is proposed the Indian contribution shall in future be based;

Secondly, the number and class of ships required in the Persian Gulf, and off the coasts of India, for Indian purposes.

With regard to the first point, the method by which the Indian contribution is in future to be calculated, we observe the Treasury and the Admiralty consider the basis of 70*l.* per man per annum to be obsolete. To this we can only reply that the present agreement dates from 1888, when it was settled, on the recommendation of an inter-departmental committee, that the number of ships on account of which a subsidy is paid by the Government of India should be reduced from six to four, and that India should pay the sum of 38,500*l.*, which was arrived at on the above basis, for these four ships for the year 1888–9, with the addition of certain extra charges.

4. This arrangement, which we consider to be on the whole fair and satisfactory, was continued without any objection on the part of the Treasury or the Admiralty, through the next financial year, 1889–90, and we observe with satisfaction that your Lordship does not agree in the opinion expressed by the Lords Commissioners of the Treasury that India should be required to pay the whole cost of the four ships usually employed in Indian waters, or that there is any reason for disturbing the agreement of 1869 as revised in 1887–8.

5. The manner in which the Treasury desire the cost should be calculated in future is shown in the enclosure to No. 3 of the correspondence attached to your despatch of 6th March. It appears from this statement that every item of the expenditure on the ships in question, including non-effective as well as effective charges, is to be borne by India. In 1888, when the original agreement was revised, a similar method of calculating the Indian contribution was contended for, but the Lords Commissioners then recognised that an abatement might have to be made from the total charge, in respect of the duties that must be occasionally performed by the vessels for Her Majesty's Government.

6. This question of abatement is, in our opinion, a very important one. It depends, however, on the amount of control which the Government of India is to possess over the vessels for which India is called upon to pay. If the vessels are to be as completely at the disposal of the Government of India as are the British troops serving in this country, it is not unreasonable that India should bear their full cost; if a disturbance of the existing agreement were unavoidable, then it might be useful to consider whether such an agreement could be excepted, although it would, we think, be better to leave matters on their present footing.

7. As to the second question, the number and class of ships required for Indian purposes, we desire to point out that the four vessels whose cost is shown in the statement furnished by the Treasury, although doubtless those chiefly employed during the past year in Indian waters, are not in themselves of the types most suitable to our requirements. With the exception of the "Sphinx," built for service in the Persian Gulf, they are all unnecessarily large, and therefore expensive. The "Turquoise," for instance, is a corvette of obsolete type and inconveniently great draught of water. She is old, slow and inefficient, and yet for this vessel Indian revenues would be charged, according to the Treasury calculation, a sum approaching the total subsidy paid under the arrangements now in force.

8. After taking into consideration all the duties on which the ships may have to be employed, we do not consider their number can be conveniently reduced below the present strength of four. But smaller and therefore cheaper vessels, provided they are of modern type, would be more efficient for Indian purposes than those hitherto supplied, and the particular class we should select under the arrangements proposed by Her Majesty's Government would be gunboats of the "Pigeon" or "Redbreast" class The total cost of three of these together with the "Sphinx," the services of which we should be willing to retain for the present, would not greatly exceed the subsidy now paid. We consider, however, that a limit should be placed on the length of time individual vessels are to be paid for, and that no ship whose cost was charged to India should be re-commissioned more than once without the consent of the Government of India being obtained, and opportunity afforded for making a fresh selection.

9. We take this opportunity of again drawing the attention of Her Majesty's Government to the general condition of ships forming the East Indian Squadron. We acknowledge that since we first addressed your Lordship on this subject, in our Marine Despatch

No. 14, of 29th July 1887, there has been an improvement in the class of vessels sent into the Indian seas. Of the twelve ships in the squadron, six, in addition to the "Sphinx," are of modern type, with powerful armaments, and fairly satisfactory speed. But the remaining five are old and practically useless. Among the latter are the "Ranger" and the "Kingfisher," against the re-commissioning of which we protested in the despatch above quoted, as also in our Despatches, No. 5 of the 9th April 1888, and No. 12 of the 10th August, 1888, and it is with regret we observe that they are still on the station. We trust the relief of these vessels, as also of the "Turquoise" and "Garnet," may not be long delayed, and that they will be replaced by serviceable ships.

SUB-APPENDIX No. 3.

DESPATCH to the GOVERNMENT OF INDIA dated 5th February 1891.

In continuation of my Financial Despatch, No. 171, of 14th August 1890, I forward herewith, for the early consideration of your Lordship's Government, copy of correspondence noted in the margin,* regarding the strength and cost of the East India Squadron.

2. In your Lordship's Despatch, No. 17, of 25th August 1890, the opinion is expressed that the number of ships cannot be conveniently reduced below the present strength of four, but that, exclusive of the "Sphinx," they might be of a smaller, and, therefore, cheaper type, such as gunboats of the "Pigeon" or "Redbreast" class. Since that despatch was written, however, your Lordship has received my Despatch, No. 191, of the 6th November 1890, informing you of the final arrangements for manning the floating defences of the Indian harbours. Possibly, in view of the very considerable additions to the force available for the defence of Indian harbours which that scheme will effect, and of the fact that the squadron will hereafter be under the control of the Indian Government, your Government may find it practicable to reduce your demands from four to three ships of moderate size.

3. It must be borne in mind that under the Australian agreement, on the lines of which the Indian contribution will be fixed in future, no reduction is to take place in the normal strength of the naval force employed on the Australian station. The same principle will, no doubt, be followed as regards the force on the East Indian station.

4. I shall be glad if your Excellency will let me have your reply as soon as may be convenient.

SUB-APPENDIX No. 4.

MEMORANDUM of the ACCOUNTANT-GENERAL OF THE NAVY on the CONTRIBUTION to be paid for SHIPS in INDIAN WATERS, dated 28th February 1891.

The following is an extract from Memorandum of conclusions arrived at at the Conference at the Foreign Office, on the 26th March 1890:—

"*Indian Contribution to the East Indian Squadron.*"

"The basis of 70*l.* per annum per man is objected to by the Treasury and Admiralty as obsolete. The Indian Government is to be consulted as to the number and class of ships required in the Persian Gulf and off the coast of India for Indian purposes.

"When that number is settled by the British and Indian Governments jointly, it will be arranged that the ships are *not* to be employed beyond certain limits to be agreed upon except with the consent of the Indian Government. They will be under the control and orders of the Naval Commander-in-Chief, to whom will be sent the wishes of the Indian Government, with which it will be his duty to comply. India is to pay the whole cost, effective and non-effective, of them.

"Special reference was made in this connection to the example of the Australasian Colonies (which are contributing liberally for the protection of their floating trade)."

1. The points for consideration taken in the order they were dealt with are—
   (1) The number and class of ships to be allotted for the service of India;
   (2) The control of India over their movements;
   (3) The contribution to be paid to the Imperial Exchequer.

Under the present arrangement there are no special ships, with the exception of the "Sphinx," allotted. So long as there are four ships on the station the whole subsidy is payable.

In the statement (pages 13 and 14) prepared in July, three typical ships, besides the "Sphinx," have been taken for the purpose of exhibiting the contribution which should reasonably have been paid by India—viz., say 103,000*l.* for the ships hitherto on the station, in lieu of the sum of 41,600*l.* actually received.

The consent of India to the selection of those to be specially allotted in the future is no doubt necessary under the conclusions of the Conference, but it may fairly be contended that such consent shall not be withheld to ships fit for the service of a modern type and high speed.

Of the ships proposed to be allotted, the "Sphinx" has been already accepted for service in the Persian Gulf. The remaining three are the "Marathon," "Pigeon" and "Brisk."

A statement (No. 4, page) is attached showing their tonnage, speed, armaments, etc., as compared with those of the typical ships before mentioned—viz., the "Algerine," "Mariner," and "Turquoise."

In a recent letter, dated the 3rd February, the India Office, while accepting the "Pigeon," has objected to the "Marathon" and "Brisk" as too large and costly, and probably not so suitable for the work required as the "Pigeon" and "Redbreast." On this the Financial Secretary remarks that "India looks rather to be "furnished with vessels for police duties than to bear "a part of the cost of vessels for general defence "purposes. They pay for the Army in full, therefore "to general sea defence they should contribute." The First Lord considers it unreasonable to suppose that we are to keep down the Indian contribution by having nothing but small gunboats on the station.

2. This is an executive question.

3. The Conference distinctly settled the basis on which the contribution to be paid by India shall be calculated. "India is to pay the full cost, effective and non-effective."

Statement (No. 2, p.) shows the calculation by which the contribution claimed from the India Office, in Admiralty letter of 15th January, viz., 117,000*l.*, was arrived at in respect of the ships to be allotted to India from the 1st April next.

In this statement, besides the cost of maintenance and non-effective charges, are included—

Interest on first cost, at 3 per cent.
Annual charge for renewals of hulls, etc.
Do. do. armaments.

The total amount of these charges for the four ships is 29,405*l.*

Since that statement was forwarded, a further and closer calculation has been made, viz., that of the annual payment, with interest at 3 per cent. per annum, required to provide the necessary sum for renewing hulls, etc., boilers, and armaments, at the end of the periods when these will respectively be worn out.

As a mode of calculation, this appears preferable and simpler, but the result is practically the same, viz., 30,047*l.* per annum.

A further statement (No. 3, p.) has accordingly been prepared, embodying this calculation with the other items of charge.

As mentioned in the Admiralty letter of the 15th January (No. 9, page), no charge for coal has been included in these statements; the arrangement, proposed in accordance with the agreement of 1885, being that India shall pay the entire cost of coal in the Persian Gulf, and of that consumed in the other vessels when on services performed at the request of the Indian Authorities. This leaves a considerable charge for coal to be borne by Imperial funds.

In fact the contribution practically discharges the liability of India for services actually rendered, but includes nothing for the general protection to her shores and commerce afforded by the squadron as a whole.

There remains to be dealt with, the objection of India to this calculation as charging them with about 10,000*l.* more than if the basis of charge against the Australian Colonies had been adopted. The answer to this is that the cases are not identical. The Australasian subsidy

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* From Treasury, 3741/90, of 30th August 1890 and enclosure.
To " M 7880, of 20th September 1890.
To " M 8479, of 5th November 1890.
From " 16173/90, of 13th November 1890.
From " 18173/90, of 9th December 1890, with enclosure.
To " M 11519, of 3rd February 1891.

is based on a special agreement embodied in an Act of Parliament in which not replacement but 5 per cent. on first cost is fixed. On the other hand, the Conference has settled that India is to pay the full cost, which it will not do unless the Imperial Government is reimbursed for first cost in full.

(Signed) G. FITZGERALD.

28th February, 1891.

ABSTRACT OF STATEMENTS.

No. 1.—Statement showing the estimated first cost and annual cost for maintaining the "Turquoise," "Mariner," "Algerine" and "Sphinx" in Indian waters.

No. 2.—Statement showing the first cost and estimated annual charge for renewal and maintenance, together with interest on first cost, of the "Marathon," "Brisk," "Pigeon" and "Sphinx" in Indian waters.

No. 3.—Statement showing the first cost and estimated annual charge for renewal and maintenance, together with the annual payment to repay first cost with 3 per cent. interest, of the "Marathon," "Brisk," "Pigeon" and "Sphinx" to be employed in Indian waters.

No. 4.—Statement showing the comparison of tonnage, speed, armaments, etc., of certain ships in Indian waters.

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1. STATEMENT showing the ESTIMATED FIRST COST and ANNUAL COST for maintaining the four under-mentioned VESSELS in INDIAN WATERS.

Estimated Complement - -	247	134	113	95	589
Tonnage - - -	2,120	970	835	1,130	5,055
	"Turquoise."	"Mariner."	"Algerine."	"Sphinx."	Total.
First Cost.	£	£	£	£	£
(*a*) Buildings - - -	109,532	70,966	42,633	56,280	279,411
(*b*) Armaments - - - -	12,363	3,987	5,321	6,700	28,371
	121,895	74,953	47,954	62,980	307,782
Annual Cost.					
Interest on first cost at 3 per cent. - -	3,657	2,248	1,439	1,889	9,233
Waste, hulls, &c. (6 per cent. on *a*) - -	6,572	4,258	2,558	3,377	16,765
Waste, armaments (6 per cent. on *b*) - -	654	211	281	354	1,500
Pay and allowances - - - -	12,122	6,707	5,931	5,536	30,296
Victualling - - - -	5,574	2,990	2,522	2,118	13,204
Medicines and medical stores - -	247	134	113	95	589
Repair and maintenance of hull, machinery, masts and yards, rigging and stores.	5,000	2,000	2,000	*2,500	11,500
Maintenance of Army equipment - -	1,113	660	357	410	2,540
†Retired pay and pensions - -	5,766	3,359	3,075	2,897	15,097
	40,705	22,567	18,276	19,176	100,724
Reliefs (triennially), estimated average annual cost of (if performed by Imperial troopships).	1,221	650	539	443	2,853
Total - -	41,926	23,217	18,815	19,619	103,577
					*2,500
					101,077

* Paid direct by India. † This amount is only approximate and has not been made the subject of an actuarial calcula ion.

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2. STATEMENT showing the FIRST COST and ESTIMATED ANNUAL CHARGE for RENEWAL and MAINTENANCE, together with INTEREST on FIRST COST, of the four under-mentioned VESSELS to be employed in INDIAN WATERS.

Estimated Complement	238	194	87	104	623
Tonnage	2950	1770	755	1130	6605
	"Marathon."	"Brisk."	"Pigeon."	"Sphinx."	Total.
First Cost.	£	£	£	£	£
Building	136,166	86,423	41,850	55,019	319,458
Armaments	29,561	23,308	6,067	6,165	65,101
	165,727	109,731	47,917	61,184	384,559
Interest on First Cost at 3 per cent.	4,972	3,292	1,437	1,836	11,537
Renewals.					
Hulls	4,550	3,610	1,830	2,200	12,190
Armaments	2,578	2,032	529	539	5,678
Maintenance and Repairs.					
Hulls, machinery, gun mountings, masts and yards, and rigging.	7,150	4,840	3,220	*4,000	19,210
Consumable and other stores	1,930	1,649	705	540	4,815
Armaments	2,549	2,108	671	672	6,000
Pay and allowances	12,660	9,973	4,314	5,854	32,801
Victualling	4,032	3,282	1,479	1,761	10,554
Medicines and medical stores	238	194	87	104	623
†Retired pay and pensions, and half-pay	5,616	4,411	1,841	2,879	14,747
	46,275	35,382	16,113	20,385	118,155
Reliefs (triennially), estimated average annual cost of (if performed by Imperial troopships).	1,152	917	400	470	2,939
	47,427	36,299	16,513	20,855	121,094
					*4,000
					117,094

* To be paid direct by India. † This amount is only approximate and has not been made the subject of an actuarial calculation.

3. STATEMENT showing the FIRST COST and ESTIMATED ANNUAL CHARGE for RENEWAL and MAINTENANCE, together with the ANNUAL PAYMENT to repay FIRST COST, with 3 per cent. interest, of the four undermentioned VESSELS to be employed in INDIAN WATERS.

Estimated Complement	238	194	87	104	623
Tonnage	2,950	1,770	755	1,130	6,605
	"Marathon"	"Brisk"	"Pigeon"	"Sphinx"	Total.
First Cost.	£	£	£	£	£
Hulls, &c.	123,286	78,285	38,986	50,119	290,676
Boilers	12,880	8,138	2,864	4,900	28,782
Armaments	29,561	23,308	6,067	6,165	65,101
	165,727	109,731	47,917	61,184	384,559
Annual Payment to repay First Cost, with 3 per Cent. Interest. (*For Periods, see Statement A below.*)					
Hulls, &c.	7,998	5,078	2,835	3,644	19,555
Boilers	1,294	818	288	461	2,861
Armaments	3,465	2,732	711	723	7,631
Maintenance and Repairs.					
Hulls, machinery, gun mountings, masts and yards, and rigging	7,150	4,840	3,220	*4,000	19,210
Consumable and other stores	1,930	1,640	705	540	4,815
Armaments	2,549	2,108	671	672	6,000
Pay and allowances	12,660	9,973	4,314	5,854	32,801
Victualling	4,032	3,282	1,479	1,761	10,554
Medicines and medical stores	238	194	87	104	623
†Retired pay and pensions, and half pay	5,616	4,418	1,841	2,879	14,747
	46,932	35,076	16,151	20,638	118,797
Reliefs (triennially) estimated average annual cost of (if performed by Imperial Troopships	1,152	917	400	470	2,939
	48,084	35,993	16,551	21,108	121,736
					*4,000
					£117,736

* To be paid direct by India. † This amount is only approximate, and has not been made the subject of an actuarial calculation.

STATEMENT A. showing FIRST COST of SHIPS in INDIAN WATERS and ANNUAL PAYMENT with 3 per cent. interest towards replacement.

Ship.	Estimated Life.	First Cost.	Annual Rate per £.	Annual Payment.
	Years.	£		£
"*Marathon.*"				
Hull, &c.	21	123,286	·06487178	7,998
Boilers	12	12,880	·10046209	1,294
Armaments	10	29,561	·11723051	3,465
				12 757
"*Brisk.*"				
Hulls, &c.	21	78,285	06487178	5,078
Boilers	12	8,138	·10046209	818
Armaments	10	23,308	·11723051	2,732
				8,628
"*Pigeon.*"				
Hulls, &c.	18	38,986	·07270870	2,835
Boilers	12	2,864	·10046209	288
Armaments	10	6,067	·11723051	711
				3,834
"*Sphinx.*"				
Hulls, &c.	18	50,119	·07270870	3,644
Boilers	13	4,900	·09402954	461
Armaments	10	6,165	·11723051	723
				4,828
			Annual Payment	£30,04

4.—COMPARISON of SHIPS in INDIAN WATERS.

	Prior to 1st April, 1891.			Subsequent to 1st April, 1891.		
	"Turquoise."	"Mariner."	"Algerine."	"Marathon."	"Brisk."	"Pigeon."
Launched	22 April, 1876	23 June, 1884	6 Nov. 1880	23 Aug., 1888	8 April, 1886	5 Sept., 1888
I. H. P.	1,990	970	810	9,000	3,500	1,200
Tons, displacement	2,120	970	835	2,950	1,770	755
Torpedoes	No	No	No	Yes	Yes	No
Draft { Fore	16·10	13·3	11·1	16·3	13·5	10·0
Draft { Aft	19·1	15·9	13·7	18·9	15·2	12·8
Speed (natural draught)	12·0	10·75	10·25	17·5 to 18·0	15·0	11·0
Coal capacity	270	150	110	500	325	105
Armament*	12–64 pr. M. 2 *l.* M. 9 *m.*	8–5″ B.L. 1 *l.* M. 8 *m.*	2–64 pr. M. 2–5″ B.L. 1 *l.* M. 4 *m.*	6–6″ B.L. 9–6 pr. } *q.* 1–3 pr. } 1 *l.* M. 3 *m.* 6 T.	6–6″ B.L. 1 *l.* M. 8–3 pr. *q.* 2 *m.* 3 T.	6–4″ B.L. 4 *m.*

* M. = Muzzle loading.
B.L. = Breech-loading rifled.
l. = Guns under 4″.
q. = Quick-firing,
m. = Other machine guns.
T. = Torpedo tubes or discharges carried.

SUB-APPENDIX No. 5.

LETTER from the GOVERNMENT OF INDIA to the SECRETARY OF STATE FOR INDIA, of the 13th May, 1891 (No. 6).

MY LORD,

WE have the honour to acknowledge the receipt of your Lordship's Military Despatch, No. 16, of the 5th February, 1891 (M 11519/90), and paragraph 6 of Despatch No. 31, of 19th February, 1891 (M 473), forwarding for our consideration correspondence with the Lords of the Treasury and with the Lords Commissioners of the Admiralty, regarding the strength and cost of the subsidized vessels belonging to the East India Squadron which are maintained for service in Indian waters.

2. After having given this question our most careful attention, and having taken into consideration the circumstance that a vessel of the defence flotilla will ordinarily be available at Bombay for service when required, as well as the point mentioned by your Lordship that the Squadron of Her Majesty's ships in Indian waters will hereafter be under our control, we are of opinion that the number of subsidized vessels in the squadron may be reduced from four to three. One of these ships will be stationed in the Persian Gulf, one at Aden, and one in the Bay of Bengal, while the ship hitherto supposed to be in reserve at Bombay will be replaced by the defence gunboat, which will be in commission under the arrangements about to come into force.

3. As to the class and cost of the vessels required by India, we have already informed your Lordship that we are willing to retain the "Sphinx," as she is a fairly efficient ship, and was specially built for service in the Persian Gulf. But as regards the remaining vessels, we are constrained to record our strong objection against any attempt to impose on India such ships as the "Marathon," costing, according to the Admiralty calculation, no less than 47,427*l.* a year, and the "Brisk," costing 36,299*l.* Ships of this size are not suited to our special requirements, and are entirely unsuitable for the service of India. We have already pointed out that the type of vessel which we prefer is the small light draught gunboat of the "Pigeon" class, costing, according to the Admiralty calculations, 16,513*l.* yearly.

4. With regard to the manner in which the Indian contribution on account of the Royal Navy Squadron is

to be calculated in future, we observe that your Lordship has informed the Admiralty that there is no sufficient reason for charging India at a higher rate than the Australasian Colonies. In this opinion we fully concur, and desire to add that we can see no necessity for treating the arrangement made with India as permanent. In this matter we should prefer that the lines of the Australasian agreement should be followed, and the arrangement now about to be entered into considered terminable at the end of five or ten years. We should further remark that the subsidy payable by India for the services of the "Sphinx" and two gunboats of the "Pigeon" class, if calculated according to the Australasian agreement, would amount to 49,675*l.* per annum, and that we are prepared to accept a contribution fixed at this rate.

5. Finally, with respect to the important question of control, we should be glad to be favoured with a clear definition of what that control is to be, and we take the opportunity of suggesting that a specific contract should be drawn up, the terms being forwarded for our consideration before acceptance. Any such contract should include a clause that none of the subsidized vessels is to be removed from its ordinary station without the sanction of the Government of India having been previously obtained.

Sub-Appendix No. 6.

Memorandum of the First Lord of the Admiralty, dated 28th November, 1891, relative to the Contribution to be paid by India on Account of the Vessels stationed in Indian Waters.

On the abolition of the Indian Navy in 1862 it was arranged that the naval defence of India, as well as the services required in the Red Sea, upon the East Coast of Africa, and in the Persian Gulf, should be undertaken entirely by vessels of the Royal Navy.

In 1869 the Admiralty suggested that the time had arrived for adjusting the proportions in which the cost of the naval squadron on the East Indian Station should be borne by naval votes and the revenues of India, and proposed that the latter should bea the cost of maintaining the ships employed in the Bay of Bengal, the Arabian and Persian Gulfs, and the Red Sea. It was further suggested that, although the exact method of computing this charge would be open to consideration, a capitation rate of 70*l.* per annum for each man's pay and provisions should be taken as the basis—the charge to be computed on the number of men who would probably form the crews of the six vessels to be maintained in Indian waters, without any reference to cost of maintenance of ships or of non-effective charges.

The final arrangement was:—

Indian Revenues to pay for 1,000 men at 70*l.*= 70,000*l.* per annum.
Shore expenses of crews when employed under Indian requisition.
Free use of dockyard at Bombay.
The three ships exclusively employed in the Persian Gulf to be repaired and coaled at the expense of Indian revenues.
The Admiralty to establish the fact of six ships being at the disposal of India, a proportionate reduction in the subsidy being made if the ships should not have been kept up.

The full contribution became payable from the 23rd September, 1869.

In 1881 the Treasury called attention to the temporary character of the arrangement, and invited the Admiralty to take into consideration the basis on which it should be calculated.

This resulted, after some correspondence, in the formation of a Joint Admiralty and India Office Committee, which had no authority to reconsider the rate of 70*l.* a head, but only the question of diminished charge for reduction of two ships, and reported, in 1887, as follows:—

(i.) Four vessels to be employed continually in Indian waters, one being always in the Persian Gulf.
(ii.) The subsidy to be based on the same rate of 70*l.* per man, but calculated on 550 men only, and amounting to 38,500*l.* per annum.
(iii.) A further payment of 5 per cent. on first cost, together with the cost of repairs, of the vessel employed in the Persian Gulf towards replacement. Certain other stipulations as regards coal on special service, deduction for vessels below the complements, &c., &c., were also made.

Under this arrangement the contribution to naval funds was:—

	£
Subsidy - -	38,500
5 per cent. on first cost of "Sphinx" - -	3,100
	£41,600

a reduction, as compared with the former subsidy, of 28,400*l.*

The objections of the Treasury to this arrangement were summarized in a letter from that department to the India Office of the 30th August 1890:—

(i.) That the aggregate crews of the four ships were under-estimated.
(ii.) That 70*l.* does not now represent the cost of the wages and victuals.
(iii.) That the charge for pay and victualling does not represent so large a proportion of the whole cost as it did in 1869, the cost of constructing, arming, and equipping having so largely increased.
(iv.) That it is unreasonable to charge India with a percentage of the original cost of the single vessel in the Persian Gulf, and nothing of the kind for the other vessels of the squadron.
(v.) To split charges for these vessels on the ground of divided interests or occasional absences appeared inconsistent, India not being called on to contribute anything towards the cost of protecting her trade outside Indian waters.

This expression of opinion was in reply to a letter from the India Office of the 6th March 1890, but, in the interval, the subject had been considered at a conference at the Foreign Office, on the 26th March 1890. The following is an extract from a memorandum recording the conclusions arrived at, viz.:—

"Indian Contribution towards the East Indian Squadron.

"The basis of 70*l.* per annum per man is objected to by the Treasury and Admiralty as obsolete. The Indian Government is to be consulted as to the number and class of ships required in the Persian Gulf, and off the coasts of India, for Indian purposes. When that number is settled by the British and Indian Governments jointly, it will be arranged that the ships are not to be employed beyond certain limits to be agreed upon, except with the consent of the Indian Government. They will be under the control and orders of the Naval Commander-in-Chief, to whom will be sent the wishes of the Indian Government, with which it will be his duty to comply. India is to pay the whole cost, effective and non-effective, of them.

"Special reference was made, in this connection, to the example of the Australasian Colonies (which are contributing liberally for the protection of their floating trade).

"Nothing was said as to what the subsidy for 1890-91 should be. It is assumed in the Navy Estimates for that year that it will be—

	£	£
"Wages - - -	28,600	38,500
"Victuals - - -	9,900	
"Percentage on cost of 'Sphinx' in Persian Gulf - -		3,100
		£41,600

as recommended by the Committee of 1887. Whether any alteration can be made in this will depend on how soon the proposed negotiations can be concluded. Mr. Forwood will draw up a memorandum on the subject."

Mr. Forwood accordingly prepared a revised statement showing the estimated annual cost, including interest on outlay and waste, of the four ships considered to be particularly detailed for Indian service, viz.:—the "Turquoise," "Mariner," "Algerine," and "Sphinx." This annual cost, including the repairs of the "Sphinx" defrayed by India on the spot, amounted to 103,577*l.*, in place of the 41,600*l.* then payable.

In the meantime, and more especially in Despatches No. 14 of the 29th July 1887, and No. 117 of the 25th

August 1890, the Indian Government had pressed upon the Admiralty the substitution of modern and more powerful vessels for the older types then on service in the East Indian Squadron. Four vessels, of which one, the "Turquoise," was included in the ships before mentioned, were particularly objected to.

These vessels have since been removed and the squadron reconstituted, so that, in a letter dated 15th January 1891, the Admiralty were able to inform the India Office that, after consideration of the despatch of the Indian Government and to meet the objections to the ships on the station, it had been arranged to allot from the 1st April 1891, for the service of India, in addition to the "Sphinx," three vessels of modern type and high speed, viz., the "Marathon," "Brisk," and "Pigeon."

This substitution of vessels necessitated a fresh calculation of the amount of contribution payable by India on the basis settled at the Conference, viz.:— "India is to pay the whole cost, effective and non-effective."

The revised contribution which the Admiralty asked for in this letter was 117,000*l.*, in addition to 4,000*l.* paid in India for repairs of "Sphinx," as against 103,577*l.* shown in Mr. Forwood's memorandum.

It was arrived at by a more careful and accurate calculation, and that it was not less favourable to Indian interests is shown by the following comparison :—

Mr. Forwood's Memorandum.

For four ships 103,577*l.*, being 33·65 per cent. on first cost of 307,782*l.*

Revised Subsidy.

For four ships 117,000*l.*, being 31·46 per cent. on first cost of 384,559*l.*

Acceptance of this proposal was demurred to by the India Office in letter of the 3rd February 1891, on the ground that the Government of India had first to be consulted as to the number and class of ships required.

On the 6th March, at the suggestion of the Treasury, the Admiralty proposed that a Joint Conference of Admiralty and India Office Representatives should consider the composition of the squadron, and the method of calculating its cost.

This was declined by the India Office until an expression of opinion had been received from the Indian Government.

A despatch, containing the views of the Indian Government, was forwarded to the Admiralty by the India Office on the 16th May last.

The Indian Government proposed :—

(i.) That the vessels allotted should be reduced from four to three, of which two should be small gunboats.

(ii.) That the subsidy should be based on the same calculations as that payable by the Australasian Colonies.

[These proposals would reduce the subsidy from 117,000*l.* to 45,565*l.* The annual cost of the three ships selected by India, on the basis of charge adopted by the Admiralty, would be 54,210*l.*]

(iii.) The arrangement to be for five or ten years.

(iv.) A definition of the control to be exercised by India over the vessels.

(v.) That no reduction should take place in the normal strength of the naval force employed in the East India Squadron.

The Admiralty replied to this letter on the 17th November, and stated their reasons for urging an acceptance of their proposals, or the appointment of a Conference.

To sum up the case briefly, it may be stated that the main points for settlement are :—

(i.) The control to be exercised by India over the ships.

(ii.) The number and class of ships to be allotted to the service of India.

(iii.) The contribution to be paid to the Imperial Exchequer.

As regards control, the Admiralty has been given to understand that the Secretary of State for India in Council is prepared to adhere to the terms agreed upon at the Conference, and would be satisfied with an assurance to this effect.

The "selection of ships" and the "amount of Contribution," although distinct, the one being an "Executive" and the other a "Financial" question, must, to some extent, be considered together, the calculation of the subsidy being based on the ships selected.

Obviously, the initiative in the selection of the ships necessarily rests with the Admiralty, who must consider the requirements of the station as a whole, and the proportion which the ships, specially selected for Indian Waters, should bear to the full strength of the squadron. The letter of the Foreign Office Memorandum undoubtedly requires the consent of the Indian Government to the selection, but its spirit would equally forbid that consent to such selection should be unreasonably withheld.

Neither the Treasury nor the Admiralty consider that India in the past has contributed her proper share towards the maintenance of the East India Squadron, upon whom has devolved the duties and responsibilities of the Indian Navy, more especially in view of the fact, as before stated, that the Indian Government has constantly urged on the Admiralty the provision of newer, more powerful, and consequently more expensive ships.

But so far from evincing a disposition to bear any portion of the increased cost in consideration of the greater security afforded to Indian commerce, the Indian Government is seeking to minimise its contribution by reducing the number of vessels, and by selecting the two smallest gunboats on the station. In fact, it would only pay for police duties performed by small vessels, and in no way contribute towards the cost of vessels for general defence purposes.

In the opinion of the Admiralty this course would not be in accordance with the intentions of the Conference.

The Admiralty cannot admit the proposal to assimilate the calculation to that of the Australasian subsidy.

The latter was based on a specific agreement embodied in an Act of Parliament. In it 5 per cent. on first cost and not replacement was provided for. India, on the centrary, is bound by the terms of the Conference, to pay the full cost of the vessels, effective and non-effective. It may also be added that the two arrangements differ materially in other respects.

G. B.

SUB-APPENDIX No. 7.

Memorandum of the India Office, dated 23rd December 1891.

NAVAL CONTRIBUTION.

1. It is urged, on the part of the Admiralty, that the initiative in the selection of the ships necessarily rests with them, as they must consider the requirements of the station as a whole, and the proportion which the ships specially selected for Indian Waters should bear to the full strength of the squadron.

This appears to reverse the order of the procedure. By the terms of the Foreign Office Memorandum, the Indian Government was first "to be consulted as to "the number and class of ships required in the Persian "Gulf and off the coasts of India for Indian purposes." It can hardly be denied that the initiative as to what is required "for Indian purposes" must rest with the Government of India. When their opinion as to their requirements should have been given, the Memorandum provided that the settlement of the number was to rest with the British and Indian Governments jointly; and, though not expressed, it may perhaps be admitted that this applied also to the class of ships. But it would not be consistent with the spirit of this agreement to say that, when the Indian Government specify that, in addition to the vessel designed for special service in the Persian Gulf, they only need two screw gunboats of about 755 tons, they shall be compelled to have only one such vessel, and, in place of the other, two cruisers of 2,950 and 1,770 tons respectively.

When the agreement of 1869 was put in force, three small gunboats were considered suitable for the Persian Gulf; for service elsewhere there were the "Cossack" (1,296 tons), the "Bullfinch" (663), and the "Lynx" (464). Adequate provision has been made for the service of the Persian Gulf; and, as the Government of India find that only two ships are required for service outside that Gulf, instead of three, there is nothing unreasonable, as to the class of vessel, in their proposing to have two "Pigeon" gunboats (755).

2. It is urged that, in the past, India has not contributed her proper share towards the maintenance of the East India Squadron, upon which have devolved the duties and responsibilities of the Indian Navy.

At the Foreign Office meeting it was recognised that, whatever vessels were required for Indian purposes, India should pay the whole cost of them, effective and non-effective. This is not disputed; but it was not admitted that the contribution of India should necessarily be increased. On the contrary, it was pointed out at the time that a smaller force might very probably be demanded.

3. The Government of India are said to have constantly urged on the Admiralty the provision of newer, more powerful, and, consequently, more expensive ships; and the Letters of 29th July 1887, No. 14, and 25th August 1890, No. 17, are specially quoted in support of this point.

What the Government of India complained of was the inefficiency of the ships "from age, want of speed, weakness of armament, and antiquity of type."* The vessels were "by no means fully efficient even for the police of the seas against slave traders and pirates;" they were "virtually worn out when coming on to the "station, and cost a needlessly large sum in repairs "and refit."† They were "all unnecessary large, and therefore expensive." One ship was "of obsolete type "and inconveniently great draught of water; she is old, slow, and inefficient." They required "smaller, "and therefore cheaper, vessels, provided they are "of modern type," particularly "gunboats of the 'Pigeon' or 'Redbreast' class." The Government of India, therefore, are not now selecting the two smallest gunboats on the station merely to reduce their payment, but are asking to have such vessels as they have repeatedly requested as being those best suited for Indian purposes.

They expressly state that ships of the size of the "Marathon" are not suited to their special requirements, and are entirely unsuitable for the service of India.

4. A reason for India bearing a portion of the increased cost of the squadron is said to be "the greater security afforded to Indian commerce."

The Indian Squadron is designed for the protection of the coasts of India, not for the security of Indian commerce. It was laid down in 1861, when the duty of guarding Indian waters was undertaken by the Admiralty, that the latter must rest with the British Government, as previously (*see* paragraphs 3 to 5 of the India Office Letter to the Treasury of 6th March 1890). It is true that, in the Foreign Office Memorandum, as a ground for claiming from India the whole cost of the vessels needed for Indian purposes, it is said that "special reference was made in this connexion to the "example of the Australasian Colonies (which are "contributing liberally for the protection of the floating "trade)." But, on referring to the Australasian agreement, it will be found that the colonies were only to contribute towards the cost of the additional force needed for the protection of the floating trade in Australasian waters, and that it was expressly provided that no reduction was, in consequence thereof, "to "take place in the normal strength of Her Majesty's "Naval Force employed on the Australasian station."

The Australasian agreement had its origin in a desire expressed by the Colonies that the squadron in those waters should be increased for the protection of the floating trade. That increase the Admiralty were unable to provide, having regard to the responsibilities elsewhere, without increasing the Naval Estimates, and thus throwing a burden on the taxpayers at home, which they would certainly resist.

(*See* Proceedings of the Colonial Conference in 1887.)

The East India Squadron has not been increased, it has merely been made efficient; and, in 1860, before the Indian Navy was abolished, there were, it is believed, as many Royal Navy ships on the East Indies Station as there are now. At that time India paid nothing.

5. The proposal of the Government of India to pay only for police duties performed by small vessels, and in no way to contribute towards the cost of vessels for general defence purposes, is held not to be in accordance with the intention of the Conference.

The Memorandum shows that by the Conference the payment towards the cost of the Naval Squadron was limited to that which was necessary "for Indian purposes." As regards the general defence, India has undertaken liabilities amounting to 60,000*l.* a year for the manning and maintenance of her floating defences, and has provided two turret-ships, two gunboats, and several torpedo boats from her own funds. These vessels are to be under the command of the admiral commanding-in-chief; and it is obvious that the effect of this large addition to the squadron at the expense of India is to liberate for the protection of Indian commerce a much larger force than would otherwise be available.

One of the arguments used by Sir H. Holland at the Colonial Conference of 1887 was that, if the agreement were carried out, the colonial expenditure on local defences would admit of considerable reduction owing to the permanent addition of seven ships of war to the Australasian station. He contended that the naval contribution would be highly economical in proportion to the defensive advantages it would confer. That is certainly not the case with the Indian defences, which were fully provided for (though not yet in active operation), even before the revised contribution of 1887 was fixed.

6. The Admiralty decline to admit the proposal to assimilate the calculation to that of the Australasian subsidy, in which 5 per cent. interest is charged on first cost, without any addition for replacement.

The argument at the Foreign Office meeting was that India ought to be charged like Australia; and no sufficient reason is now shown for making India replace the vessels, as well as pay interest on the capital cost. The charge is the less proper, because, in the Australasian case, there was a positive increase of the Navy, while that has not taken place for India except in the instance of the "Sphinx," for which India has hitherto paid a charge for depreciation.

Sub-Appendix No. 8.

Minutes of Committee held at the Admiralty in January 1892.

Subsidy to be paid by India for Ships in Indian Waters.

Meeting of Committee held at the Admiralty on the 11th January 1892.

Present: Right Honourable A. B. Forwood, M.P.; Rear-Admiral F. G. D. Bedford, C.B.; Sir Gerald FitzGerald, K.C.M.G.; A. Godley, Esq., C.B.; H. Waterfield, Esq., C.B.; Major-General O. R. Newmarch, C.S.I.; Williams Cuming, Esq., acting as Secretary.

It was agreed:—

1. That India will, before the 31st March next, pay 50,000*l.* on account of this year's payment, without prejudice.

2. That the Conference at the Foreign Office should form the basis of discussion, and not the pre-existing arrangement.

3. The Treasury Letter of the 24th December 1891, No. 17,972, addressed to the Admiralty, but not communicated to the India Office, was then read, viz.:—

"The Lords Commissioners of Her Majesty's Treasury have had before them your letters of the 17th ultimo, and 15th instant, Numbers 2/E., 951/3040, and 2220/91, enclosing copies of correspondence between the Lords Commissioners of the Admiralty, and the Secretary of State for India in Council, respecting the contribution to be paid by India on account of Her Majesty's Ships stationed in Indian Waters and the Persian Gulf.

"The conclusion at which this correspondence arrives is, that the controversy should be referred to a third person of authority and experience for arbitration, and in this proposal my Lords entirely concur. They would point out, however, that, if the reference is to be limited in the manner indicated in the last paragraph of Mr. Godley's letter of the 11th instant, no useful object can be attained by making it. If the Secretary of State for India in Council premises that on no consideration will he agree to the amount of contribution expected by the Admiralty, and announced in the Navy Estimates for 1891-92, and that the only question to be discussed is the number of vessels required for Indian purposes, those purposes being defined in a previous part of the letter as the Maritime Police of the Coast, and the repression of piracy, and of the local slave trade, the arbitration will be nugatory.

"My Lords are most anxious for the arbitration if it be extended to the question of what are the services of which the contribution for the Indian Squadron is to be in aid. In the view of this Department, when the

* Letter of 1887. † Letter of 1890.

British Government took upon itself all the duties formerly discharged by the Indian Navy in the whole Indian Ocean, whether of general defence, of protection of commerce, or of suppression of the slave trade, the intention was that India should contribute according to her means towards all those services. This is not the view of the Indian Government, as my Lords are well aware. But let this be the first question to be submitted to arbitration. When it has been decided what are the services or purposes to be embraced by the contribution, it will be a comparatively easy matter to express it in the form of a given number of ships, the whole cost of which is to be paid for by India.

"My Lords hope that the First Lord of the Admiralty will press the Secretary of State for India in Council to agree to an arbitration on these lines."

4. The representatives of the Indian Government claim that the terms of the minute of Conference limit the liability of India to pay only for such vessels as are jointly considered necessary for Indian purposes, viz,, service in the Persian Gulf and off the coasts of India.

5. The Admiralty claim that so to limit the words "Indian purposes," is not a correct interpretation of the conclusions arrived at by the Conference, and that they have a broader and wider significance, comprising the general protection of India, her trade, and her coast.

6. The representatives of India urged that the Conference took as a starting point the capitation rate of 70*l.* as being insufficient, and decided that India should pay the whole cost, effective and non-effective, of the vessels employed for Indian purposes. And they pointed out that no reference was made in the memorandum of the Conference to the general protection of India and her trade. They also mentioned the payment of the full cost of the Indian flotilla, as largely increasing India's contribution to the Imperial naval defence.

7. It was urged in reply that these vessels formed a purely local and first defence, and were not in substitution of the seagoing squadron.

8. Attention was called to the Indian Government having remonstrated against the character of the vessels comprising the East Indian Squadron, and to the Admiralty in consequence altering its composition, as evidence of a wider claim to its services than the limit proposed to be given to the minutes of the conference. The reply was to quote the words of the despatches from India, as showing that the vessels in the squadron were insufficient for general naval purposes, and especially unsuitable for Indian purposes.

9. It having been stated that objection had been made to the "Turquoise," as she could not steam from Bombay to Aden against the monsoon, Admiral Bedford gave it as his opinion that the gunboats of the "Pigeon" type, proposed to be regarded as vessels for Indian waters, were also unsuitable under such circumstances to make such a voyage.

10. The Admiralty urged that at least one more powerful vessel, such as the "Marathon" or "Brisk" class, was necessary. On this point the Indian representatives, accepting Admiral Bedford's opinion as a professional one on the power of the new gunboats of the "Pigeon" type, agreed to send a telegram as follows:—

"Your Marine Despatch, No. 6, of 13th May 1891, says two gunboats only needed besides 'Sphinx.' Former letter complained 'Turquoise' could not steam to Aden in monsoon. Admiralty suggest 'Pigeon' type also not sufficient at all seasons for same reason, and consider one should be 'Brisk' type. What do you say? I shall be glad of a very early reply."

11. Attention having been called to India reducing her wants from four vessels to three (including the "Sphinx"), being a further reduction on that previously made, viz., from six to four, it was pointed out that the Indian Government considered that, as one of the two new gunboats in their defence flotilla would always be in commission, it virtually supplied an available vessel at Bombay, and thus limited their demand to two gunboats and the "Sphinx."

12. The question was left as follows, viz.:—

(*a.*) To determine whether a "Brisk" class vessel should be substituted for one gunboat "Pigeon" class.

(*b.*) To settle whether one or two gunboats were required in addition.

Second Meeting of the Committee, held at the Admiralty, on the 25th January 1892.

Present:—Right Honourable A. B. Forwood, M.P.; Rear-Admiral F. G. D. Bedford, C.B.; Sir Gerald FitzGerald, K.C.M.G.; A. Godley, Esq., C.B.; H. Waterfield, Esq., C.B.; Major-General O. R. Newmarch, C.S.I.; Williams Cuming, Esq., acting as Secretary.

The minutes of the last meeting were read and confirmed.

The following telegram from the Viceroy of India was then read:—

"Yours 11th, Marine:—We adhere to the proposal contained in our Marine Despatch No. 6 of the 13th May last. We prefer vessels of the 'Pigeon' type, even with comparatively small steaming power, in consideration of their economy and light draft. As a gunboat is usually stationed at Aden, we should not ordinarily be required to send another of the subsidised ships there during the monsoon season. The 'Turquoise' was quoted merely as an example of an inferior type of vessel as compared with modern ships."

The representatives of the Admiralty submitted that the telegraphic reply from India was evidence that the proposed limitation of India's contribution to certain vessels, and those of the smallest class, would not be equitable.

Indian services, even in their most restricted sense, could not evidently be always carried out, unless the Commander-in-Chief had at his disposition a squadron composed of vessels some of which could under every emergency perform any duty, whether ordinary or extraordinary, as required. Although the latter might seldom be demanded, yet the Admiralty were bound, in view of their responsibility for the naval defence of India, to be at the expense of constantly maintaining vessels on the station ready and efficient for all services.

As the contribution of India is, according to the minutes of the conference, to be measured by the full cost of particular ships, the Admiralty consider that, out of the nine vessels on that station, the full cost of the "Marathon," "Brisk," and one gunboat ("Pigeon" class), with the "Sphinx," as originally proposed, fairly represent the charge that ought to be paid by India.

The nine vessels in the squadron aggregate a total tonnage of 16,490, and the "Marathon," "Brisk," "Sphinx," with the "Pigeon" or "Redbreast," of 6,605 or 6,655 tons.

Admiral Bedford is of opinion, from a naval point of view, that, under the agreement for the maintenance of the Indian defence flotilla, the "Assaye" and "Plassy" cannot, except in time of war, be moved about at the discretion of the Commander-in-Chief, and, further, being torpedo gunboats, with locomotive boilers, they cannot operate at any distance from their base, and cannot be regarded as vessels available for general Indian purposes as gunboats.

The Indian representatives replied as follows:—

By the terms of the Conference memorandum, which are admitted to be the sole basis for assessing the contribution of India, that contribution is to be limited to the cost of certain vessels, and those vessels are to be such as are required for and suitable to Indian purposes. They maintain that it is impossible to point to any words in that memorandum which justify any other view. And they strongly protest against the suggestion that the contribution of India is to be in any way measured by the proportion which the strength of the local squadron may bear to that of the entire squadron which the Admiralty find it requisite to maintain on the East India Station, inasmuch as the memorandum of the conference contains no allusion to any such method of assessment.

They consider that Indian purposes do not include the extraordinary requirements referred to by the Admiralty representatives; and they do not think that India should in ordinary times employ a squadron large enough or powerful enough for other than ordinary duties.

The nature of the contribution is clearly expressed in the memorandum. It is to be the whole cost of the vessels "required in the Persian Gulf and off the coasts of India for Indian purposes." The Government of India, with regard to number and class, have reported that the vessels which they require for such purposes are the "Sphinx" and two gunboats of the "Pigeon" class, the larger vessels named by the Admiralty being unsuitable by reason of their expensiveness and great draught; and, the point having at the request of the

Admiralty representatives been again referred to them, they have telegraphed their adherence to that opinion. The representatives of the India Office accordingly hold that those three vessels are what are required for Indian purposes, and that it is their cost only which India should pay.

With reference to the opinion of Admiral Bedford respecting the power of moving the vessels of the defence flotilla, they would point out that, while special provision has been made for the control of the Naval Commander-in-Chief in time of war, there is nothing to interfere with their being used in whatever manner may be thought most suitable during peace; and that it has, in fact, been recognised by the Admiralty that they will frequently be acting at a very considerable distance from the ports for the protection of which they are specially allotted.

The Committee beg to report that they find it impossible to come to an agreement as to the scope of the words "Indian purposes" as conveyed in the minutes of the Conference, and consider that it is desirable that this point should be referred to an independent authority, as well as that of the number and class of vessels required for such purposes.

ARTHUR B. FORWOOD.
FRED. G. D. BEDFORD.
G. FITZGERALD.
A. GODLEY.
HENRY WATERFIELD.
O. R. NEWMARCH.
W. CUMING, acting as Secretary.

SUB-APPENDIX No. 9.

LETTER from the GOVERNMENT OF INDIA, dated the 31st July 1894.

We have the honour to invite attention to our Marine Despatch, No. 6, of the 13th May 1891, in which we replied to Lord Cross's Despatch, No. 16, of 5th February 1891, and paragraph 6 of his Despatch, No. 31, of 19th February 1891, on the subject of the number and cost of the vessels belonging to the East India Squadron which are maintained for service in Indian waters, and for which India pays a contribution. In Sir John Gorst's letter, dated India Office, 3rd February 1891 (M 473), Lord Cross informed the Lords of the Admiralty, with reference to the arrangement under which India was in future to pay the whole cost, effective and non-effective, of the subsidised vessels, that he saw no sufficient reason for charging India more than if the arrangement were analogous to that with Australia. We fully concurred with the views expressed by Lord Cross, and agreed to accept a contribution, based on the conditions of the Australasian agreement, of 49,675*l.* per annum for the services of three vessels, viz., the "Sphinx," and two gun-boats of the "Pigeon" class.

3. We have received no reply to this despatch; but observe that the contributions on account of the subsidised vessels amounted in 1891–92 and 1892–93 to 50,158*l.* and 52,083*l.*, respectively. We should be glad to know how these amounts were arrived at, and desire to state that, while willing to pay a fair contribution for efficient ships, we must, in the present state of our finances, use every effort to curtail expenditure. We should also be glad to be favoured with a full reply to the despatch.

4. In connexion with this subject, we would observe that the "Sphinx" will soon require extensive repairs and renewals, such as new decks and boilers; and the question will then arise whether, according to the arrangement made by the Joint India Office and Admiralty Committee of 1887, these should be paid for by India as repairs, or charged to the Admiralty as renewals. In our opinion charges of this nature should be borne by the Admiralty, and we think it would be convenient if a clear understanding on this point could be arrived at before the renewals or repairs have actually to be undertaken.

SUB-APPENDIX No. 10.

DESPATCH to the GOVERNMENT OF INDIA, dated 20th September 1894, No. 110.

I have to acknowledge the receipt of your Excellency's Despatch, No. 9 (Marine), of 31st July 1894, making certain inquiries as to the contribution for the vessels of the East India Squadron which are maintained for service in Indian waters.

2. In reply, I forward herewith, for the information of your Government, copies of the correspondence noted in the margin,* which show the state of the case up to the date when it was agreed between the Admiralty and the India Office to refer to some independent authority the two following points, viz.: What were the "Indian purposes" mentioned in the minutes of the Conference held at the Foreign Office on the 26th of March 1890, and what were "the number "and class of ships required in the Persian Gulf and "off the coasts of India" for such purposes.

3. The Treasury, however, subsequently expressed a desire to extend the scope of the reference beyond the two points which the Secretary of State in Council had agreed to refer to arbitration. To this Lord Kimberley was unable to consent, and no further progress towards settlement has as yet been made. Meanwhile, this Office continues to pay annually to the Admiralty the sum of 50,000*l.*, as agreed to by the Inter-departmental Committee, without prejudice to either Department. The exact figures for 1891–92, 1892–93, and 1893–94, are as follows:—

1891–92.

	£	s.	d.
Evaporator and spare tubes for "Sphinx"	158	0	0
Advance on account of subsidy	50,000	0	0
	£50,158	0	0

1892–93.

	£	s.	d.
Advance on account of subsidy	50,000	0	0
Adjustments on account of quarters to 30th June, 30th September, and 31st March 1891	2,019	0	6
Interpreter's allowances to Lieutenant Shubrick, "Garnet"	42	11	9
Ditto to Lieutenant Taylor, "Marathon"	21	1	4
	£52,082	13	7

1893–94.

	£	s.	d.
Allowance on account of subsidy	50,000	0	0
Interpreter's allowances to Lieutenant Taylor, "Marathon"	51	1	10
Ditto to Assistant Engineer Wheeler, "Brisk"	73	14	0
Ditto to Lieutenant Guest, "Blanche"	20	18	9
	£50,145	14	7

4. As regards the repairs and renewals of the "Sphinx" referred to in the last paragraph of your despatch, I do not consider it desirable to initiate any discussion with the Admiralty as to the incidence of their cost.

SUB-APPENDIX No. 11.

DESPATCH to the GOVERNMENT OF INDIA, dated 26th June 1895.

In continuation of my Despatch, No. 110, of the 20th September 1894, I have now to inform your Government of the further steps which have been taken to settle the contribution to be paid by India for the Naval Squadron in Indian waters.

2. As the Treasury, the Admiralty, and this Department, were unable to agree on the terms of the reference to arbitration, and no progress was being made in carrying out the agreement made at the Foreign Office Conference of 26th March 1890, I decided in Council, in communication with the Admiralty, to refer the questions at issue to the arbitration of Lord Rosebery.

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* To Admiralty, M 4867, 25 June 1891.
From „ 2 E 951/3041, 17 November 1891.
To „ M 10481, 11 December 1891.
From „ E 2220/91, 14 December 1891.
To „ 11432, 19 December 1891.
From Treasury, 1991/92, 10 February 1892.
To „ M 1522, 23 February 1892.
Memorandum of proceedings of Inter-Departmental Committee, dated 11th and 25th January 1892.

The terms of reference were those which had always been insisted on by this Department, viz., what is the precise meaning to be attached to the words "for Indian purposes" in the report of the above Conference; when this question had been decided, the two Departments, Admiralty and India Office, were to settle the number and class of ships required for such purposes, and the consequent payment to be made; in the event of their failing to agree, this question also to be referred to Lord Rosebery.

3. It will be seen from the correspondence,* copy of which is forwarded herewith, that Lord Rosebery did not concur in the interpretation of the term "Indian purposes" adopted by this Department, as being restricted to the maritime police of the coast, and the repression of piracy and of the local slave trade; and that he decided that it must be held to include some portion, at any rate, of the duties devolving on the Royal Navy for the defence of India and the protection of trade in Indian waters.

4. Accepting this award, I expressed to the Admiralty my willingness to pay from the 1st April 1895 the whole cost, effective and non-effective, as agreed to at the Foreign Office Conference, of the following ships:—

	£
"Brisk" (1,770 tons) - -	36,299
"Pigeon" (775 tons) - -	16,513
Gunboat, same class (755 tons) -	16,513
"Sphinx" (1,130 tons) - -	20,855
Total - -	£90,180

On the other hand, the Admiralty claimed, from the 1st April 1891, the full cost of the four ships which they had detailed as required for Indian purposes, in the interpretation of that term as now settled by the award of the arbitrator:—

	£
"Marathon" (2,950 tons) - -	47,427
"Brisk" (1,770 tons) - -	36,299
"Pigeon" (755 tons) - -	16,513
"Sphinx" (1,130 tons) - -	20,855
Total - -	£121,094

or, deducting 4,000*l.* paid in India for repairs of the "Sphinx," in round numbers 117,000*l.* a year. The Admiralty claim for arrears at this rate for the four years 1891–92 to 1894–95, less the annual payment already made by India of 50,000*l.*, amounted to 268,000*l.*

5. The Lords of the Admiralty finally proposed, however, for the reasons given in their Secretary's letter of the 30th May 1895, the following arrangement:—

The subsidy to commence from the 1st April 1891, and be limited to an annual payment of 100,000*l.*, excluding repairs of "Sphinx," the arrangement remaining in force for ten years from that date.

The Admiralty to waive all claim for arrears beyond a payment during the present financial year of 17,000*l.*, in addition to the subsidy of 100,000*l.*

The repairs of the "Sphinx" to the 31st March next to be defrayed by the Indian Government.

6. As regards the claim for arrears, that was a point which I had not agreed to refer to Lord Rosebery's decision, as I considered it to be clearly settled by the Foreign Office agreement. But as to the annual payment, I was of opinion that, while a reference to arbitration would probably not result in better terms than those offered by the Admiralty, it might possibly increase the Indian payment beyond what the Admiralty were willing to accept. I decided, therefore, in Council, to accept the proposed compromise, which is, I am satisfied, the best arrangement which could be secured in the interests of India. As, however, since this correspondence began, a Royal Commission has been appointed to inquire into Indian expenditure and the apportionment of charge between the Governments of the United Kingdom and of India for purposes in which both are interested, I have informed the Admiralty that this arrangement cannot with propriety be considered as finally closed until any recommendation which the Commission may desire to make on the subject has been duly considered.

* From Admiralty, 9th November 1894, Part II., 62.
To " 16th November 1894, Part II., 63.
From Lord Rosebery, 6th December 1894, Part I.
To " 18th December 1894, Part I.
India Office Case, with Supplementary Statement and enclosures, Part. I.
From Lord Rosebery, 19th February 1895.
From Admiralty, 25th February 1895, Part II., 66.
From " 28th March 1895, Part II., 67.
From " 13th April 1895, Part II., 68.
To " 23rd May 1895, Part II., 69.
From " 30th May 1895, Part II., 70.
To " 26th June 1895, Part II., 71.

Appendix No. 12.

Memorandum by the Director of the Royal Indian Marine on the Increased Subsidy to be paid by India, dated February 1896.

The Indian Navy ceased to exist on April 30th, 1863, it having been arranged by the India Office and the Admiralty, in October and November 1862, "That the "naval defence of India, the protection of trade "generally, as well as the naval services required in "the Red Sea, upon the Eastern Coast of Africa, and "in the Persian Gulf (duties which had previous to "that time been performed partly by Her Majesty's "Navy and partly by the Indian Navy), should be "undertaken altogether by vessels of the Royal Navy," and no question of subsidy was raised.

In September 1864, on receiving a despatch from the Secretary of State, No. 26, dated 30th June 1864, the vessels belonging to the India Government at Aden and in the Persian Gulf were finally ordered to be withdrawn, but, in spite of this, vessels continued to work for India until 1868* (a man-of-war occasionally visiting the Persian Gulf), when the Government of Bombay addressed the Government of India with a view to making improved arrangements with regard to the Indian Marine Force in the Persian Gulf, and forwarded a letter from the Commodore commanding the Royal Navy Squadron on the station, suggesting the co-operation of vessels belonging to the Bombay Marine for the suppression of slavery on the Arabian Coast. The Government of India then communicated with the Secretary of State, who, in his No. 235 of August 31st, 1869, communicated his decision that six ships from the Royal Navy were to be subsidized at a cost of 70,000*l. plus* coal of the three Persian Gulf ships; the Admiralty at the same time stating their opinion that these last vessels should be of 465 tons each.

To this despatch the Government of India, having carefully considered their existing ships, and the expenses attached to them, and after consulting the Commodore commanding the Royal Navy Squadron, sent an answer (No. 3, dated 22nd February 1870), objecting most strongly, on the grounds "that the "scheme detailed in your Grace's despatch of "August 31st, 1869, is altogether dissimilar to the "proposal made in our despatch of 10th June 1869, "No. 20, is not suitable, and it would, under the "proposals of the Board of the Admiralty involve a "charge on the Indian revenues for which sufficient "value would not be returned."

The Commodore, R.N., also gave reasons why a Royal Naval Force would not be so useful as vessels belonging to the Indian Government; in fact, the Government of India and the Naval Commodore commanding agreed that the force of six ships was not required. To this the Secretary of State replied (on September 14th, 1870, No. 224), overriding all the objections of the Government of India, and sanctioning the subsidy of 70,000*l.*

So far from the increased subsidy providing for the Navy doing the work they promised, I find the "Sir Hugh Rose" still armed and employed in the Persian Gulf for offensive purposes in 1871 and 1874, the Admiral approving her employment; the "Quangtung" at Port Blair for the defence of the convict settlement, and the "Amberwitch" at Aden.

The Government having in 1887 added the "Lawrence," a new despatch vessel, for permanent service in the Persian Gulf, and having, in compliance with the Act passed by the House of Commons, 1884, which among the duties of the Royal Indian Marine enumerated "the suppression of piracy," for which service ships are kept in the Persian Gulf, placed a formidable armament in her, considered that the six ships subsidized from the Royal Navy could be reduced to four, and the subsidy, based on the same calculation as that of 1869, to 41,600*l.* + 3,100*l.*, being 5 per cent. on cost of the "Sphinx" + her repairs calculated at 4,000*l.* a year = 48,700*l.*

* Hugh Rose" was armed and in the Gulf in 1871-74

Things went on thus until the Foreign Office Conference sat in May 1891, when the principle that India should pay the full cost of ships specially allotted for service in Indian waters was agreed to, but the size of the ships which India said suited her purpose was objected to by the Admiralty, who, whereas they in July 1869 considered three vessels of 1,395 tons best suited for the Persian Gulf work, now held that the "Sphinx" and two gunboats of the "Pigeon" class, whose tonnage amounted to 2,640 tons, were much too small, and this too when the "Lawrence" of 902 tons was permanently in addition to this force on the station. The Conference having agreed to the principle that India ought to pay the whole cost of the subsidized squadron, Mr. Forwood, one of the Conference and an Admiralty official, was asked to draw up a memorandum on the size and cost of the ships which the Admiralty thought should be subsidized. This he did on a different principle to the basis on which the two previous subsidies were framed, resulting in a claim in return for the services of four ships aggregating about 5,350 tons, of 103,577*l.* *per annum*. To this the Secretary of State pointed out that India paragraph 4 of February 3rd, 1891) had to be consulted as to the number and class of ships required. In January 1891 (paragraph 3) the Admiralty again increased their demands to 117,000*l.*, but in paragraphs 7 and 8 show that this sum is *not* based on the same data as the Australian agreement, which, if followed, would reduce the amount to 110,917*l.*

On May 9th, 1891, the Government of India telegraphed that three vessels (not four) would be sufficient for their purposes, viz., "Sphinx" and two gunboats of the "Pigeon" class (total tonnage 2,640), the subsidy for which should not be calculated at a higher rate than that of the Australian Colonies, and must not exceed 50,000*l.*; this was followed by a despatch of May 13th, 1891, in which they offer 49,675*l.*; and this brings us up to the time when Lord Rosebery is called in as an arbitrator, and on his decision the Secretary of State has agreed to pay a subsidy of 100,000*l.* a year. This award, I humbly submit, has been given without sufficient stress being laid on several points.

Too much importance appears to have been attached to the words "for Indian purposes" and "local purposes" used in the Foreign Office Conference, and again by Lord Rosebery in his letter of December 6th.* 1894. During the last 12½ years I am unable to trace a single case, with the exception of one ship recently sent to Goa, and she was shortly replaced by the "Plassy," where a man-of-war has performed any "Indian purpose" or "local purpose," all of which have been done by the ships of the Royal Indian Marine.

It may be argued that operations at Bahrein are local, but this can hardly be substantiated when it is considered that communications must go through the Home Government and to Her Majesty's Ambassador at Constantinople, and I submit this is an Imperial question.

Again, Lord Rosebery assumes that, prior to 1862, the Indian Navy undertook, in conjunction with the Royal Navy, certain duties; the truth, as far as I can trace, is that the Indian Navy did nearly the whole of the work, simply because there was no such thing as a Royal Navy Squadron in Indian waters, and therefore the Indian Navy had perforce to do such duties as cropped up outside its own legitimate work; Indian Navy ships were employed in the New Zealand and China Wars, and also in the operations in Borneo; but it would be hard to be asked to pay a subsidy on the ground that India assisted the Home Government when it wanted help outside India's own legitimate sphere.

A comparison is made between the subsidies paid by India and Australia; according to the present Navy List, Australia for 126,000*l.* (which must not be exceeded) has four cruisers and one gunboat in commission, total tonnage 11,035 tons; and one cruiser and one gunboat in reserve of 3,310 tons; and the whole of these ships *are in addition* to the Royal Navy Australian Squadron; thus, even if we leave out the two ships in reserve, Australia pays 11·4*l.* per ton.

Even if India accepts the Admiralty proposal for "Marathon," "Brisk," "Pigeon," and "Sphinx," total tonnage 6,605 tons, and the subsidy now fixed, viz., 100,000*l.*, India will pay at the rate of 15*l.* a ton, and not only this, but not a single ship is added to the existing squadron.

Thus Australia pays 11·4*l.* per ton, and has an addition to the local squadron of 14,345 tons, and India pays 15*l.* per ton without the addition of a single ship.

I submit no grounds have been put forward for such an extraordinary difference in the way of calculating, and the amount of the subsidy, and I think India should demand to be put on the same terms as Australia, as the Government of India asked might be done in paragraph 4 of their despatch of 13th May 1891, which request apparently was not laid before Lord Rosebery.

A point not touched on in any of the papers I have seen is the certainty of the whole of the subsidized ships being withdrawn from their stations in time of a great naval war. The example of Australia is eulogized "in contributing liberally for the protection of their "floating trade." If the same terms, viz., that subsidized ships should be in excess of the ordinary squadron and the same subsidy, viz., 11·4*l.* per ton be adopted, for the 100,000*l.* India is now asked to pay, the Admiralty ought to add 8,772 tons of shipping to the Indian squadron which protects, not only Indian trade, but that of Australia and China.

India has also provided the following vessels, the "Magdala," "Abyssinia," "Plassy," "Assaye," and seven first-class torpedo boats, at a cost to India of 474,497*l.*, and has recently expended 67,000*l.* in re-arming the two first ships, all of which are at present handed over to the Admiralty, and are shown in the Navy List. A subsidy of 60,000*l.* is also paid *per annum* to the Admiralty for their crews.

If this 60,000*l.* is added to the 100,000*l.* now sanctioned by the Secretary of State, India will pay 34,000*l.* *more* than Australia for almost exactly the same amount of tonnage,* but with this difference, that India has paid for and provided 7,710 tons of shipping and seven torpedo boats, and no increase to the Indian Royal Navy Squadron has been made.

The Chancellor of the Exchequer, according to Mr. (now Sir H.) Waterfield's note of March 28th, 1890, held "that the basis of the Australian agreement "ought to be applied to India." This the Government of India also asked for, and we should press that that basis is insisted on.

No attention has been drawn in any of the notes laid before Lord Rosebery on the Indian side of the controversy, of the services rendered by India to the Royal Navy Squadron, and the large expenditure willingly incurred by India to make the dockyards thoroughly efficient. It is not saying too much to assert that without the Indian dockyards the East India Squadron could not exist in a state of efficiency; the so-called dockyard at Trincomalee has no dock, and the workshops are only equal to minor repairs, not only from the small amount of plant and machinery, but because skilled labour is not procurable. At Bombay large works have been undertaken by the Government of India almost entirely to meet the requirements of the Navy, as the dockyard prior to these was sufficient for Indian requirements. When, in 1888, the Admiralty pressed the Government of India to construct a huge dock at Bombay, which, subsequent experience has shown, would have been almost an impossibility owing to the enormous difficulty in blasting a channel to it, the Government of India decided on deepening the Duncan Dock to meet, as far as possible, naval requirements. This was completed in 1893, at a cost to India of Rs. 4,85,335, and a ship and torpedo basin and dock was also constructed, costing Rs. 15,21,609, and a new dredger costing 23,100*l.*, provided to make and maintain new channel. Additional storehouses have recently been erected, costing Rs. 1,56,596, to take the large additional stock of stores entailed by the agreement between the Admiralty and India Office to supply stores to the Royal Navy Squadron. A reserve of boats for that squadron is also kept up, and special storehouses are allotted to the Navy. It may be argued that the Admiralty pay India 10 per cent. on the value of those stores, but, when the enormous value of the land in Bombay, the cost of buildings, and the staff required for care and supervision, as also the fact that India has to pay for these stores, and is not repaid by the Admiralty for lengthened periods, is considered, it will be seen that this argument cannot be maintained. A victualling depôt for the Navy is also maintained at

* Enclosure No. 3 of Secretary of State's Despatch No. 66 of 1895.

	Tons.
* Australia	14,345
India for "Marathon," "Brisk," "Pigeon," and "Sphinx," total	6,605
"Magdala," "Abyssinia," "Plassy," and "Assaye"	7,710
Total	14,315

Bombay, for which the Admiralty pay 250*l.* a year, according to the agreement between the Secretary of State and the Admiralty.

The estimated value of land on which the Bombay dockyard stands is Rs. 44,24,900, and the buildings and docks at Rs. 34,56,409. Besides this, the dockyard at Kidderpore must be taken into consideration, the total value of which is estimated at Rs. 12,06,500, and where a new dock capable of docking any ship of the East Indian Naval Squadron has recently been constructed.

The amount for repairs executed to Royal Navy ships for 1894-95 was Rs. 2,27,355, and stores were issued amounting to Rs. 2,12,314. On the repairs of ships 10 per cent. is charged to the Admiralty, but this cannot be considered for a moment to represent an equivalent for supervision, machinery, buildings, value of land, &c.

During 1894-95 the dry docks were occupied by men-of-war (not including torpedo boats) for 235 days *free of all charge;* if they had occupied the Merewether dry dock (*belonging to the Bombay Port Trust*) the charge would have been Rs. 1,85,200.

The above is only introduced as an example, because the Merewether dock could not and would not have docked those vessels, as its primary object is the docking of merchant ships for cleaning purposes, and the trustees, to whom it belongs, will not allow it to be used for lengthened repairs.

Pontoon sheers have been provided capable of going alongside a ship, and lifting from 45 to 50 tons, and in the wet basin a hydraulic crane capable of lifting 30 tons.

A torpedo store and workshop have been provided, the air-compressing and other machinery in which cost Rs. 24,900; for this the Admiralty pay:—

	Rs.
For torpedo store room - - -	932
Five per cent. on machinery -	- 1,200

India provides moorings free of charge at Bombay for the Navy. During last year those were occupied by men-of-war on 78 occasions.

Both dockyards (at Bombay and Calcutta) are, with the exception of Malta, as well qualified to execute repairs to Her Majesty's ships as any naval dockyard abroad.

Another point is that the Government of India have so fortified Bombay as to render the dockyard as safe as possible.

No British possession keeps up a completely equipped marine survey working under the Hydrographer at the Admiralty. India does, at an annual cost of Rs. 2,12,780, with a specially constructed surveying ship whose original cost was Rs. 4,28,000.

The Indian Marine Act provides for the service being, in time of war, placed under the Admiralty, and becoming part of Her Majesty's naval forces. To render the officers thoroughly efficient, they are constantly undergoing instruction in gunnery, torpedo, and other warlike duties, under the captain of the Defence Squadron, and several have also passed the short courses in "Excellent" and "Vernon." Thus, should their services be required, at least 10 commanders, 30 lieutenants, and 30 sub-lieutenants, well up in their duties could be added to the Navy; also 40 engineers; and this without any cost to the Admiralty.

India has also added a powerful armament for the "Warren Hastings," so as to be able to assist the Naval Commander-in-Chief with a valuable auxiliary cruiser.

To sum up briefly:—

In 1863 the Admiralty took over the duties of the Indian Navy without any question of subsidy, and the Indian Navy was abolished on the strength of this agreement.

In 1870, the Indian Navy being abolished, and India having, therefore, no option, a subsidy is asked for, and the Secretary of State, in direct opposition to the wishes of the Government of India, agreed to pay a subsidy of 70,000*l.* to the Admiralty for six ships.

In 1887 the subsidy was reduced to 48,700*l.* for four ships.

In 1891 the Foreign Office Conference decided that India should pay the full cost of ships specially allotted for service in Indian waters, and on this decision the Admiralty arbitrarily demanded a subsidy of 117,000*l.*, and based this on ships of a size considered undesirable by India. This the Secretary of State objected to, and India, when consulted, stated only three ships of a specified class were required, and the subsidy should not exceed 50,000*l.*

The case was in 1895 submitted to Lord Rosebery for arbitration, and on his ruling the Secretary of State has agreed to a subsidy of 100,000*l.*

In submitting the case to Lord Rosebery no stress was laid on the services of India to the Royal Navy.

India has added ships to the Navy at a cost to herself of 541,497*l.*, and has built docks and stores to meet naval requirements costing Rs. 21,88,440.

India provides a thoroughly equipped marine survey.

I also think that no reason has been shown for departing from the Chancellor of the Exchequer's ruling "that the basis of the Australian agreement "ought to be applied to India."

I submit that these points be laid before the Royal Commission.

APPENDIX No. 47.

PAPER put in by Mr. WILLIAMS CUMING on behalf of the ADMIRALTY, 30th June 1896.

CONTRIBUTION towards the EXPENSES of HER MAJESTY'S SHIPS in INDIAN WATERS.

Apparently the case for India has been represented to the Royal Commission from two points of view, viz., that of the Secretary of State for India in Council, as stated in the paper handed in by the Financial Secretary of the India Office, and that of the Government of India, as set forth in the evidence of the Director of Indian Marine.

General Concurrence of Secretary of State with present Arrangement.

The Admiralty notice with satisfaction that the India Office does not desire to dispute the arrangement "made upon any arithmetical or technical grounds," from which it is understood that the Secretary of State for India in Council accepts the terms agreed on at the Foreign Office Conference (under which India is to pay the full cost, effective and non-effective, of the ships selected for Indian purposes), Lord Rosebery's award interpreting the term "Indian purposes," and the estimates and calculations made by the Admiralty.

Admiralty Views on Financial Secretary's Paper.

The Admiralty, on their part, are prepared to accept generally the history of the question as given in the Financial Secretary's paper, subject to the following remarks as regards the non-payment by India of any subsidy between the years 1862 and 1869, and the duties performed by the Indian Navy prior to its abolition.

Absence of Subsidy between the years 1862 *and* 1869.

Stress has been laid on the despatch of Sir Charles Wood to the Government of India in 1862, where it is stated that, as "India cannot be permitted to exercise "any control over the disposition of the Imperial Navy, "so she cannot properly be charged with any portion "of its cost."—(Paper of Financial Secretary, page 18, paragraph 2.)

On this it is desired to observe that, so far as the Admiralty is aware, the question of charge was not then discussed or considered, and that such an arrangement could not have been agreed to by the Admiralty without the consent of the Treasury. Neither would the principle therein laid down be admitted as tenable in respect of any service which, while for the benefit of two parties, must necessarily be carried out on the responsibility of one.

The view that the non-payment of any subsidy between 1862–9 was only a temporary waiver of the claims of the Imperial Government is confirmed by a paragraph in an Admiralty letter of the 23rd January 1869 to the India Office, to which the India Office letter of 25th February 1869, page 14, India Office Correspondence, is a reply, viz.:—

"My Lords would venture to suggest for the consideration of His Grace, the Secretary of State, whether *the time has not arrived* for adjusting the proportions in which the cost of the naval squadron on the East Indian station should be borne by naval votes and by the revenues of India."

Duties of old Indian Navy.

The reply of the India Office, 25th February 1869, was to the effect that, subject to certain arrangements, the payment of 70,000*l.* proposed by the Admiralty would not be objected to.

The duties of the old Indian Navy were defined by Sir C. Wood (India Office letter to the Admiralty of the 10th October 1862,) in the following paragraph:—

"He is of opinion that, as regards India, the general defence, the protection to trade generally, and the measures for putting down the slave trade on the Eastern Coast, which have hitherto been performed partly by Her Majesty's Navy and partly by the Indian Navy, should be undertaken altogether by Her Majesty's Navy."

It has been contended that the clause commencing "which have hitherto been performed" applies only to "the measures for putting down the slave trade on the "Eastern Coast of Africa."

The context of this India Office letter, and the terms of the Admiralty reply of 13th October, and of the India Office rejoinder of the 7th November 1862, do not support this view; and it may be asked what was the object of proposing that the general defence and protection to trade should be undertaken altogether by Her Majesty's Navy, if that was already the case?

It is considered, therefore, by the Admiralty, on the high authority of Sir C. Wood, that some portion of the general defence and the protection of trade was afforded by the old Indian Navy.

Suggested Consideration as to Amount of Subsidy.

In concluding his paper, the Financial Secretary requests the attention of the Commission to the broad question whether, for certain reasons hereunder quoted, it is right to exact from India within 17,000*l.* of the full charge, effective and non-effective, of the squadron, on which the Admiralty would wish to make the following observations:—

Comparison of Control over Army and Navy.

"(1.) *Although the Admiral is required to comply with the wishes of the Government of India when communicated to him, still the ships are not at their disposal in the same degree that the Army is.*"

On this point it is to be observed that the control given to the Government of India is precisely that laid down by the Foreign Office Conference, and stringent orders for its observance have been sent to the Commander-in-Chief on the station. The sum of 117,000*l.* (excluding the repairs of the "Sphinx") has been put forward, and would be held to by the Admiralty, as the estimated annual cost of the selected ships, but it is not the full cost in the sense of the full cost paid by India for the Army, inasmuch as it does not include any incidental charges, such as the cost of reserves, of training officers, or of raising and training men for the Fleet, &c.

Subsidised Vessels stated to be employed on other than Indian Services.

"(2.) *The vessels not employed in the Persian Gulf are under the command of the Admiralty, and must be occasionally employed on other than Indian Services (see Treasury letter of the 30th June 1888), for which India gets no return.*"

It cannot be admitted that the vessels alluded to are employed on any other than "Indian purposes," as defined by Lord Rosebery. Under his definition, Indian purposes are not only served by the selected ships, but also by the non-subsidised ships of the East Indian Squadron, and by the ships of other squadrons towards which no contribution is asked. This is admitted by the Director of Indian Marine in his answers to Questions 9574–5.

Number and Class of Vessels.

"(3.) *The number and class of the vessels employed is not that which the Government of India think necessary, but that which the Admiralty determine.*"

This objection, which virtually raises the question of the meaning of "Indian purposes," can scarcely be reconciled with the acceptance by the Secretary of State of Lord Rosebery's award.

The ships which the Indian Government think necessary are only sufficient to meet the restricted view of "Indian purposes;" those put forward by the Admiralty, are to meet the wider definition laid down in the award. It was open to the India Office, instead of accepting the compromise offered by the Admiralty, to have submitted the number and class of ships for the further arbitration of Lord Rosebery, whose decision the Secretary of State had agreed to accept as final.

The grounds on which the Secretary of State accepted the compromise are clearly set forth in his despatch to the Government of India, of the 26th June 1895, viz:—

"But as to the annual payment I was of opinion that, while a reference to arbitration would probably not result in better terms than those offered by the Admiralty, it might possibly increase the Indian payment beyond what the Admiralty were willing to accept. I decided, therefore, in Council, to accept the proposed compromise, which is, I am satisfied, the best arrangement which could be secured in the interests of India."

The East Indian Squadron consists of eight vessels, viz.:—

—	Tonnage.	Complement.
"Bonaventure" - -	4,360	361†
* "Marathon" - - -	2,950	218
"Cossack" - -	1,770	172
* "Brisk" - - -	1,770	172
* "Pigeon" - -	755	76
"Redbreast" - - -	805	76
"Lapwing" - -	805	76
* "Sphinx" - - -	1,130	88
	14,345	1,239

The ships marked *, having an aggregate tonnage of 6,605 tons, and complements amounting to 554, were selected by the Admiralty as representing Indian purposes, and are a moderate proportion of the East Indian Squadron.

Estimate of Full Cost of Ships selected.

Excluding the repairs of the "Sphinx," the estimated annual cost of these ships is 117,000*l.*, and, by the arrangement made, the Admiralty is receiving 17,000*l.* a year less than their full cost, besides foregoing arrears amounting at the least to 183,000*l.*, which, as shown in the letter to the India Office of 30th May 1895) No. 62, page 54, of Printed Correspondence), they were entitled to.

Grounds on which Admiralty has accepted a Reduced Subsidy.

The Admiralty offered to forego 17,000*l.* a year of the full cost of the ships in order to settle a long controversy, and because (see their letter of the 30th May, 1895,) they were willing to recognize that, as urged in paragraph 7 of the India Office letter of the 28th March 1895, there might be, under existing circumstances, a limit to what India should be asked to pay.

† Excluding Flag and Retinue.

Subsidy as now arranged very moderate.

On their part, the Admiralty would ask the consideration of the Commission whether, leaving arrangements and technical reasons out of the question, 100,000*l.* a year can be looked on as an unreasonable amount for an Empire, with the revenue of India and its political exigencies, to pay for general protection, protection of trade, and for police duties undertaken by the East Indian Squadron, apart from the general protection afforded by other squadrons of Her Majesty's Navy.

Average Amount spread over the Period of the Agreement.

As a matter of fact, the average amount which will have been paid by India during the period of the present arrangement is much less, viz.:—

1891–2 to 1894–5,	4 years at 50,000*l.*	£200,000
1895–6		* 117,000
1896–7 to 1900–1,	5 years at 100,000*l.*	500,000
		£ 817,000

an average of 81,700*l.* a year, the annual payment offered by the India Office after Lord Rosebery's award being 90,180*l.*—(India Office letter, 23rd May 1895, No. 62, page 53 of Printed Correspondence.)

Case as put forward by Director of Indian Marine on behalf of the Indian Government.

The case for the Indian Government, as represented in the evidence of the Director of Indian Marine, covers a much wider ground than the paper on which the foregoing remarks have been made. Apparently, the payment of any subsidy at all, the agreement of the Foreign Office Conference, the Rosebery award, and the selection of ships, as well as the amount of the subsidy, are all objected to, and it would seem to be desired that the Police duties should be performed by an armed Indian Marine, leaving the general defence and the protection of trade to the Navy without payment.

Most of these points have been dealt with in this and other papers already submitted to the Commission, but there are certain matters on which it appears advisable to comment and to state the views of the Admiralty.

Scope of Indian Marine Act, 1884.

On the question of the arming of the Indian Marine, it is desired to express entire concurrence in the evidence given by Admiral Kennedy. It cannot be admitted that such a question is open, or that a return to the system which existed in the days of the late East India Company is possible.

Arming of Indian Marine.

But it may be well to correct any misapprehension as regards the scope of the Indian Marine Act of 1884, which appears to have been understood as having been framed for the purpose of reconstituting an Indian Armed Naval Force. On the contrary, it was obtained because the vessels in the employ of India were not under the Mercantile Shipping Act, or, indeed, under any law at all.

This was clearly the view of the India Office. When the draft of the Act was under consideration, the Admiralty, in letter of 2nd July 1879, drew attention to the anomaly of placing a non-combatant service under Martial Law. The India Office, in reply of 13th February 1883, remarked that the "want of some law "has caused great inconvenience, for these vessels are "not subject to the Mercantile Shipping Act, and in "fact come under no law whatever. The proposed "Bill meets the want, and provides for the observance "of discipline in Her Majesty's Indian Marine, and "proposes to give the Governor-General of India in "Council power to make laws for punishing all "persons employed or serving in or belonging to "Her Majesty's Indian Marine Service."

Indian Marine a Non-combatant Service.

"Thus from the terms of the Bill and from its being "applicable to a non-combatant service, it cannot be "said, when it becomes an Act, that it will place the "service under Martial Law."

"Clause 6 of the Act no doubt provides for bringing "vessels of the Marine under the Naval Discipline "Act, but that is only in time of war, when they "would be under the control of the Naval "Commander-in-Chief, and would, no doubt, be fully "armed."

Australasian Agreement.

It may be here mentioned that the Australasian vessels, alluded to in Q. 9,396, are for local defence only, and that the Admiralty has always required that vessels, not purely for the local defence of the interior waters of a Bay or Port, must be subject to the supreme authority of the Admiral on the station.

The relative liabilities of India and the Australasian Colonies is a wide question which the Admiralty is not, as a Department, prepared to discuss. It has only to be remarked that the Agreement made in each case differs, and that the claim to calculate the Indian Subsidy on the Australasian basis has been withdrawn by the Secretary of State. It has always been understood that the Foreign Office Conference, which settled that India should pay the entire cost of the vessels, had been accepted by Indian Government.

Comparison of Estimated and Actual Cost of Repairs.

Exception is taken to the average cost of repairs as estimated by the Admiralty, and the Director of Indian Marine draws attention (Q. 9308) to the estimated annual cost of repairing the "Marathon," "Brisk," and "Pigeon," viz., 15,210*l.*, as compared with the actual average for five years, which he states is 2,030*l.*

The explanation is that the amount estimated by the Admiralty represents the average of the total cost of repairs spread over the whole life of the ship, and that it is quite possible for the repairs in any subsequent year to equal or exceed the total of the five years on which the Director of Indian Marine has based his Estimate.

In illustration of this, it is an interesting fact that on the 18th July 1895 the Director of Indian Marine submitted an estimate of repairs required to make good defects in the "Sphinx," which vessel, it is noticed, he has omitted from his calculation.

The estimate for these defects was 3,639*l.* and was put forward with the remark that, as "the vessel was "not in Bombay when it was prepared, and as other "defects were sure to crop up as the work of opening "up proceeded, it can only be understood to be of an "approximate nature and probably under what it "would have been had the ship been here (Bombay) "for an accurate survey."

Thus one repair of this vessel may be taken as costing probably double what is given as the annual average of the three ships above mentioned.

* Including 17,090*l.* arrears.

APPENDIX No. 48.

PAYMENTS in respect of SERVICES in which both the IMPERIAL and the INDIAN GOVERNMENTS are interested.

Handed in by the Financial Secretary, India Office.

PAYMENTS on account of HER MAJESTY'S FORCES serving in India.

EFFECTIVE CHARGES.

Under regulations framed in 1824, the cost of recruiting for British regiments serving in India was divided between the British Government and the East India Company, according to the amount of pay issued for soldiers on the British and Indian establishments respectively. For the purpose of receiving and training the recruits, small depôts were kept at Maidstone (for cavalry) and Chatham (for infantry). These depôts were placed on the "Indian establishment," and their cost, together with that of certain recruiting and departmental expenses, was borne by India.

2. The effective strength of the British regiments in India from 1834 to 1857 averaged 24,133. The payments made for the depôts and recruiting districts, and for expenditure by regimental agents, from 1834 to 1857, averaged 195,171*l.*, or about 8*l.* per man serving in India.

3. The East India Company's European forces from 1818 to 1857 averaged in number 11,758; the number of recruits sent from their depôt at Warley between 1850 and 1859 amounted to 24,783, at an average cost per recruit of 19*l.* 14*s.* 10¼*d.* per man, or, omitting the exceptional years of the Mutiny, 26*l.* 7*s.* 5*d.*, giving 2*l.* 8*s.* 11*d.* and 3*l.* 3*s.* 9¾*d.* respectively per man on the establishment in India.

4. At the time of the Mutiny upwards of 40 battalions were sent to India, leaving depôts behind them, which were placed on the "Indian establishment"; and thus the force, which at the recruiting depôts had rarely exceeded half a regiment of cavalry, and 1,100 or 1,200 infantry, rose to nearly 19,000 men paid for by India, "though available in this country";* and, even after the emergency had passed away, the depôt establishments of Indian regiments numbered very nearly 10,000 men, while the recruiting and departmental expenses were also largely increased.

5. The Government of India was transferred to the Crown in 1858, and the local European forces were abolished in 1860. It is from the latter date that differences have arisen between the Indian and Imperial Governments, which have not yet been settled.

6. In 1860 a Committee, over which Sir Alexander Tulloch presided, was appointed to determine an average rate for the effective charges in England; and a capitation rate of 10*l.* on the effective strength in India was adopted temporarily, under protest by the Secretary of State for India in Council (Sir Charles Wood being the Secretary of State) against its being an equitable permanent rate, if allowance were made for the benefit which Imperial interests derived from the employment in India of so large a portion of the British Army, and the consequent maintenance of the depôts in England.† This capitation rate of 10*l.* remained in force from 1861–62 to 1869–70. It was admitted by Viscount Cardwell, who had been Secretary of State for War from 1868 to 1874, that the system was unnecessarily expensive; and he stated that the Accountant-General of the War Office calculated the extra cost to India during this arrangement, as compared even with that which succeeded it, at no less than 100,000*l.* per annum.‡

7. From 1869 to 1872 two Committees (under Mr. Seccombe and General Jameson) endeavoured to ascertain the actual cost of a recruit of each arm of the Service, and they named certain rates as the amount incurred by the War Office; but the India Office members considered those rates excessive and the system needlessly expensive. The payments from 1870–71 to 1872–73 were, notwithstanding, adjusted on these rates. The first and second reports of Mr. Seccombe's Committee were sent in January 1870 to the Government of India, who in January 1873 wrote a representation against the cost of the system of recruiting pursued by the War Office. This despatch, and a correspondence between the War and India Offices, in which the Duke of Argyll strongly protested against the charges made by the War Office, were in 1874 laid before the Select Committee of the House of Commons on East India Finance, who made a report on the 28th of July. The Committee stated the question which they had to consider as follows:—

"Granting that India ought to pay for that portion of the British Army which is stationed in India, together with the necessary stores and transport, and the expense of recruiting and depôts in this country, * * * *; whether she is called upon to pay more than her due share of such charges, and whether the charges themselves are fixed with a due regard to economy.

* * * *

"This will also be found to divide itself into two questions. First, whether the India Office is able to obtain from the other departments of the State due consideration for Indian interests. Secondly, whether the views of the Government of India in India are sufficiently consulted by the India Office itself.

"Your Committee have made a careful inquiry into these points. They have had the benefit of the evidence taken before the Committee on Indian Finance which sat during the last three sessions of the late Parliament. They have also had before them, among other documents to be found in the Appendix to their Report, the proceedings of a Committee appointed by the Secretaries of State for War and for India, 'to make arrangements 'for adjusting from the 1st April 1869, the charges for 'effective services of Her Majesty's regiments on the 'East India Establishment, on the principle of actual 'charges,' together with an unfinished correspondence between the two departments in which the several matters in dispute between them are clearly and strongly set forth.

"They have, moreover, had the advantage of examining, in addition to some of the principal permanent officials of both departments, His Royal Highness the Field Marshal Commanding-in-Chief; the late Secretary of State for War, Viscount Cardwell; the present Secretary of State for India, the Marquis of Salisbury; and other high authorities.

"From these witnesses very valuable evidence has been received in reference to the general principles on which these charges are and ought to be made, as well as upon the various items of which the sums total are made up.

"Your Committee have received an impression from these sources that charges have in some instances been imposed upon India which ought to have been borne by England. Your Committee have, however, been assured by various witnesses that a very general desire prevails among the different English departments not to throw any charge upon India improperly. Your Committee cannot too strongly insist on the importance of securing for India strict impartiality in all her financial arrangements with this country, and they agree in the opinion which was very emphatically expressed by the Marquis of Salisbury, that the most effectual way of securing financial justice for India is for the House of Commons to be constantly watchful on her behalf.

"Your Committee cannot lay down too strongly the position that the English estimates ought not to be relieved at the expense of the Indian revenues, but that the Secretary of State for India in Council has the constitutional right of refusing to pay for objects in which he considers that India has no interest. At the same time India, as a component part of the Empire, must be prepared to share in the cost of a system the expense of which may be enhanced for Imperial purposes.

"Your Committee have found that there has been and is considerable difference of opinion between the two great departments which conduct the military and Indian affairs of the Empire, both generally as to the proportion of the charges which ought to be borne by India, and in particular with respect to the items which should be taken into account.

"It has been attempted to settle these differences by means of a Committee composed of permanent officers of these two departments; but, although the labours of this Committee have resulted in presenting

* Report of Sir A. Tulloch's Committee, page 10 of House of Lords' Paper 165 of 1862.

† Letter to War Office, 8th March 1861, House of Lords' Paper 165 of 1862, page 72.

‡ Evidence taken before the Select Committee on East India Finance, 1874, Questions 1247 and 1337–38.

the points of difference in a clear light, yet no agreement has been finally arrived at. Your Committee have been informed that, with a view to settle these differences, an independent authority is to be added to the departmental committee, for the purpose of bringing the questions thus stated to some satisfactory solution. Your Committee have been informed, in the course of their inquiry, that steps have been taken to supply this obvious want, and that the Government have secured the co-operation of Mr. Bouverie, a former member of your House, as president of this committee. Your Committee hope that the deliberations of this committee will assist the heads of the English departments and the Secretary of State for India to come to conclusions upon the charges in dispute, satisfactory both to England and to India.

"Your Committee suggest that in the interval before next session the departmental committee should, under the supervision of the president, continue the inquiries into all the details of charges which are now incurred by the War Office on behalf of Indian interests, and for which charges Indian interests are considered liable. Your Committee would indicate some of the heads which would appear to need special investigation, such as the strength of depôts, and the ranks composing these depôts, and whether recruits are sent to India with much less training than the agreed-on period. Your Committee would also urge a further investigation into all the items of charge making up the total cost of recruits, especially with regard to the large addition of one-third to the cost for deaths, desertions, &c. Your Committee would also advise an inquiry into the mode of adjusting claims of the War Office against Indian revenues arising subsequently to the 31st of March 1872, there being no arrangement as yet fixed on as to the final adjustment of charges for effective services. Your Committee would also advise an inquiry into the arrangements for adjusting the non-effective charges, and whether the retiring pay, pensions, and other charges of this nature should be adjusted by the contribution of a lump sum, or whether the actual charges for pensions based on the actual service rendered to the Imperial and Indian Governments should be followed for settling these claims.

"It would be impossible for your Committee to pronounce an opinion of any value upon these details, especially at a time when so much of our military policy is new and scarcely tried, and must for some years to come be more or less tentative. They would, however, suggest that the payments from India should be as much as possible in the form of fixed rates for particular charges, for the obvious purpose of avoiding frequent re-opening of accounts, and the delays in settling claims which have led to the serious evil of the accounts having been presented to Parliament without certificate from the auditor that the payments have been allowed, as well as the inconvenience which might arise from any change of policy in either administration. They think that such sums should be, in the first instance, arrived at by careful computation; but, when once fixed, they should continue without alteration for as many years as may be deemed advisable.

* * * *

"Your Committee would remark that, while there appears to be every disposition among the heads of other Departments to consult the India Office upon proposed changes which may affect India, yet this has sometimes been omitted, in consequence of the fact that India may be affected by such changes having been overlooked; and the India Office, as the controlling authority, has occasionally acted independently of, or not in accord with, the opinions of the Government of India in India. In reference to these points your Committee suggests that, although the interests of India must be subordinate, like those of any other portion of the Empire, to the common interests of the Empire as a whole, and that although the best information upon almost every subject connected with India may be generally obtained in this country, yet that even the appearance of neglect may be misunderstood and magnified by the natives of India, some of whom take the most intense interest in the minutest details of the policy adopted by this country towards its Indian possessions, and attach perhaps exaggerated importance to points which may pass unobserved by these who have to perform the arduous task of governing a vast and varied Empire.

8. After the Report of the Select Committee, Mr. Bouverie undertook to preside over the departmental Committee on the rates, which reported in 1875, naming certain amounts at which each soldier was to be rated, according to his branch of the service. The amount payable on an average strength (from 1870–71 to 1875–76) of 61,309, was raised by Mr. Bouverie's Committee to 5*l.* 16*s.* 7*d.* for recruits only (as compared with 4*l.* 12*s.* 6*d.* in Mr. Seccombe's Committee's Report) per man of all arms.

9. The Government of India (under Lord Northbrook) in a Despatch dated the 10th of March 1876 (which, together with a Minute by Lord Northbrook of the 15th of September 1874, was laid before the House of Lords in 1893, Paper 211), contested the fairness of the conclusions of Mr. Bouverie's Committee; but the Secretary of State agreed to adjust the claims from 1873–74 to 1876–77 in accordance therewith. The accounts in dispute, however, from 1870–71 onwards were not closed, as the India Office refused to accept soldiers of several years' standing at the rates named for recruits.

10. The Committee on Public Accounts having in 1877 commented very strongly on the delay in settling the accounts between the Indian Government and the War Office, the Secretary of State for India (Lord Cranbrook) in August 1877 proposed a Committee of five members of the Privy Council to settle the unadjusted accounts between the two Governments. Subsequently, Colonel Stanley (the present Earl of Derby), who was then Financial Secretary of the Treasury, reported on the question; and, in his Memorandum of December 1877, he made the following important observation:—"I do not see how we can "forego the charges as a matter of account; but, "with some reserve, I must record my opinion that "the system of actual charge exacts too much." Negotiations proceeded, and the India Office proposed a rate of 6*l.* a man, and Mr. (now Lord) Welby, and Sir Henry Selwin-Ibbetson, 6*l.* 10*s.*, which was formally agreed to by the India Office, and by a meeting at which the Treasury and War Office were represented in June 1878; but this arrangement for the future afterwards fell through, and the rate was referred to a Commission, of which Lord Northbrook was appointed to be the Chairman.

11. The Chancellor of the Exchequer (Sir Stafford Northcote) admitted the objections raised by the India Office to the unadjusted War Office claims; and the justice of this concession was borne out by the proceedings of Lord Northbrook's Commission. The Commission, however, did not touch the equitable claim for a reduction in the charges, which had been persistently brought forward by the Government of India and the India Office from the beginning of the discussions, or examine into the allegation that India had been greatly overcharged between the years 1858 and 1879.

12. Owing to the inquiries which were being conducted by a Royal Commission into the organization of the British Army, and by a Commission in India into the practicability of reducing the military charges, Lord Northbrook's Commission was unable for many years to recommend a permanent capitation rate; but in three reports they assessed the payments from 1879–80 to 1884–85 at amounts which, when exceptional charges were deducted, gave 421,000*l.* a year, or 6*l.* 15*s.* per man on the establishment of India, excluding deferred pay. In 1885–86 that establishment was increased by more than 10,000 men, rising from an average (including officers) of 62,249 from 1879–80 to 1884–85, to 72,422 in 1886–87; and, owing to the exceptional cost of this increase, the payment in 1885–86 was raised to 648,799*l.* For this and subsequent years the War Office rendered detailed claims which were examined by the Commission, whose assessments were as follows:—

——	——	Per Head.	Establishment.
	£	£ *s.* *d.*	
1886–87 - -	512,587	7 1 0	72,422
1887–88 - -	527,818	7 6 0	72,367
1888–89 - -	539,488	7 9 0	72,369
1889–90 - -	521,009	7 4 0	72,387

The small difference in the amounts led both Offices to concur that the data had now been obtained for fixing a capitation rate, regard being had to the larger number of drafts sent to India in 1890–91 and 1891–92; and, in the final report of Lord Northbrook's Commission, on the 22nd of March 1892,

they recommended that the claims for those two years should be settled by the payment of a capitation rate of 7*l.* 10*s.* The same rate having been continued subsequently, the following have been the payments:—

	Establishment.	Amount paid.
		£
1890–91	72,429	543,217
1891–92	72,496	543,720
1892–93	72,648	544,860
1893–94	72,503	543,772
1894–95	73,100	548,250

13. This does not include the deferred pay granted to the soldier in 1876, at the rate of 3*l.* for each year's service, in place of a pension, to each man on his discharge into the Reserve (or, if a sergeant, on the completion of 21 years' service, in addition to a pension). The amounts actually issued are divided in each case between the British and Indian Governments, according to the period passed by the soldier on the British and on the Indian establishment, respectively. The following is the amount charged to India:—

	£		£
1879–80	29,000	1887–88	138,118
1880–81	44,000	1888–89	180,500
1881–82	59,000	1889–90	213,192
1882–83	97,714	1890–91	203,999
1883–84	163,153	1891–92	241,437
1884–85	101,338	1892–93	200,159
1885–86	101,531	1893–94	188,009
1886–87	114,950	1894–95	230,000

Besides this, there is always a small sum, in 1893–94, 2,803*l.*, which is issued in India or by the India Office on behalf of the British Government, for which credit has been given in arriving at the foregoing amounts.

14. It is not desired, on the part of the India Office, to reopen the calculations upon which the actual capitation rate was arrived at, after examination in great detail by Lord Northbrook's Commission. Nor does it appear necessary to minutely inquire whether the establishment in India has been maintained at the proscribed strength; it must at one period of the year, after the reliefs have been completed, be above strength, and six months later below strength, in order to maintain the average; and, if it fell materially below the prescribed number, the Government of India would make representations.

15. But there are general principles of great importance to which it is desired to invite the attention of the Royal Commission, as militating against the equity of a merely arithmetical division of the charges.

16. In a letter to the War Office of the 8th of September 1871, the Duke of Argyll said that he could not "consider it either politic or just to lay "upon the revenues of India the entire cost of an "organization for furnishing recruits to that country, "which experience has shown to be far beyond what "is needed for that particular purpose"; and he added, "The abolition of a local European army in "India was a measure dictated by considerations of "Imperial policy; but it is questionable whether that "measure could have been so easily carried, if it had "been fully known how great would be the additional "burden thrown upon the Government of India. "Part of that addition was unavoidable, and may not "be too great a price to pay for the expected "advantages; but the Duke of Argyll is confident of "Mr. Cardwell's support in his desire that this "additional cost should be kept within the limits of "real necessity, and should not be aggravated by the "maintenance of a system of recruiting which appears "to be extravagant, and to have no reference to the "exigencies of Indian Service."

17. Although, when the system of short service was introduced by Lord Cardwell, he expressed his conviction that it would not entail any additional charge upon India, it has in fact imposed a heavy additional charge for transport, as the reliefs have to be effected at much shorter intervals.

18. The principal advantage of the short service system is that a reserve is provided by means of which the battalions at home can be raised frow a low peace establishment to their full strength for service in the field; but this advantage is not shared by India, where the battalions are always kept at their full strength. The system will, therefore, only benefit India when she requires reinforcements of British troops, provided that she is then charged only with the cost of the transport to India of the men sent from the reserve.

19. The exceptional period of the Mutiny is the one great instance of reinforcements being largely sent from England to the aid of India. On the other hand, England borrowed troops from India on the following occasions:—

- In 1859–60 for the China Expedition, 4 batteries of artillery, a company of engineers, a company of sappers, six regiments of European infantry, two of native cavalry, 11 of native infantry, and a considerable portion of the staff.
- In 1860 two, and in 1861 one regiment, for New Zealand.
- In 1867 the Abyssinian Expedition was mainly drawn from India, comprising five batteries of artillery, one company of engineers, six companies of sappers, one regiment of European and four of native cavalry, four of European infantry, eight regiments and one company of native infantry, a coolie corps, an army works corps, and the commander and staff.
- In 1875, for the Perak Expedition, one mountain battery of Royal Artillery, one regiment of British and one of native infantry, and one company of sappers and miners.
- In 1878, for the strengthening of the force in Malta, two field batteries of Royal Artillery, two regiments of native cavalry, six of native infantry, and four companies of sappers and miners.
- In 1878 the military operations in Afghanistan were entirely conducted from India, the force amounting to between 60,000 and 70,000 men.
- In 1882 the army in Egypt was reinforced by the despatch from India of one field battery and one mountain battery of Royal Artillery, three regiments of native cavalry, two of British and three of native infantry, and two companies of sappers and miners.
- In 1885 the following troops were sent from India to join the Soudan Expeditionary force:—One regiment of native cavalry, three of native infantry, and one company of sappers and miners.

20. It is evident, therefore, that India is utilised as a reserve for England in a much truer sense than England is for India; England not merely freely claims the services of British regiments for the time stationed in India, but she frequently uses the native regiments, towards the cost of which she has in no way contributed; and it may, therefore, be reasonably urged that England ought to assist in the maintenance in India of so large a force upon which England does not hesitate to draw.

21. Not only does India pay the whole cost of the maintenance of this large force; but, when the troops are required for service out of India on Imperial account, she is frequently called on to bear their ordinary charges, even for the time during which she is deprived of their services. On the other hand, when troops are lent to India, she pays the full cost from the date of embarkation from England. In the Afghan war of 1878 and the Egyptian Expedition of 1882 she received a grant of 5,000,000*l.* in the first case, and 500,000*l.* in the second, otherwise defraying the whole expenditure. In the expeditions to Abyssinia, Perak, and the Soudan, she paid the ordinary expenses of the troops; and only in the China Expedition and that to Malta was India relieved of all payments of the troops lent for the service.

22. Apart from the assistance rendered by India in time of war, it affords the best training ground for the British Army during peace: service in India is attractive, and the liberal treatment induces both officers and men to enter the army with the hope of obtaining employment in India. A large and valuable portion of the reserve consists of men whose training has been almost entirely acquired at the expense of India.

23. These and other arguments were dealt with at length (when the Marquis of Lansdowne was Viceroy and Lord Roberts Commander-in-Chief) in a Despatch from the Government of India, dated the 25th of March

1890, No. 70, of which the following are the concluding paragraphs:—

"21. The revenues of India have been charged with the cost of many changes in organization not specially necessary for the efficiency of the army in this country, and with the cost of troops employed on Imperial service beyond the limits of India. Millions of money have been spent on increasing the army of India, on armaments and on fortifications to provide for the security of India, not against domestic enemies or to prevent the incursions of the warlike people of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all these great and costly measures reaches far beyond Indian limits, and the policy which dictates them is an Imperial policy. We claim, therefore, that, in the maintenance of the British forces in this country a just and even liberal view should be taken of the charges which should legitimately be made against Indian revenues.

"22. In conclusion it is imperative, in our opinion, that this long-standing question should be settled, and that the people of India, who have no voice in the matter, should not be able to complain that an excessive military tribute is demanded from the revenues of their country, while on her side England, with whom rests the final decision, should be able to show that this matter has been effected in a spirit of justice and consideration to India."

Non-effective Charges.

24. Under 4 Geo. IV., c. 71, the East India Company paid 60,000*l.* a year in full discharge of all claims for retiring pay, pensions, &c. in respect of the forces of His Majesty serving in the East Indies. The Act was repealed in 1861, by 24 & 25 Vict. c. 89, which fixed for 1861–62 a capitation rate of 3*l.* 10*s.* on the strength in India. By 25 & 26 Vict. c. 27 this rate was continued for five years, and after 1867 it was prolonged without legislative sanction. The number of officers and men serving in India averaged 63,124 for the nine years from 1861–62 to 1869–70, and the payment 220,933*l.*

25. From the 1st of April 1870 it was agreed that each pension should be actuarially valued, and that India should pay the proportion due for service rendered to the Indian Government. Under this system, India paid, during the 14 years from 1870–71 to 1883–84, at the rate of 10*l.* 1*s.* 4*d.* a man; but the amount varied greatly, from 6*l.* 7*s.* 8*d.* for the six years 1870–76 to 13*l.* 8*s.* 6*d.* for the seven years 1876–83; the charges in the latter period were exceptionally heavy, in consequence of the large number of men who, having enlisted during the Crimean war and Indian Mutiny, were then completing their 21 years' service, and of the abolition of purchase in the British Army, by which the payments for pensions to officers were greatly increased. Owing to the rapid increase of the non-effective charges, the quarterly advances proved insufficient, and arrears of 2,016,824*l.* were on the 31st of March 1883 owing to the British Government. In February 1884 a special payment of 1,000,000*l.* was made.

26. With effect from the 1st of April 1884 the Treasury decided to discontinue the system of receiving the capitalised value of the pensions due by India; and it was agreed that in each case of pension it should be actuarially calculated what was the chance of the pensioner being alive during each year, and that India should pay accordingly, thus avoiding on the part of India the necessity of verifying in future years the existence of the men on the pension list. So great was the immediate reduction of the charge arising from the change of system, that the provision which had been made in the estimates for 1884–85 on the old system was sufficient to clear off the whole of the remaining arrears, and, as India has thus discharged her liability for all pensions granted before 1884–85, the payments since that date have been very moderate, though they have necessarily continued to increase, rising from 36,289*l.* in 1884–85 to 430,674*l.* in 1894–95, with an average of 247,754*l.* in the 11 years.

27. As in the case of the effective charges, the India Office has no complaint to make regarding the method of dividing the non-effective charges, according to the extent of service rendered by each pensioner to the British and Indian Governments, respectively.

28. In regard, however, to the pensions of officers, it is urged that, by the abolition of the purchase system, which was in no degree effected in the interests of India, a very heavy system of pensions was entailed, in which India is compelled to bear her part, in addition to that for her own service. This point was pressed upon the Treasury, in a letter from the India Office of the 2nd of March 1883 (published at pages 29 to 31 of Parliamentary paper 342 of 1884), in which, when dealing with the arrears that had accumulated, Mr. Cross said, "Part of the increase is due to measures "carried into effect by the British Government for "purposes unconnected with India, such as the "abolition of the purchase system and consequent "grant of pensions to officers, the compulsory retire-"ment of officers on attaining certain ages, the re-"organisation of the Army Medical Department, and "other steps which, by compelling India at once to "become liable for the capital value of such pensions, "so far as they are due for service in that country, "hinders the non-effective charge from falling in "the manner expected when the arrangement was "originally made."

29. In commenting on the subject, the Government of India, under Lord Ripon, when Major Baring (Lord Cromer) was Financial Member of Council, in a despatch of the 10th of August 1883, No. 223 (page 46 of the same paper), wrote, "The rateable distribution "is exceedingly unfair to India; it pre-supposes that "there is a partnership between the two countries, "and so to a certain extent there is, but there is no "freedom of contract. It is a partnership in which "the rich and powerful partner is able to prescribe "the conditions under which the business shall be "carried on, with very little reference to the wishes "or to the means of the poorer and weaker partner." And, after quoting Mr. Cross's letter cited above, they proceeded, "The argument as regards the abolition of "the purchase system appears to us to be particularly "strong. That system existed in England from the "days of William III. It was a system with which "India was but little concerned, until the Crown took "over the direct government of the country. It "certainly appears to us exceedingly unjust that the "Indian revenues should be called upon to bear any "charge in order to get rid of this peculiarly English "abuse."

30. They continued with the following remarks:—

"We maintain, however, that, even in respect to those reforms which may be said to have increased the efficiency of the Indian, equally with that of the English army, the position of India is very disadvantageous. In respect to most, if not in respect to all of these reforms, the main question which had to be considered before they were undertaken was, we conceive, this: Is the increase of military efficiency to be gained by the reform so considerable as to more than counterbalance the increased burthen which will be thrown on the taxpayers? That is without doubt a very important consideration from the English point of view; and we do not doubt that, on the occasion of every proposed reform involving increased expenditure, the military and financial arguments bearing upon the question have been fully weighed with refereuce to the military and financial situation of England. But we submit that an equal degree of consideration is not, and, indeed, cannot be shown to the Indian aspects of the case. The Secretary of State for War in England, and the Government of which he is a member, have to consider any proposed change in the organization of the army from the Imperial, and not exclusively from the Indian point of view. If no military reform could be carried out without the assent of the Indian authorities, a position would be created which we freely admit would be intolerable. This is true enough. Nevertheless, we submit that it is equally true, if the division of expenditure between India and England is to be regulated on a purely arithmetical basis, and is to proceed on the assumption that the two countries are partners, having equal interests in respect of their joint undertaking, that the Indian authorities should have an equal voice in respect to the desirability or otherwise of carrying any proposed reform into effect. At present the Indian authorities are so far from having an equal voice in the decision on such matters, that it may be said, without exaggeration, that they scarcely have any voice at all. It has rarely, if ever, happened that the Government of India has been consulted before any reforms in the organisation of the British army have been effected, even although the execution of those reforms may have resulted in considerable burthens being thrown on Indian revenues.

It may, of course, be urged that the presence of the Secretary of State for India in the English Cabinet affords a sufficient guarantee that due weight will always be given to arguments based on the wants and interests of India. The Committee of the House of Commons, from whose report we have already quoted (para. 41), said that "the Secretary of State for India "in Council has the constitutional right of refusing to "pay for objects in which he considers that India has "no interest." Great importance is, we venture to think, to be attached to a statement emanating from so high an authority on such a subject, and recognising that the constitutional position of the Secretary of State for India is different to that of any other member of Her Majesty's Government. We do not know whether the right to which the Committee alluded has ever been exercised on any important occasion. We have certainly never heard of a case in point. It is obvious that until the right is exercised it can be of little practical value to India. We doubt, therefore, whether, as a matter of fact, the presence of a Secretary of State for India in the English Cabinet ensures that regard for Indian interests in the execution of military reforms which India has a right to expect, if the distribution of military charges between the two countries is to be regulated, as at present, on the assumption that they are partners in a joint undertaking.

"From another point of view, we venture to think that the fallacy of the partnership theory is apparent, when once the arguments on which that theory is based are closely examined. The military requirements of England and of India are so different that it is impossible that there should be any true partnership in the sense in which we are now using the word. Take the case of short service. It is clear at a glance that the responsible authorities of India must of necessity view this question from a wholly different standpoint from that adopted by the authorities of England. The ultimate basis of good government at home is not to be sought in a strong and efficient army, but in the patriotism, loyalty, and contentment of a free people. The army is not maintained to preserve internal order, although it may occasionally be used to assist the civil power in suppressing disorder. It is maintained to repel invasion, and to fight the foreign foes of England. The English Government has, therefore, endeavoured to copy the main feature of the German military system, which is this, that the peace establishment of the army should be kept as low as possible, and that it should mainly be regarded as a means of training soldiers, who, when trained, should be passed into the reserve. It is neither necessary, nor is it desirable, nor is it financially possible, to keep the whole military force of England, or of any other European country, under arms in time of peace. The greatest amount of economy and of military strength is to be found in that system which maintains the lowest possible peace establishment capable of expansion to the highest possible numerical strength in time of war. Hence the adoption of the short-service system in England, and generally, in most European countries.

"It is evident that the responsible Indian authorities have to approach this question from an entirely different point of view. A reserve of British troops available for service in India would, no doubt, be very useful; but the Indian Government cannot look upon its peace establishment mainly in the light of a school or training ground for the reserve. On the contrary, the first and most important feature in any military organisation suitable to the wants of India is that a relatively high peace establishment should be maintained in order to preserve internal order. We are unwilling to use the commonplace argument that India is held by the sword, because, although it is true, we do not consider it is the whole truth, and, moreover, we disagree with many of the conclusions which are frequently drawn from this argument. There can, however, be no doubt that British rule in India rests on force, moral and physical; and, as an inevitable consequence of this condition of things, such a question as that of short service in the army, with the attendant issue involved in the constitution of a reserve, must be approached, when considering Indian requirements, from a point of view wholly different from that which would be adopted in considering the requirements of England. Under these circumstances, we do not see how any partnership, properly so called, is possible."

31. This is not the only point deserving of consideration when dealing with the consideration of the non-effective charges. In respect of the soldiers, although the pensions are diminished, there is an increase of upwards of 200,000*l.* a year in the effective charges for deferred pay, upon which the Secretary of State for India in Council was not consulted, and which is the immediate result of the system of short service having been instituted, not merely not for Indian interests, but against the recommendations of the Government of India.

32. Another consideration in weighing the relative charges for pensions is that they are almost entirely spent in England, the revenues of which derive benefit from the income tax levied on their payment, while in many ways the expenditure is advantageous to the country in which it occurs, and the rates are relieved of the necessity of supporting the men who, but for their pensions, would have to be maintained by their parishes.

APPENDIX.

EXTRACT from FIRST REPORT of COMMITTEE on the CHARGES for EFFECTIVE SERVICES. 11th March 1869.

6. The Committee feel bound to ask the attention of Her Majesty's Government to the expense of the Indian depôts, in order that it may be ascertained whether the system on which they are at present maintained could not be greatly modified.

7. In confirmation of the opinion above expressed, the Committee annex three returns :—

A. A return of the cost of the depôt at Warley for 10 years from 1850 to 1859, as shown in the actual accounts in the India Office.

B. A statement showing in detail the items composing the charges under each head at Warley for the years 1854–55 and 1855–56, from which charges the totals in Statement A. and the charge for a recruit have been deduced.

C. A return from the years 1861–62 to 1867–68 of the estimated establishment of the Indian depôts kept up by the Imperial Government for cavalry and infantry, of the actual strength of those depôts, and of the actual number of recruits and drafts sent out thence to India.

8. The Committee would here remark that the War Office depôts include a very large staff, whilst the Warley depôt was conducted by a very small number of commissioned and non-commissioned officers for the supply of recruits to nine regiments of infantry and the whole of the artillery in India, including a small body of engineers.

9. The figures in the return C. show a cost of about 20*l.* for each soldier sent by the War Office to India; but this must be modified as regards one or two exceptional years, during which, although the depôts remained at their full strength, very few recruits were required for India, in consequence of each regiment in that country having been very largely reduced, but the outlay, nevertheless, appears to demand inquiry with a view to its reduction. Returns A. and B. show that recruits were sent out from the Warley Depôt for the years from 1850 to 1859 at an average cost of 19*l.* 15*s.* per man only, or, omitting the exceptional years of and after the Mutiny, at an average cost of 26*l.* 7*s.* 5*d.* per man for all arms.

NOTE by MR. SECCOMBE and GENERAL JAMESON on SECOND REPORT, 24th November 1869.

While concurring generally in the foregoing report, the members appointed by the Secretary of State for India to serve on this Committee feel it to be their duty to represent that they consider that the proposed arrangement is, in one respect, not just towards India.

They are of opinion that, as all expenses of raising, training, maintaining, and pensioning the troops whose services are lent to India are paid from Indian revenues, India is fairly entitled to a considerable credit for the value to the Imperial Government of the presence in this country of the staff and men engaged

in course of training. The troops are available to meet any emergency for which a home garrison is required; and the resignation by the War Office of any charge for a proportion of the expenses of the general, medical, and commissariat staff, &c. specified under Class 3, in Appendix A., as a set off to that advantage, appears to the undersigned to be entirely inadequate.

They are also of opinion that the periods of training, on which the charge for difference of numbers of men is based, are longer than are necessary with reference to the requirements of India; and that as the East India Company formerly found it safe and expedient to send soldiers to India after very short periods of training, the adoption of a somewhat similar course would tend greatly to reduce the charge on this account, an object that would be further facilitated by a reduction in the number and strength of the depôts.

NOTE by MR. SECCOMBE and GENERAL JAMESON on THIRD REPORT, 28th February 1870.

We have agreed to the following report, as showing the cost of cavalry and infantry recruits under certain prescribed conditions, which include the following charges:—

For cavalry recruits.—The pay of two officers seven non-commissioned officers, and 10 rank and file, for each cavalry regiment, as well as the levy money, free kit, pay, and all allowances, of 43 men for 10 months, in order to provide 32 recruits for India.

For infantry recruits.—The pay of four officers 12 non-commissioned officers, and six rank and file, for two companies of infantry, as well as the levy money, free kit, pay, and all allowances, for 80 men for seven months, in order to provide 60 recruits.

We consider that the mere enumeration of the strength in officers and men, with reference to the number of recruits to be provided, is sufficient to show that any scale of charge based thereon must be excessive, whereas among the advantages specified in the confidential "plan for carrying out certain reductions "of expenditure upon the army in India, and organising "a system for training recruits for battalions serving "abroad," it is expressly stated that the plan "affords "a more economical mode than that now existing of "training and supplying drafts."

How far the charge involved in the propositions before the Committee may be justified by other considerations than the best and cheapest mode of training recruits, it is not our province to consider. But we feel it to be our duty again to refer to the fact stated in the First Report of the Committee that the East India Company were able to send efficient artillery and infantry recruits to India at a cost of 26*l.* 7*s.* 5*d.* per man, instead of 136*l.* 13*s.* 11*d.* for cavalry, and 63*l.* 8*s.* 5*d.* for infantry recruits, as now proposed.

We are fully aware that the changes made in the terms of enlistment, pay, clothing, &c. would have increased the charge as incurred by the East India Company; but the proposed establishments for, and the periods of, training which have formed the basis of this Third Report of the Committee, appear to us to be enormously in excess of what can be possibly required for the purpose of properly recruiting the British Army in India.

NOTE by MR. SECCOMBE and GENERAL HANNYNGTON on FOURTH REPORT, 12th April 1872.

Having agreed to this report, which shows the sums chargeable to India under the special conditions placed before the Committee, and which recapitulates the recommendations contained in their previous reports, we consider it necessary to refer to the observations of the members appointed by the Secretary of State for India, which were attached to the Committee's Second and Third Reports, and to repeat that we entertain serious objections to the arrangements herein referred to, especially as to the charges for cavalry and infantry recruits,

1st. As regards cavalry, we consider that, for the purpose of providing annually 32 recruits for each cavalry regiment in India, it is not necessary that India should bear the whole charge of two officers, seven non-commissioned officers, and ten rank and file, as well as the levy money, free kit, pay, and all allowances, of 43 men for ten months.

2nd. As to the infantry, we do not consider that, in order to provide 60 recruits for each regiment, it is necessary that India should bear the pay of four officers, 12 non-commissioned officers, and six rank and file, for two companies of infantry, as well as the levy money, free kit, pay, and all allowances for 80 men for seven months.

We are also of opinion that, as these several troops of cavalry and companies of infantry are entirely at the disposal of the Secretary of State for War, and are available to meet any emergency for which a home garrison is required, a considerable portion of the charge on their account should be defrayed by the British exchequer.

We also desire to draw attention to the observations contained in the first and third reports of the Committee as to the cost of recruits provided by the East India Company and the rates referred to in this report; and we consider that, after making every allowance for changes in the terms of enlistment, pay, clothing, &c., the difference between those rates clearly indicates that it is not necessary, if Indian interests alone be considered, that recruits should be supplied under so expensive a system as that now existing.

CONTRIBUTION towards the EXPENSES of HER MAJESTY'S SHIPS in the INDIAN SEAS.

The Bombay Marine was instituted by Royal Charters in the reigns of Charles II. and James II., as an armed force for the purpose of defending the possessions of the East India Company in India, and of preventing interlopers from interfering with the company's exclusive rights of trade. In 1829 its title was changed to the Indian Navy.

2. At the close of the Mutiny it became necessary to consider what reduction of expenditure in India could be effected; and it was decided by Sir Charles Wood that the Indian Navy should be greatly diminished. "Her Majesty's Government," he wrote, "must be "responsible for the defence of India against any "serious attack by sea. This defence, indeed, would "probably be far more effectually provided by means "of operations in the Channel, the Mediterranean, the "Baltic, at the Cape, or on the coast of Tartary, than "by such a squadron as you propose to station upon "the coast of India; and, as India cannot be permitted to exercise any control over the disposition "of the Imperial Navy, so she cannot properly be "charged with any portion of its cost." . . . .

"The nature of the services required to be performed "by vessels of war in the Red Sea, and upon the "eastern coast of Africa, has recently been much "changed, in consequence of the extension of the "foreign slave trade and the more frequent presence "of foreign ships of war. Her Majesty's Government, "therefore, consider that, for the future, vessels of "the Royal Navy should be employed in those seas, "instead of vessels of the Indian Navy; and that, as "the purposes for which they are employed are "Imperial, so their cost should be borne by the "Imperial Exchequer." . . . .

"There remain, however, duties of considerable "importance which must be performed at the charge "of the Indian revenues, and for which some marine "service is required. The police of the Persian Gulf "should, in my opinion, at any rate for the present, "continue to be performed by a local service. India "is bound, in like manner with the Colonies, to "provide at her own cost sufficient means for the "protection of her ports against a small attacking "force from the sea, by batteries on shore or by "defences afloat. . . . . It has been arranged with "the Lords Commissioners of the Admiralty that "the portions of the survey of the coasts and harbours "of India which are yet incomplete or want verification, shall be completed by the vessels and officers "of the Indian Navy. When this is done, any further "surveys which may be required will be conducted "by the Royal Navy, and at the expense of the "Imperial Government, as in other parts of the "world." . . . . "It will always be desirable to "maintain a certain number of Government transports

" ready for sea." "The services which I have specified have always formed the principal employment " of the Indian Navy"; and Sir Charles Wood did not propose at once to abolish the service.

3. The Government of India, however, held very strongly "that it would not be for the public advantage " to maintain the Indian Navy, with its existing " organization, but reduced into a smaller service, for " the purposes only of protecting the Indian ports, of " suppressing the slave trade and piracy in the Persian " Gulf, and of transporting troops and stores;" and " Her Majesty's Government accordingly decided " altogether to abolish the Indian navy as at present " constituted, and to provide otherwise for the per- " formance of such duties afloat as cannot advan- " tageously be undertaken by vessels of the Royal " Navy. Such services as are required from ships of " war in the Persian Gulf will for the future be per- " formed by the Royal Navy." The expenses of "the " floating defences of the Indian ports and harbours " . . . will, of course, be defrayed out of the " revenues of India." "The transport of troops and " stores and other civil duties can be performed for the " future by a local service."

4. In consequence of the announcement in Sir Charles Wood's former despatch "that the naval " services in the Red Sea and on the eastern coast of " Africa would for the future be performed by vessels " of the Royal Navy, at the expense of the Imperial " Government," the Government of India had "di- " rected that the cost of the vessels of the Indian Navy, " which since that time (August 30, 1861), had been " employed in those waters, should be charged to the " Imperial Government." Sir Charles Wood, however, " said that "it was not intended that a charge which " has for many years been defrayed out of the revenues " of India should be assumed by the Imperial Govern- " ment before the services are actually performed by " vessels of the Royal Navy."

5. In accordance with this decision, the Indian Navy was abolished by an order dated the 22nd of April, 1863. The Admiralty having inquired what force had hitherto been maintained for such duties as the Royal Navy would henceforward be required to take "for the " protection of the Indian seas," the India Office, on the 7th of November, 1862, replied: "At all times " there have been several vessels of Her Majesty's " Navy in the Indian Seas for the general protection of " trade, and to be at the same time available for any " general service which might be required by the " Government of India. A considerable squadron of " the Royal Navy has always been maintained on what " is called the East India and China station, and the " number of ships and vessels on the coast of India has " varied from time to time according to the known or " anticipated requirements of the various posts of that " extensive naval station. So far as the wants of India " are concerned there has been since the Burmese war " little occasion for the services of the Royal Navy " vessels, whilst the demand for ships and vessels in " other parts of the command has increased; fewer " vessels have consequently been there for some time " past than it had been usual to keep there at former " periods." . . . . . Sir Charles Wood does " not anticipate that any active service is likely to be " required from the Royal Navy on the coasts of India, " but it is undoubtedly desirable that some of Her " Majesty's ships should show themselves from time to " time at the different ports in the country." "With " regard to the east coast of Africa and the slave trade " upon that coast, the only naval force there in former " years consisted of Arab dhows, and the only slave " trade was the domestic slave trade of the Arabs; no " foreign vessels of war ever showed themselves there. " In these circumstances the little duty required was " easily performed by the vessels of the Indian Navy. " Now, however, the French have established them- " selves at Zanzibar, and are endeavouring to do the " same in the Red Sea; their vessels are frequently " there, and it is stated that the slave trade has been " carried on under their flag, as well as under the " Spanish flag supported by them. They are also " establishing a line of packets down the Red Sea, and " the visits of their vessels of war will probably be now " more frequent than heretofore. These circumstances " entirely alter the state of the case, and it must be " obvious to the Lords Commissioners of the Admiralty " that Her Majesty's Navy must undertake this duty, " which may bring them into communication or pos- " sible collision with the vessels of war of other Euro- " pean powers. With regard to the Persian Gulf, the " duties there are on a much less scale, principally " consisting of the police of the Gulf, that is, prevent- " ing small Arab chiefs from rendering the navigation " unsafe by their piratical expeditions. Most of these " chiefs are bound by treaty not to engage in any " hostilities by sea. The force of the Indian Navy " which was generally maintained there has been one " or two small sailing vessels, and sometimes a steamer " . . . . Sir Charles Wood cannot doubt that the " occasional visits of small armed vessels are advisable. " For the purposes of the general naval defence of " India, and the service on the east coast of Africa, the " number of vessels must vary, as heretofore, according " to circumstances . . . With regard to the service " in the Persian Gulf and that within the Red Sea, " Sir Charles Wood is of opinion that probably two " small vessels, one to be generally available at Aden, " and in the Red Sea, and the other for occasional " visits to the Persian Gulf, would suffice, or at the " most three vessels, so as to provide a reserve in case " of necessity."

6. On receiving this letter the Admiralty replied, on the 12th November 1862, "that they will undertake for " Her Majesty's ships to carry out the various duties " as detailed."

7. In 1864 some difficulty arose in meeting the various demands of the Bombay Government respecting naval requirements in the Red Sea and Persian Gulf and also at Zanzibar, and Sir Charles Wood wrote, "All naval " duties connected with the general defence of India, " the protection to trade generally, the suppression of " piracy, and the putting down of the slave trade, " which duties are all more or less warlike in their " character, will be discharged by vessels of the Royal " Navy, whether such duties may be required on the " seaboard or coasts of India, or in any part of the " Indian seas or gulfs, and it was clearly understood, " in correspondence with the Lords of the Admiralty " at the time the Indian Navy was abolished, that their " Lordships would undertake for Her Majesty's ships to " carry out those duties."

8. The Government of India not being satisfied that they had sufficient control over the naval force, the subject was reconsidered in 1867–69, and it was determined to maintain six suitable ships of war in the Indian seas, three to be entirely at the disposal of the Government of India for employment in the Persian Gulf, and the remaining three also at their disposal in all possible cases for general employment in the Bay of Bengal or elsewhere. The vessels so detailed were a corvette of 1,951 tons and five gunboats. Hitherto India had paid nothing for the services of the Royal Navy, but henceforward a charge was "to " be made upon Indian revenues on account of" the six ships, "estimated, at an annual rate of 70*l.* per " man, at 70,000*l.* per annum; and, while all six " vessels are to have dock accommodation free in " Bombay, the charge for labour and materials on " account of the three vessels employed in the Persian " Gulf will be borne by the Government of India. " The cost of coal also expended by those three vessels " will form a charge against the Government of India." The estimate of 1,000 for the complement on which the 70,000*l.* was based, was in excess of the actual numbers of officers and men employed.

9. In 1876 a question arose as to whether one of the vessels (the "Daphne") employed in the Persian Gulf, when re-commissioned on the Bombay station, had not received a double outfit at the expense of India; and Lord Salisbury wrote, "that it is presumed that each " of the three vessels allotted by the Admiralty for " service in the Persian Gulf, under the terms of the " agreement entered into in 1869, will be, on entering " upon her service, in a thorough state of efficiency " and repair, and that, if not, she should be brought " into that condition at the expense of the Imperial " revenues, before any claim can be admitted under " the above agreement, to repairs or refitting at the " expense of the Government of India. It is obvious " that under such an arrangement only would it be " just that these vessels should, at the close of their " tour in the Persian Gulf, be placed, at a charge " against Indian revenues, in a state of repair for " recommissioning on another station."

10. It was thought desirable in 1881 to provide vessels of a more suitable character for service in the Persian Gulf, under the agreement of 1869; and the "Sphinx" was constructed for the purpose, and commissioned in 1883, taking thenceforward the place of the three gunboats previously employed.

11. The Auditor of the Home Accounts having challenged the propriety of the payment of the full subsidy of 70,000*l*, a year, on the ground that some of the six vessels had been employed in the suppression of the slave trade on the African coast, the matter was examined, but eventually the claim of the Admiralty was satisfied, on their assurance "that three vessels "have always been employed on the Indian Station, "which were available for the service of the Indian "Government when required in addition to the three "vessels employed in the Persian Gulf."

12. In 1875 an agreement was made with the Admiralty that certain percentages should be mutually added to actual disbursements in the dockyards, in order to cover indirect expenditure on establishment and contingencies; and in 1885 it was further agreed that the percentage so added "should be held to cover "all charges for docking and dock hire, whether, in "regard to the ships docked in India, such ships are "on the strength of the Indian squadron or not."

13. Disallowances having been made from the annual subsidy, on the ground that the complement of six vessels had not been at the service of the Government of India for certain periods, a departmental committee was appointed to examine the claims.

14. In their first report, they recommended that, when a vessel was laid up in dock for a prolonged refit, it should be held that she was removed from the disposal of the Government of India, and that a proportionate deduction should be made from the subsidy; on the other hand, all repairs arising from the service of the ships in the Persian Gulf must be borne by India. The outstanding claims were adjusted accordingly.

15. In the final report of the Committee on the annual subsidy, it was recommended that the number of vessels to be employed continually in Indian waters should be reduced to four, of which one should always be in the Persian Gulf; that the subsidy should be 38,500*l*. a year (that is to say, for 550 men at 70*l*. a year) subject to a reduction of 28*l*. 15*s*. a day for each vessel below the complement; that the Government of India should pay the cost of extra coal consumed in service under the requisition of the Indian authorities; that 5 per cent. should be annually paid towards replacement, on the cost price of the "Sphinx" or any other vessel constructed under special design exclusively for service in the Persian Gulf; that, when a vessel had been in dock more than 30 days she should cease to be reckoned in the complement; that all repairs should be effected at the cost of the Admiralty, subject, in the case of vessels that have served in the Persian Gulf, to a proportionate contribution by India; and that no charges should be made for docking, except where actual outlay is incurred. The Admiralty intimated on the 29th of February 1888 their readiness to accept the proposals for 1888–9, though, if newer types of vessels, carrying more expensive complements, should be substituted for the vessels then on the East Indian station, their cost might exceed the capitation rate of 70*l*. a man.

16. The Treasury on the 30th June 1888 wrote that, in their opinion, the first step was "to ascertain, as "nearly as possible, the full annual cost of the force, "effective and non-effective, and then to determine "whether the whole ought to be paid by India, or "whether any, and if so what, abatement should be "made from the charge in respect of the duties that "must be occasionally performed by those vessels, or "at least by the three outside the Persian Gulf, for "the Imperial Government. The charge of 70*l*. per "man, which the Committee propose to maintain, was "calculated 20 years ago, and apparently on the basis "of pay and victualling only . . . . When a "larger squadron was engaged by India, and the "subsidy was based on a fictitiously large force of "men, there may have been a justification for not "charging India with the ordinary cost of maintaining "the vessels, which will no longer exist when the "squadron is reduced by one-third, and the subsidy is "based on the number of men in actual employment." Subject to these remarks, they agreed to the proposed settlement to March 31st 1889; it was afterwards extended for another year.

17. In three despatches in 1887 and 1888, the Government of India represented the inefficient character of the vessels on the Indian station; and the Admiralty undertook to send out two newer ships, and to give further consideration to the subject when the existing commissions should be drawing to a close.

18. On the 6th of January 1890 the Treasury informed the India Office that the cost of the four vessels then in Indian waters was estimated at 76,079*l*. per annum, and they could not continue to accept only 38,500*l* The India Office replied by reciting the history, and pointing out that it was no part of the original arrangement "that the Admiralty should be relieved "at the cost of Indian revenues of any portion of the "expense, which they had always borne, of maintaining "a naval squadron in Indian waters." The contention of the Treasury that India should pay the whole cost of the ships "would be only reasonable were the squadron "placed at the sole disposal of the Government of "India, and under their undivided control, in the "same way that the British troops in India are "employed under their orders. Such, however, it "has been shown, is not the case.

19. Shortly after this letter was written, on the 26th of March 1890, a conference was held at the Foreign Office to consider various financial questions in dispute between the British and Indian Governments, of which one was the subsidy for the East Indian squadron.

20. The Treasury objected to the basis of 70*l*. per man as obsolete. It was agreed that "the Indian "Government is to be consulted as to the number and "class of ships required in the Persian Gulf and off "the coasts of India, for Indian purposes. When "that number is settled by the British and Indian "Governments jointly, it will be arranged that the "ships are not to be employed beyond certain limits, "to be agreed upon, except with the consent of the "Indian Government. They will be under the control "and orders of the Naval Commander-in-Chief, to "whom will be sent the wishes of the Indian Govern-"ment, with which it will be his duty to comply. "India is to pay the whole cost, effective and non-"effective, of them. Special reference was made in "this connection to the example of the Australasian "Colonies (which are contributing liberally for the "protection of their floating trade)." As to the subsidy for 1890–1, Mr. Forwood was to draw up a memorandum.

21. This memorandum was forwarded by the Treasury to the India Office on the 19th of December, 1890, and showed the cost of the four vessels then composing the squadron to be 103,577*l*. a year, which amount was accordingly claimed for 1891–2.

22. The Government of India had, in a despatch dated the 25th of August, 1890, No. 17, expressed an opinion that the number of vessels could not be conveniently reduced below four, but that the vessels might be smaller and cheaper. In view, however, of the final arrangements which had been made for the floating defences of these harbours, Lord Cross asked whether they could not bring down their demands to three ships of moderate size. He also pointed out that, under the Australasian agreement, no reduction was to take place in the normal strength of the naval force employed on the Australian station, and that the same principle would no doubt be followed in regard to the East Indian station.

23. The reply of the Government of India was to fix the number of vessels at three, the "Sphinx" in the Persian Gulf, and two gunboats of the "Pigeon" class, one to be ordinarily at Aden, and the other in the Bay of Bengal. In communicating this to the Admiralty, on the 25th June, 1891, Lord Cross said that he saw no reason why India should pay more than would be claimable under the Australian agreement, and that the arrangement should be reconsidered after five or ten years. Subject to this understanding, he was prepared, from the 1st of April, 1891, to pay the full cost of those vessels, effective and non-effective, with a charge for depreciation amounting to 49,600*l*. a year. The Admiralty, on the 17th of November, 1891, said that such a reduction did not meet the spirit or intention of the Conference; they had met the wish of the Government of India for better ships; and, unless the Secretary of State in Council gave way, they pressed that the question should be referred to a departmental committee. To this last proposal the India Office agreed, "provided their discussions "are limited to the question of the number of vessels "required for Indian purposes, a point which, by the "terms arranged at the Conference, is to be settled by "the British and Indian Governments jointly.

24. A committee having accordingly been appointed to consider "the number and class" of ships required for Indian purposes, held two meetings on the 11th

and 25th of January, 1892, but they found it impossible to come to an agreement as to the scope of the words "Indian purposes" for which the vessels were required. Thereupon it was agreed to refer this point to an arbitrator, but the case which the Treasury wished to submit to him was not identical with that which had been agreed upon between the Admiralty and the India Office. The Secretary of State in Council was unable to assent to the proposed variation of the terms, which caused further delay. At last, however, in 1895 it was agreed that the whole matter should be referred to Lord Rosebery, as Prime Minister, whose award was given on the 19th of February, 1895, in the following terms:—

(1.) "That the Indian Navy did perform or co-operate in the performance of duties more extensive than are now admitted under the expression 'Indian purposes,' as limited in the India Office case.

(2.) "That this expression cannot be limited to merely maritime police and the repression of piracy, but must be held to include some portion, at any rate, of the duties devolving on the Royal Navy for the defence of India and the protection of trade in Indian waters.

(3.) "That the transaction of 1862 represented at most a temporary waiver of the claim of the Imperial Government to a contribution from India in respect of the performance of those duties.

(4.) "That in any case nothing then said or done could affect the right of the Imperial Government to raise such a claim on its merits at any subsequent period.

(5.) "That the basis on which such contribution should be calculated does not admit of a permanent definition, but should be settled between the Home and Indian Governments from time to time at fixed intervals of, say, 10 years."

25. Further correspondence ensued, the Admiralty maintaining the validity of their claim to 117,000*l.* a year from 1891 (exclusive of 4,000*l.* paid in India for repairs of the "Sphinx"); but as a compromise, they have proposed, and the India Office has accepted the proposal, that 117,000*l.* (the sum inserted in the Navy estimates) shall be paid this year, and 100,000*l.* in future, till March 31st 1901, all arrears being waived, and the Indian Government accepting the repairs of the "Sphinx" in India. They will also pay the cost of coal used in the Persian Gulf, and of that consumed in other vessels when on services performed at the request of the Indian authorities.

26. In view of the decision given by the Prime Minister, it is not desired by the India Office to dispute the arrangements recently made upon any arithmetical or technical grounds. But the attention of the Commission is requested to the broad question whether it is right to exact from India within 17,000*l.* of the full charge, effective and non-effective, of the squadron, seeing that—

(1) Although the admiral is required to comply with the wishes of the Government of India when communicated to him, still the ships are not at their disposal in the same degree that the Army is.

(2) The vessels not employed in the Persian Gulf are under the command of the Admiralty, and must be occasionally employed on other than Indian services (*see* Treasury letter of June 30th, 1888) for which India gets no return.

(3) The number and class of the vessels employed is not that which the Government of India think necessary, but that which the Admiralty determine.

Post Office Payments under the Postal Arrangement with the Treasury.

The charges and receipts accruing under the contract with the Peninsular and Oriental Steam Navigation Company were divided between the British and Indian Governments in certain proportions, in accordance with an award made by Viscount Halifax in 1876, which has since been slightly modified to meet the altered circumstances. By the contract of 1879 the subsidy by the British Government to the Company was reduced from 430,000*l.* to 370,000*l.*, and by that of 1888 to 265,000*l.* On the United Kingdom and India joining the Postal Union, the letter rate of postage was reduced from 8*d.* to 6*d.* by Brindisi, and from 6*d.* to 4*d.* by Southampton, per half-ounce; and in 1880–1, when the Southampton route was abandoned, it was further reduced to 5*d.* In 1891 it was again reduced to 2½*d.*, and it was then arranged that each Government should retain its own receipts, and the contribution by India was fixed at 60,600*l.*, in addition to one penny per letter rate for the cost of the continental transit on the homeward mail. The contract will expire in 1898

Red Sea and India Telegraph.

The Red Sea and India Telegraph Company was formed in 1858, the Treasury giving a guarantee for 50 years to make up the dividend to 4½ per cent. on the capital.

In 1861 an Act was passed, declaring that the guarantee was not conditional on the telgeraph being in working order. By a further Act of 1862, the line having ceased to transmit messages, the property was transferred to a new company; and the guarantee to the old company was converted into an annuity of 36,000*l.* for 46 years. It was further provided that India should pay 18,027*l.* annually to Her Majesty's Exchequer, being half the annuity and cost of management up to August 4th 1908.

Zanzibar and Mauritius Cable.

In March 1891 a departmental committee recommended in the interests of India, and mainly on strategic grounds, that a cable should be laid from Zanzibar or its neighbourhood viâ the Seychelles to Mauritius.

The total subsidy paid to the Eastern Telegraph Company, which undertook the work, was fixed at 28,000*l.* a year for 20 years (14,000*l.* for the Zanzibar-Seychelles section, and 14,000*l.* for the Seychelles and Mauritius section). Of this annual sum, Mauritius contributes 7,000*l.*, the Seychelles, 1,000*l.*, and the remainder is equally divided between the British and Indian Governments. The line was opened on the 24th of November 1893.

In the event of either section being interrupted for a period exceeding six months at a time, the subsidy for the section is to cease until the cable is again in good working order. The period of six months may be extended, if necessary and proper.

All messages on the service of the Imperial, Colonial, and Indian Governments, are to be transmitted at rates not exceeding one half of those charged to the general public.

Mission to the Court of Persia.

In 1835 the East India Company agreed to contribute 12,000*l.* a year to the maintenance of the Persian Mission. In 1858, when the Mission was for a time placed under the Government of India, the Imperial Government agreed to contribute 5,000*l.* On the mission being in 1859 again transferred to the Foreign Office, Lord John Russell refused to revise the agreement; and thus it became recognised that India should pay $\frac{12}{17}$ths of the cost, subject to a maximum of 12,000*l.* a year.

In 1871 the Select Committee on Diplomatic and Consular Services recommended that the proportion paid by India should be reduced, as it has been found that out of an average of 15,122*l.* a year the Imperial Government had paid only 3,122*l.* Correspondence ensued; and at length the annual charge against India was reduced in 1880 to 10,000*l.*, and in 1891 to 7,000*l.* till the 31st March 1901.

Her Majesty's Establishments in China.

In 1834, when the cost of the establishments of the British Superintendents of Trade in China was accepted as a charge on the Imperial revenues, it was agreed that one-third should be defrayed by India. Owing to the great increase in the total cost of the establishments, the amount falling on India rose from an average of 4,676*l.* between 1835–6 and 1842–3 to 22,000*l.* or 23,000*l.* from 1867–8 to 1871–2.

From 1859 onwards the Secretary of State in Council constantly protested against the charge, and especially

against the claims for 1872–3 and subsequent years. In 1876 the Government of India proposed an annual payment of 10,000*l.* In 1877–8 a payment was made by the India Office of 58,327*l.*, in satisfaction of all arrears to March 31st, 1876, thus making the average annual payment 20,962*l.* from April 1st, 1867, to that date. The Treasury, however, demurred to so great a reduction as was implied by agreeing to 10,000*l.* a year from India; and at length 15,000*l.* a year was accepted with effect from April 1st 1876. This arrangement, in spite of protests that the charge was too heavy, lasted till 1890, when a further reduction to 12,500*l.* was accepted, as a mean between 15,000*l.* and 10,000*l.*, the agreement to be in force till March 31st 1890.

SUBSIDIES to the EUPHRATES AND TIGRIS STEAM NAVIGATION COMPANY, for a MAIL SERVICE between BUSSORAH and BAGHDAD, and in aid of the STEAMSHIP SERVICE on the KARUN RIVER.

(1.) *Tigris Subsidy.*

In 1863 a contract was made between the Secretary of State for India and the Euphrates and Tigris Steam Navigation Company, for a mail service between Bussorah and Baghdad, a subsidy of Rs. 24,000 a year being given for eight trips, which might be increased to 12 on the demand of the Government.

In 1866 the Secretary of State accepted an offer from the company to increase the number of trips to 24, for an annual subsidy of 4,800*l.*

In 1873 the Government of India represented that the British India Steam Navigation Company were willing to undertake a weekly service for Rs. 2,400 a month. The Euphrates and Tigris Company were thereupon asked whether they were willing to accede to the same terms, and they replied in the affirmative, conditionally on obtaining permission to run a third vessel on the Tigris. Eventually, in 1875, a contract was made with them, stipulating for three trips a month by two vessels for a subsidy of 3,600*l.* a year, with a condition that, whenever a third steamer should be permitted on the rivers the service should be made weekly, and the subsidy be reduced to 2,400*l.* a year.

In 1879, although the third vessel was not permitted to run, the service was made weekly, the subsidy being unaltered.

In 1884 a fresh contract was made with the Euphrates and Tigris Company, for 10 years, providing for a weekly communication between Bussorah and Baghdad, on payment of an annual subsidy of Rs. 36,000 a year. The Company have not been permitted by the Turkish Government to employ the third steamer which they provided, except occasionally as a substitute for one of the others.

It has been agreed that a fresh contract for 10 years shall be made with the Company, the subsidy being reduced to Rs. 24,000 a year, but the contract has not yet been signed.

The Government of India represent that the Indian Post Office does not require the grant of a subsidy to secure a weekly mail service in a foreign country belonging to the Postal Union; and, though it is desirable to continue it on political grounds, they hold that the whole charge should not fall on the revenues of India.

(2.) *Karun Subsidy.*

The Persian Government, in 1888, opened the Karun River to general navigation as far as Ahwaz, and the Euphrates and Tigris Steam Navigation Company thereupon instituted a fortnightly service on this route, carrying the mails free of charge. Finding difficulties, however, thrown in the way of the development of the trade, they were unable to continue the service without assistance, and it was agreed with the Treasury that India should bear one-half of a postal subsidy, fixed on a maximum of 3,000*l.* a year during 1890 and 1891, and 2,000*l.* a year from 1892 to 1894.

The Secretary of State, deferring to the views of the Government of India, at first declined to continue the Indian contribution for another five years; but, with the concurrence of the Government of India, he has consented to resume the payment of a moiety of the subsidy of 2,000*l.* for the present, on the understanding that the whole question of the distribution of the charges on account of the Tigris and the Karun subsidy is referred to the Commission now sitting.

CONTRIBUTION to the JEDDAH CONSULATE.

In view of the number of Indian pilgrims passing through Jeddah to Mecca, India agreed to pay half the net cost of the Consulate. The amount is revised triennially, on the actual charge in the three preceding years. The triennial payments have been fixed at 475*l.*, 500*l.*, 410*l.*, and 458*l.*

ADEN.

Aden was acquired by the East India Company in 1838 in the interests of shipping passing between India and the Red Sea, as a coaling station and for purposes of protection in cases of shipwreck. Direct seaborne trade between Europe and the Arabian coast hardly existed in those days before the construction of the Suez Canal.

The Red Sea, then a mere backwater, has become the main channel of trade between Europe and the East. The importance of Aden as the principal coaling station and naval fortress on this trade route is consequently very different from what it was in 1838.

Aden, as now constituted, includes the following British possessions directly administered: — Aden, 21 square miles; Shaikh Othman, 39 square miles; Little Aden, 15 square miles; and the island of Perim, 5 square miles.

The political relations with chiefs having authority on the South-Eastern littoral of Arabia, which are of some Imperial as well as Indian importance, have their centre at Aden, and the Somali coast on the African side of the Gulf has been occupied as a necessary and principal source of food supplies for the garrison and settlement of Aden, which is girt about by sea or sandy waste. The Somali Coast Protectorate forms a part, under existing arrangements, of the political charge of the resident at Aden.

Of recent years the trade of Aden has grown to a position of considerable importance. In 1894–5 it was valued at Rs. 86,802,214; of this trade India's share was nearly 19 per cent., and the share of the United Kingdom nearly 9 per cent. Suakin, Zanzibar, Mauritius, the Straits Settlements, and Hong Kong also enjoyed appreciable shares in this trade.

In these figures are not directly included the trade of the Somali Ceast, which amounted to Rs. 9,437,966.

The following statistics of shipping entered and cleared at the port of Aden (Perim is not included) in 1894–5 will show the enormous value of Aden as a port of call, and the relative shares of this value accruing to (*a*) the United Kingdom, Colonies and British Possessions, other than India (with Burma), (*b*) India (with Burma), (*c*) Foreign countries (including Zanzibar):—

	(*a*) United Kingdom, &c.	(*b*) India.	(*c*) Foreign Countries.
Tonnage entered	685,024	695,510	899,945
„ cleared	819,615	530,888	931,715
Total	1,504,639	1,226,398	1,831,660
Percentage	33	27	40

The tonnage totals do not include the ships calling at Perim only. In numbers, the Perim shipping is about 37 per cent. of that at Aden; the above figures might, therefore, be increased to that extent, to include Perim, which for the purposes of this note must be considered a part of Aden.

In estimating these relative proportions, it must be remembered that ships entering from, or clearing for India may have originally come from, or may be subsequently proceeding to, ports in the further east, and in most cases to ports belonging to the British Empire. Of the shipping passing through the Suez Canal, 57 per cent. called at Aden, and about 20 per cent. at Perim *en route*. The total shipping using the canal exceeded 8,000,000 tons, of which nearly three-fourths were British. The actual number of merchant vessels that passed through the Suez Canal in 1894–95 was 3,255; of these, 2,462 passed the Port of Aden; of this number 1,309 called at Aden, and 486 at Perim, and 667 at neither station.

As to the nationality of ships calling at Aden, out of 1,309 merchant steamers, 837 carried the British flag. The port was also used in 1894–95 by 33 vessels of the Royal Navy, 10 British Government troopships, and 30 vessels of the Royal Indian Marine.

In times of peace almost the whole of the trade between Europe and the coasts of Asia, and of Eastern African, passes by Aden.

As a naval fortress and coaling station for ships of war, Aden is a place of great importance, and its value has been so far recognised by the British Government that a moiety of the cost of the permanent Aden defence works has been borne by British revenues.

The British Government has also borne a share of the charges for the Red Sea Telegraph.

In one other respect Aden has been of very appreciable value to the United Kingdom. It has assisted, and at the same time diminished the cost of, the operations undertaken in pursuit of the British policy of suppressing the slave trade on the Red Sea and East African coasts.

So long ago as 1861 the Government of India urged the propriety of the expenses of Aden being divided between Great Britain and India, and its transfer to Imperial control under certain conditions was, at a later date, seriously discussed.

The following is a summary of the expenditure on Aden in 1894–95 charged on the revenues of India:—

			Rx.
Military charges			206,584
Military works			9,376
Special defence works			32,010
Civil works			3086
	Rx.		
Civil charges	49,128		
Civil receipts	22,890		
			26,238
Net charge			Rx. 277,294

Against this total must, however, be set the share of special defence works. Expenditure repaid or to be repaid by Great Britain, which cannot amount to more than Rx. 16,005, and which, owing to various objections urged by the War Office, will undoubtedly be considerably less.

The Somali Coast is practically self-supporting.

In 1894–95 the charges were		Rx. 29,361
And receipts		,, 28,016
Net charge		,, 1,345

This net charge appears, presumably, a a single item among the civil charges of Aden, shown above.

Examinations for the Indian and Home Civil Service.

The first examination for the Indian Home Civil Service combined was held in August 1895, the cost being 1,860*l.*, of which the Treasury bore 250*l.*, and 1,610*l.* fell on India. (In 1892 India had paid 1,481*l.*, in 1893, 1,198*l.*, and in 1894, 1,232*l.*)

The number of candidates in 1895 was 24 for the Home Service only, 105 for India only, and 49 for both services. At these numbers the charge of 1,860*l.* gave about 10*l.* 9*s.* per head; so that the Treasury bore approximately its proportion for the Home candidates only, but nothing for the 49 Joint Service candidates, while the printing charges were borne entirely by the India Office.

On this being pointed out, the Treasury agreed in future to bear the rateable proportion for those who compete for the Home Service only, and half the share for those who enter for both Services.

Payment for Indian Emigrants.

Since 1875 India has paid 300*l.* a year to the Consul at Réunion for house allowance and other incidental expenses, and an outlay not exceeding 200*l.* a year for two interpreters.

In 1884 India agreed to pay 100*l.* a year for an interpreter to the Consul at Surinam, which was raised in 1886 to 150*l.*

Voluntary Payments in which both the United Kingdom and India share.

International Tariffs Bureau at Brussels.

The United Kingdom contributes 6,893 francs a year, and India contributes 4,970 francs.

Voluntary Payment by India, where the United Kingdom contributes nothing.

Imperial Institute.

India contributes 1,000*l.* a year.

APPENDIX No. 49.

Memorandum of Civil and Naval Services in respect of which a Contribution is made by India to the British Government.

(*Handed in by Mr. G. L. Ryder.*)

(1.)—*The Persian Mission.*

This Mission was first established in 1810, at the charge of the United Kingdom, but 13 years later it was transferred to the East India Company, as being a service mainly of interest to India. From 1823 to 1835, the Mission was wholly supported from Indian funds. In 1835 it was re-transferred to the Foreign Office, for diplomatic reasons, and the East India Company contributed 12,000*l.* per annum (its then full estimated cost) for its support. This arrangement lasted until 1859, when the Mission and the under-mentioned Consulates were placed for one year (1859-60) under the Secretary of State for India in Council, and the United Kingdom contributed 3,000*l.* per annum, out of an assumed cost of 15,000*l.*, for the support of the Mission and 2,000*l.* (being full estimated cost) for the Consulates at Tehran, Tabreez, and Resht. After the experience of a single year, however, it was found more convenient to place both the Mission and the Consulates once more under the Foreign Office; and from 1860–1 to 1879–80, India contributed, as of old, 12,000*l.* per annum for the support of the Mission, leaving the Consulates, as theretofore, to be paid for wholly by the United Kingdom. (9536/89.)

In 1880, in fulfilment of a recommendation by the Select Committee of 1871 on Diplomatic and Consular Services, the Indian contribution was reduced to 10,000*l.* per annum, and it was continued at that rate until 1890–1 inclusive.

In 1891 (14742/91) the amount of the contribution was reduced to 7,000*l.* per annum, under protest from the Treasury, and so it has remained since 1891–2 inclusive, and is to continue until 31st March 1901.

As Turkey and Russia are within the sphere of European diplomacy, and other European Powers are in diplomatic relations with Persia, it is expedient that the British Mission and certain of the British Consulates in Persia should be under the control of the Foreign Office, due regard being paid to the wishes of the Government of India in the matter of appointments.

On the other hand, as the maintenance of Persia in its integrity and independence is essential to the well-being of Her Majesty's Indian Empire, whilst it is at most only desirable for the United Kingdom, equity requires that the greater part of the cost of the British Mission at Tehran should be borne by India.

But over and above the political argument, there are commercial reasons for charging India rather than the United Kingdom with the cost of diplomatic and consular representation in Persia. If India be credited

with two-thirds of her direct trade in Manchester goods with Persia, her commercial interests in Persia are more than double those of the United Kingdom. Moreover, the telegraphic and other correspondence between Tehran and India far exceeds that between Tehran and the United Kingdom.

It will naturally be asked why the estimate of the Indian share of the cost of the Mission should have been so much reduced of late years. At first India contentedly bore the whole of it, then $\frac{1}{2}\frac{2}{3}$ths, afterwards reduced to $\frac{1}{1}\frac{2}{7}$ths, then $\frac{1}{1}\frac{0}{8}$ths, and now perhaps $\frac{3}{5}$ths, is the proportion grudgingly allowed to be Indian. The explanation seems to be that the Government of India has only gradually become alive to the very heavy direct charge incurred by that country on account of Persia. This charge is now well known, and native opinion is stated to be particularly sensitive on the subject of expenditure outside the Indian Empire.

Taking Persia as a whole, and including Consulates as well as the Mission, the expenditure of India may be estimated as follows, on data given to the Treasury in 1891:—

	£	£
Persian Mission:		
Direct, for Telegraph Establishment, &c.	3,350	
Indirect, being contribution paid to United Kingdom	7,000	
		10,350
Khorassan Agency		3,750
Bushire Agency		6,900
Miscellaneous, say		3,600
		£24,600

The expenditure of the United Kingdom, on the other hand, may be estimated thus:—

	£	£
Persian Mission:		
Direct, for salaries, pensions, buildings, stationery, and miscellaneous	18,500	
Less Indian contribution	7,000	
		11,500
Telegrams		2,000
Persian Consulates		2,900
		£16,400

A proportion, such as the above, of $\frac{3}{5}$ths to India and $\frac{2}{5}$ths to the United Kingdom, is stated to be as much as the Government of India can accept or justify to Native opinion. India, however, does not commit herself to any particular proportion. She offered 7,000*l*., having previously intended to pay only 5,000*l*., and whatever the Persian Mission may cost, in fact, she protests that she will not pay more, and will not discuss the arguments of the Treasury, based on political considerations, and historical and commercial data.

This is a position which it is open to the Secretary of State and Council of India to adopt, in their anxiety to reduce all charges on Indian funds, knowing, as they do, that however inadequate may be the Indian contribution, the Persian Mission will continue to be maintained, because Imperial interests weigh with the United Kingdom to an extent that they do not with any other portion of the British Empire.

It is sometimes argued that, because a service is acknowledged to be Imperial, *i.e.*, to be of interest to the whole empire as well as to the particular part of the empire in which the service arises, the cost of it ought to be borne by the United Kingdom. This might be equitable if the revenues of the United Kingdom were derived, *pro ratâ*, from the whole empire, instead of from the British Islands alone. But under a system by which each part of the empire, except those islands, appropriates its own revenues to its own purposes exclusively, the fact that a service arising locally is Imperial as well as local, is not of itself a justification for charging its cost on the United Kingdom. The whole empire is interested in the welfare of each of its parts. If the essential needs of one part are more than it can supply without external assistance, aid may be looked for from other wealthier and stronger parts, and especially from the United Kingdom; but the first charge for meeting those needs falls legitimately upon the part of the empire that is directly affected by them and in which they arise.

The protection of Indian interests in Persia by diplomatic representation is not more Imperial than the military defence of India is Imperial, and both alike are properly chargeable on Indian revenues.

(2.)—*Diplomatic and Consular Establishments in China.*

The East India Company bore the whole expense of diplomatic and consular intercourse with China, so long as it enjoyed a monopoly of British trade with China. In 1834 that monopoly ceased, and the Act 3 & 4 Will. IV. c. 93. threw the trade open to all British subjects, and authorised the defrayment of the expense of the superintendents of trade, through whom the diplomatic and consular representation of the United Kingdom was to be effected, by means of a tonnage due on all vessels belonging to British subjects that entered a China port where a superintendent was stationed, and an *ad valorem* duty on the goods carried therein. Instead of levying these imposts, however, it was thought better to divide the expense between Imperial votes and Indian funds. The Indian contribution, therefore, was in its inception the price paid for freeing Indian trade with China from the duties imposed on it by Parliament.

The division of cost arranged in 1834 was that the United Kingdom should pay two-thirds and the East India Company one-third. The one-third then amounted to about 7,633*l*. per annum. The whole administration was to be vested in the United Kingdom alone.

The Company, and subsequently the India Office, continued to pay one-third from 1834 until 1875-6, notwithstanding occasional objections to paying a fixed proportion of expenses over which India had no control, and subject to the withdrawal of certain charges for buildings, &c.

From 1876-7 to 1889-90 India paid a fixed contribution of 15,000*l*. per annum. Since then, under an arrangement made by an Inter-Departmental Conference at the Foreign Office on 26th March 1890, she has been paying 12,500*l*. per annum, and she is pledged to continue this payment until 1899-1900 inclusive.

The grounds on which the Government of India has insisted on a reduction of the contribution from one third, which may be roughly put at 20,000*l*. per annum, to 12,500*l*., and wished to reduce it to 10,000*l*., are mainly the following:—

(*a*.) Because India has no voice in the expenditure.

(*b*.) Because British colonies interested in the Chin trade make no contribution.

(*c*.) Because the United Kingdom would maintain the diplomatic and consular establishments in China whether India contributed or not, and India therefore ought only to pay for extra expenses incurred on her account solely.

The Treasury recognises the force of the first of these objections so far as to agree that the Indian contribution ought to be fixed for a period of years instead of fluctuating with the demands of each year. It cannot acknowledge the validity of the second objection, because no British colony has an interest in the China trade equal to that of India, nor does the same historical ground exist for claiming a contribution from any colony. In theory, no doubt, every part of the British empire that deals with China ought to contribute; but theoretical completeness in the distribution of charge is impracticable, and its absence is no justification for the repudiation by India of a liability which can be shown to be equitable on independent grounds. As regards the third objection, it strikes at the root of all voluntary financial co-operation between the different portions of the empire. Such a plea might be admitted on behalf of a small and poor dependency, but is unworthy of India.

The Treasury maintains that the equitable way of measuring the proper charge on India is by comparing her trade with China with that of the rest of the empire with China. No other method, moreover, accords with the spirit of the Act of 1833 already referred to. On the trade basis it is impossible to put India's share at less than 25 per cent. Putting the divisible charge at about 60,000*l*. per annum, this proportion would give a charge of 15,000*l*. per annum against India, and the Treasury has been contending for that contribution.

(3.)—*Jeddah Consulate.*

The Government of India agreed to a division of the charge for this Consulate on the Arabian coast of the Red Sea in 1874, and again in 1878, when the trading consulate was turned into a salaried one, on the ground of her great interest in it. Until 1883 India paid half the actual cost and received half the fees; but her net

share of cost was commuted for a periodically revised payment in 1884 (10366/84). The contribution is fixed triennially on the basis of the actual expenses of the preceding three years. India declines to pay any share of certain expenses, such as outfit, travelling, and pay of absent officers; but she is ready to pay half of other current expenses, and of pensions.

	£	
For the three years 1883–4 to 1885–6 the contribution was	475	per annum.
For 1886–7 to 1888–9 it was	500	,,
For 1889–90 to 1891–2 it was	410	,,
For 1892–3 to 1894–5 it was	458	,,

The contribution for 1895–6 and succeeding years has still to be fixed (5477/93). India's interest arises from the passage of Indian pilgrims through Jeddah to Mecca.

Fixed at 426*l.* per annum for three years to 31st March 1898 (5387/96).

(4.)—*Chiengmai Consulate.*

This Consulate was originally created in 1883 (21328/83) for the protection of the interests of British Indians in Northern Siam. It used to be wholly maintained from Indian funds, but in 1891 it was transferred to the Consular Estimates, for the sake of convenience in accounting for fees, in order to give a freer hand to the Secretary of State for Foreign Affairs in the appointment of officers, and to prevent difficulties in the assignment of their pensions. The condition, however, annexed to the transfer was that India should continue to bear the charge, by making an adequate annual contribution, to be fixed periodically.

The amount of the contribution agreed upon for the five years from 1st April 1891 was Rs. 15,020 per annum (6992/91). But the cost of the Consulate has been increased since that date, and India declines to pay for the second student interpreter kept at Bangkok mainly for Chiengmai business.

The contribution was arrived at thus:—

	Rs.
Average yearly cost to India in the four years 1884–5 to 1887–8, less buildings, furniture, and elephants	12,022
Add:—	
8 per cent. on buildings and furniture (Rs. 12,548)	1,004
4 per cent. on elephants (Rs. 5,690)	228
20 per cent. on salary (Rs. 7,200) and value of house (Rs. 1,200)	1,680
On account of outfit allowance	480
	15,414
Less fees, say	394
	Rs. 15,020

(5.)—*Royal Navy in Indian Waters.*

Until 1862, the naval defence of Indian commerce in Indian waters was carried out primarily by an Indian sea-going fleet, costing India at least Rs. 3,000,000 a year.

In 1862, when every effort was being made to recover from the effects of the Indian Mutiny, by economy, that fleet was abolished, and the protection of Indian commerce was undertaken by the Royal Navy, without any demand from India for a contribution until 1869. The contribution then agreed upon was 70,000*l.* per annum, being 70*l.* per annum for the wages and victualling of an assumed force of 1,000 men required for six vessels. India was also to pay the shore expenses of the men when employed under Indian requisition, to give the free use of Bombay dockyard, and to repair and coal the three ships exclusively employed in the Persian Gulf.

This arrangement continued until 1887–8, when it was determined, on the recommendation of a committee in 1887, to reduce the squadron to four vessels, with a complement of 550 men, of which vessels one was to be always in the Persian Gulf. The contribution then payable by India for 1889–90 and 1890–91 was:—

	£
70*l.* per head on 550 men	38,500
5 per cent. on first cost of the "Sphinx," employed in Persian Gulf	3,100
	£41,600 per annum.

The Treasury, however, objected to this contribution on the following grounds, viz. (3741–90):—

(1.) That the aggregate crews of the four ships were under-estimated.

(2.) That 70*l.* per annum a head no longer represented the cost of wages and victuals.

(3.) That the charge for pay and victualling did not represent so large a proportion of the whole cost as it did in 1869, because the cost of constructing, arming, and equipping a ship had so largely increased.

(4.) That it was unreasonable to charge India with a per-centage of the original cost of the single vessel in the Persian Gulf, and nothing of the kind for the other vessels of the squadron.

(5.) That to split charges for these vessels on the ground of divided interests or occasional absences appeared to be inconsistent with the fact that India was not called upon to contribute anything towards the cost of protecting her trade outside Indian waters.

At an Inter-Departmental Conference at the Foreign Office, on 26th March 1890, it was agreed that the Indian Government was to be consulted as to the number and class of ships required in the Persian Gulf and off the coasts of India "*for Indian purposes.*" When that number had been settled by the British and Indian Governments jointly, it would be arranged that the ships are not to be employed beyond certain limits to be agreed upon, except with the consent of the Indian Government. They would be under the control and orders of the Naval Commander-in-Chief, to whom would be sent the wishes of the Indian Government with which it will be his duty to comply, and India was to pay the whole cost, effective and non effective, of them.

A serious difference of opinion arose between the India Office, on the one hand, and the Treasury and Admiralty on the other, as to the meaning of the above term, "Indian purposes." If, as the India Office contended, these purposes were only the maritime police of the coast, and the repression of piracy and of the local slave trade, a smaller class and number of ships would be requisite than if, as maintained by the Treasury and Admiralty, the purposes extended to the defence of Indian commerce on the high seas.

The controversy on this subject lasted for some four years, during which India paid a naval subsidy on account of 50,000*l.* per annum. At last the question was submitted for the arbitration of the Earl of Rosebery, who gave the following award on the 19th February 1895:—

(1.) That the old Indian Navy did perform or co-operate in the performance of duties more extensive than are now admitted under the expression "Indian purposes" as limited in the India Office case.

(2.) That the expression cannot be limited to merely maritime police and the repression of piracy, but must be held to include some portion, at any rate, of the duties devolving on the Royal Navy for the defence of India and the protection of trade in Indian waters.

(3.) That the transaction of 1862 represented at most a temporary waiver of the claims of the Imperial Government to a contribution from India in respect of the performance of those duties.

(4.) That in any case nothing then said or done could affect the right of the Imperial Government to raise such a claim on its merits at any subsequent period.

(5.) That the basis on which such a contribution should be calculated does not admit of a permanent definition, but should be settled between the Home and Indian Governments from time to time at fixed intervals of, say, 10 years. (3854/95.)

In accordance with this award it has been agreed between the Home and Indian Governments that India shall pay, in addition to direct local expenses of the squadron, estimated at 4,000*l.* per annum, a contribution of 117,000*l.* (17,000*l.* being a token payment in respect of 200,000*l.* arrears for 1891–92 to 1894–95) for 1895–96, and of 100,000*l.* for each of the five following years, 1896–97 to 1900–1. (10008/95.)

The total cost of the four vessels composing the British squadron in Indian waters (including a yearly payment of 30,047*l.* to repay first cost, with 3 per cent. interest) is 121,736*l.* per annum, inclusive of the 4,000*l.* paid direct by India. Therefore India is now paying about 85 per cent. of the cost.

The four vessels in question are the—

	Tons.		£		Guns.
"Marathon,"	of 2,950,	costing	48,084	per annum	—6
"Brisk,"	,, 1,770,	,,	35,993	,	—6
"Pigeon,"	,, 755,	,,	16,651	,,	—6
"Sphinx,"	,, 1,130,	,,	21,108	,,	—5
	6,605		121,736		

In calculating the yearly payments for first cost, the hulls of these vessels are assumed to last from 18 to 21 years, the boilers for 12 years, and the armaments for 10 years.

It should be added, however, that the adhesion of the Indian Government to this arrangement was given with the reservation that the matter should not be regarded as finally closed until any recommendation on the subject that may be made by the Royal Commission on Indian Finance has been considered.

In the view of the Treasury the difference between actual cost and India's payment, and the relinquishment of 183,000*l.* arrears, amply compensate her for the occasional loss of the services of these ships, and for their being somewhat more powerful than she thinks necessary.

(6.)—*Floating Defences of Indian Harbours.*

These consist of 2 turret ships, 2 torpedo gunboats, and 3 torpedo boats, at Bombay, 2 torpedo boats at Karachi, 1 at the Hooghly, and 1 at Rangoon. But only 1 turret ship, 1 torpedo gunboat, and 3 torpedo boats are always kept in Commission and completely manned.

The cost of constructing these defences was defrayed by the Indian Government.

In return for a yearly contribution by India of 60,000*l.*, the Admiralty undertakes, under an arrangement based on the recommendations of a committee of 1888, to supply the officers and crews of these defences, and pay all ordinary expenses of maintenance, including pensions. But extensive alterations, such as re-boilering and changes of armaments, must be paid for by India. The cost of the slips or of any arrangement required for hauling up the torpedo boats is borne by India; and no charge is made by India for docking, or hauling upon slips, except where actual outlay is incurred.

The vessels will, as a rule, be kept in the ports to which they are allotted; but in times of emergency, with the leave of the Viceroy in Council, they might be employed elsewhere.

If the vessels in reserve are commissioned, the Indian contribution will be increased thus:—

For a turret ship, at the rate of 13,000*l.* per annum.
For a torpedo gunboat, at the rate of 8,000*l.* per annum.
For three torpedo boats, at the rate of 2,300*l.* per annum each.
For a seventh torpedo boat, at the rate of 1,700*l.* per annum.

(7.)—*Indian Troop Ships.*

The actual cost of chartering vessels for the conveyance of troops to and from India is now repaid by the Indian Government to the Admiralty. India also contributed, until 1895, 3,870*l.* per annum towards the effective, and 430*l.* per annum towards the non-effective, cost of the Transport Department of the Admiralty, under an arrangement made in 1879. (19,276/79.) The estimates for 1895–6 show that one Indian troopship still remains, for which India will pay 13,822*l.*, but this ship will not be replaced. The substitution of transports for troopships adds to the work and cost of the Department; and it became necessary to revise the Indian contribution. The total contribution is now 4,570*l.* per annum out of a gross mean cost of 8,196*l.* (17,988/95.)

(8.)—*British Indian Mail Service.*

Under an agreement which will expire in 1898, India contributes 60,600*l.* per annum towards a Mail Service between Brindisi, Aden, Bombay, China, &c., the gross cost of which is 265,000*l.* per annum. India also pays 1*d.* per letter for the Continental transit on the homeward mail.

(9.)—*Zanzibar-Mauritius Telegraph Subsidy.*

India contributes 10,000*l.* per annum towards a subsidy of 28,000*l.* per annum, payable for 20 years under an agreement, dated 29th March 1893, between the Treasury and the Eastern and South African Telegraph Company, for a telegraph cable from Zanzibar to Seychelles, which contributes 1,000*l.*, and thence to Mauritius, which contributes 7,000*l.* per annum.

The subsidy is only payable so long as the line is open and working.

(10.)—*Yarmouth Hospital.*

Since the abolition of the separate Indian Lunatic Asylum at Ealing in 1891–2, Anglo-Indian official lunatics have been maintained in the Naval Lunatic Asylum at Great Yarmouth. The charge made for these patients is based on actual cost, and subject to periodical revision. It is now 120*l.* a year for a first-class patient or officer, and 73*l.* a year for a second-class patient or man. The estimate for 1895–6 is—

	£	
	2,520 for 21 officers.	(2401/95.)
	2,482 ,, 34 men.	
Total	5,002	

(11.)—*Kew Gardens.*

Certain botanical collections were transferred from the Indian Museum to Kew in 1880, on condition that India should contribute 200*l.* a year for their maintenance. The expenditure of this contribution is accounted for to the India Office by the Director of the Gardens. (18,311/80.) Since 1883 India has also paid the salary (not pension) of a junior assistant engaged at Kew on work for Indian botanical establishments, at the rate of 90*l.*, rising yearly by 5*l.* to 120*l.*, and then by 10*l.* to 200*l.* a year.

(12.)—*Red Sea and Indian Telegraph.*

Under the Act 25 & 26 Vict. c. 39, an annuity of 36,000*l.* (with 54*l.* per annum for management) is payable, from 1862 to 1908, to the shareholders of the late Red Sea and India Telegraph Company, in commutation of the guarantee of interest at 4½ per cent. per annum, on the paid up capital of that Company. One half of this annuity and management charge, viz., 18,027*l.* per annum, is payable by India.

(13.)—*Karun Subsidy.*

India has joined the United Kingdom in paying, each alike, 1,000*l.* per annum to the Euphrates and Tigris Steam Navigation Company, in aid of a steamship service on the Karun River in the south-west of Persia (5163/95) for five years from 1st January 1895.

One of the questions referred to the Indian Finance Commission [*see* (15) *below*] is whether, if this arrangement continues, Great Britain ought not to pay half the subsidy of Rs. 24,000 a year paid out by India for a Mail Service on the Tigris. The Postmaster-General, however, says that this service is not of sufficient value to the United Kingdom to warrant any subsidy.

(14.)—*Mekong Commission.*

It has been arranged that the expenses of this Commission shall be equally divided between British and Indian funds, as was done in the case of the Opium Commission.

(15.)—*Royal Commission on Military and Civil Expenditure of India.*

The cost of this Commission of Inquiry is to be equally divided between British and Indian funds. Expenses in this country will be advanced by the Treasury, and governed by Treasury regulations; those incurred in India will be advanced from Indian funds, and be governed by Indian regulations. (8356/95.)

Treasury, 22nd October 1895. G. L. R.

APPENDIX No. 50.

Military Charges recoverable from India.

(Handed in by Mr. G. L. Ryder, C.B.)

I.—Effective Charges paid in England of Her Majesty's Troops serving in India.

From 1824 until the substitution of the Secretary of State for India in Council for the East India Company in 1858, and indeed until 1860–1 inclusive, the actual expenses incurred were recovered annually from India by the Treasury, with the exception of the extraordinary charges entailed by the Mutiny.

Very soon after the change of administration above mentioned, the idea of charging a capitation rate instead of actual expenses was started. Sir A. Tulloch's Committee of 1861, on the basis of previous ordinary charges, recommended 11*l.* 1*s.* 6*d.* per annum for each infantry soldier, 15*l.* 16*s.* per annum for each cavalry soldier, and 23*l.* 13*s.* per annum for each artilleryman sent out in the year. But a common rate of 10*l.* per annum for all soldiers on the establishment was agreed upon instead, and actually paid by India from 1861-2 to 1869-70, both inclusive. The word "soldiers" includes "officers" of all ranks.

The rate of 10*l.* per man on the effective list in India included all expenses on account of regiments and recruits in India, and for maintaining them until arrival there and after embarkation from India, except transport, passage money (including messing), clothing, arms, accoutrements, or other stores, and any expenses chargeable to India for the instruction of officers of the Royal Artillery, Royal Engineers, or Medical Service.

The actual payments by India at the 10*l.* rate were:—

	£		£
1861–2	584,380	1866–7	619,170
1862–3	695,860	1867–8	568,310
1863–4	687,450	1868–9	584,310
1864–5	693,180	1869–70	597,140
1865–6	651,400		

India, however, in 1870, disputed the fairness of the 10*l.* rate, and, pending a revised agreement, declined to pay more than certain sums "on account" for several years following, viz.:—

	£		£
1879–1	505,000	1875–6	380,000
1871–2	435,000	1876–7	320,000
1872–3	450,000	1877–8	500,000
1873–4	400,000	1878–9	530,000

By the Treasury Minute of 2nd July 1878 (11123/78), confirmed by 45 & 46 Vict. c. 79, it was agreed that the above payments "on account" should be accepted in full discharge of India's liabilities for the year's mentioned, except those in respect of the cost of stores, arms, accoutrements, clothing, and the charges for officers and non-commissioned officers of the Royal Engineers. This involved a remission of about 400,000*l.*

The same Minute proposed that a Commission should be appointed jointly by the India Office, War Office, and Treasury, to fix the capitation rate to be paid per man in future, and the basis on which numbers should be arrived at and that the rate so fixed should be in force for a certain number of years and then be subject to revision. Lord Northbrook was appointed chairman of this Commission by Treasury Minute of 19th February 1879 (1273/79).

On the 29th July 1879, the Commission recommended that no capitation rate should be fixed pending the publication of the Reports of the Royal Commission on Army Organisation, and of the Indian Commission on Military Charges, and that meanwhile all payments by India should be "on account" (13137/79).

By a Minute of 5th July 1880 (14065/80), the Commission were invited to consider what temporary arrangements should govern the payments by India for two or three years from 1st April 1879; and on 4th October 1880 (17407/80) they reported that 500,000*l.* might properly be accepted from India in discharge of all claims for 1879–80, including deferred pay and educational establishments.

On 9th July 1882 (11890/82), the Commission recommended similar payments by India of 520,000*l.* for 1880–1, and 487,000*l.* for 1881–2.

On 28th December 1885 (1905/86), the Commission recommended that the sums payable by India for the home effective charges of the British troops serving in India, excluding deferred pay, should be—

	£
For 1882–3	416,971
,, 1833–4	416,628
,, 1884–5	421,000

After an interval of two years and a half, the Treasury, on 17th July 1888 (10705/88), asked the Commission to resume their inquiry; and on a recommendation contained in a Report of 13th August 1888 (13529/88), the claims in respect of deferred pay, for the three years to 31st March 1885, were compounded for a sum of 362,205*l.*

On 22nd July 1889 (13876/89), the Commission recommended that the payments by India, including deferred pay, should be—

	£
For 1885–6	750,330
,, 1886–7	627,537

The Treasury again asked the Commission to continue its labours on 11th June 1891 (5958/91), and on 22nd March 1892 (5068/92) they made their last report, recommending that the claims, including deferred pay, for the undermentioned years should be settled as follows:—

	£
For 1887–8	665,936
,, 1888–9	719,948
,, 1889–90	734,201

and that a capitation rate, based on the number of men borne on the Establishments of the British forces in India, of 7*l.* 10*s.* per annum per man should be accepted for the two years 1890–1 and 1891–2; such rate, however, not to include deferred pay, which would be determined from actual returns as theretofore.

By this means the result originally contemplated in the Treasury Minute of 2nd July 1878 was accomplished.

All the recommendations of Lord Northbrook's Commission were accepted by the Treasury, the War Department, and the India Office.

Since then the capitation rate of 7*l.* 10*s.* per man has been renewed for the years 1892–3, 1893–4, 1894–5, and 1895–6 (1517/96).

The Indian Establishment, as shown in the Army Estimates for 1895–6, is 73,125, on which a charge of 7*l.* 10*s.* a head for all ranks and arms is 548,437*l.* 10*s.*, exclusive of deferred pay. In order to show what charges this capitation rate is in commutation of, the following particulars of the accepted claim for 1889–90 are annexed.

1. Capitation on Troops embarked for India—

	Numbers embarked.	Capitation Rate.	Amount.	
		£ s. d.	£	£
Royal Horse Artillery } 9 months' training	467	39 17 8	18,625	
Field Artillery } 9 months' training	1,094	37 16 1	41,357	
Garrison ,, 6 ,, ,,	570	25 12 6	14,606	
Cavalry 9 ,, ,,	994	37 14 6	37,499	
Infantry 6 ,, ,,	8,957	21 5 2	190,410	
Engineers—				
2nd Corporals, 2 years' training	26	110 0 0	2,860	
Corps of Armourers, 1 year's training	14	49 9 2	692	
	12,122			306.049

		£	£
	Brought forward		
2.	Charges for Staff for Depôts for training recruits, &c.:—	£	306,049
	Cavalry (whole cost of nine depôts at Canterbury)	32,912	
	Royal Horse Artillery (two batteries at reduced establishment)	19,387	
	Field Artillery (four ,, ,, ,,)	44,095	
	Garrison ,, (one-sixth of 11 depôts + militia staff)	14,082	
	Infantry (one-fifth of 53 depôts + militia staff)	106,381	
	Riding Establishment (five-twelfths of cost)	3,858	
			220,715
3.	Agency (now ceased)		3,020
4.	Charge for men deserted, died, or were discharged with less than one year's service		8,650
5.	Maintenance of young officers of Cavalry, Artillery, and Infantry on first appointment to regiments serving in India before embarkation (from two to five months)		4,769
6.	Maintenance of young Officers of Royal Engineers for India while under instruction (two years and two months on an average)		5,462
7.	Cost of training Veterinary Surgeons for India (six months)		600
8.	Cost of Examination of Candidates for Indian Medical Service		481
9.	Educational Establishments—		
	Royal Military College — 11,228 (1/2 of cost)		
	Royal Military Academy — 7,582 (7/19 ,,)		
	Staff College — 2,821 (1/5 ,,)		
	Army Medical School — 4,515 (8/13 ,,)		
	School of Gunnery — 5,422 (1/3 ,,)		
	School of Engineering — 2,319 (31/322 ,,)		
	Artillery College — 3,178 (1/3 ,,)		
	The net cost of each establishment is apportioned according to the numbers of Officers on the Indian and Home establishments.		37,065
10.	Advance of 25 days' pay to men embarked as drafts for India (for voyage)		11,563
11.	Expenses of men awaiting discharge (including period of passage home)		33,259
12.	Share of cost of Staff, &c., of Hospitals and Discharge Depôts and expenses of invalids (calculated on actual numbers received)		45,441
			677,074
13.	*Deduct*—	£	
	(*a.*) For men embarked with service short of the training period	1,937	
	(*b.*) For men embarked with more than six and nine months' service (War Office hold this to be an unfair deduction)	47,322	
	(*c.*) For men transferred from Cavalry, Horse, and Field Artillery Depôts to Home regiments and batteries	15,315	
	(*d.*) For men returned for further service with Colours or Reserve (including invalids who recovered)	91,491	
			156,065
	Total charge included in the future capitation rate of 7*l.* 10*s.* a man		521,009
14.	*Add*—		
	Deferred pay at 3*l.* a year	215,645	
	Less amount paid by the Indian Government for the British Service of men discharged in India	2,453	
			213,192
	Total charge for 1889-90		£734,201

The above statement does not include transport, which is paid by India separately.

It will be obvious that the justice of the continuance of the capitation rate of 7*l.* 10*s.* per annum depends, *inter alia*, on the strength of the Indian Establishment remaining about the same, and on the numbers embarked for and returned from India in the year not materially varying.

No doubt a strong argument against charging India with full cost in this case may be founded on the fact that the cost is enhanced by short service and other arrangements made for the benefit of the United Kingdom, not of India, and on the advantage derived by the former from the maintenance of a large force of British troops in India. Pleas of this kind, however, can be found on the other side. India gets the benefit of many British services for which no charge is made to her at all, and has the whole British army in reserve in case of need.

The charge for deferred pay is sometimes said to represent the saving in pension charge which will accrue to India through the operation of the short service system; but in the view of the War Office it is an increase of pay which was inevitable independently of the question of pension.

II.—Non-effective Charges of British Ships serving in India.

The Act 53 Geo. 3. c. 155 fixed the maximum number of Royal troops in India, chargeable on India revenues, at 20,000, unless the Court of Directors asked for more.

The Act 4 Geo. 4. c. 71 enacted that the sum to be paid by India for the non-effective charges of these troops was to be 60,000*l.* a year, or 3*l.* a head on the maximum force, and this rate of payment was made from 1823 until after the Indian mutiny of 1857, viz., until 1860-1, inclusive.

From 1861 until 1867, under the Acts 24 & 25 Vict. c. 89 and 25 & 26 Vict. c. 27, the rate of payment by India was 3*l.* 10*s.* per annum for each effective soldier and officer of all arms and ranks in India belonging to the British Army. The same rate was continued, for the three years to 31st March 1870, without legislative sanction.

From 1870-1 to 1883-4 inclusive the practice was to ascertain the amount of pensions granted in each year, and to make an actuarial calculation of the capital value of the proportion of each pension that was due to service in India, reckoning the value of money at 4 per cent. The capital sum so arrived at was paid by India to the War Department, and transferred to the Exchequer or brought in aid of Army votes. India was thereby relieved from all further claims on account of such pensions, and was entitled to receive credit for any officers or soldiers subsequently brought on to the effective list, and for any widows who re-marry.

Under this system India paid very much more than 3*l.* 10*s.* a head per annum on the average number of British troops in India, as the following figures show:—

Payments at Capitation Rate of 3*l.* 10*s.* a Man.		Payments on Actuaries' Report of Capital Value of Pensions granted.	
	£		£
1861-2	204,533	1870-1	428,725
1862-3	243,551	1871-2	281,148
1863-4	240,607	1872-3	318,500
1864-5	242,595	1873-4	348,330
1865-6	227,990	1874-5	428,841
1866-7	216,709	1875-6	420,000
1867-8	198,908	1876-7	468,330
1868-9	204,508	1877-8	748,841
1869-70	208,999	1878-9	550,000

During these years there was no very material alteration in Establishment.

In 1885 the Treasury became aware that the Exchequer was seriously losing by this arrangement with India, and the Act 48 & 49 Vict. c. 67 was passed in consequence.

The faults of the system were stated as follows in the Treasury Minute of 1st November 1885:—

"*a.* The capitalisation of the pensions involved actuarial calculations which it took many months to make. The delay, of course, meant loss to the Exchequer.

"*b.* The rate of interest taken was too high. The Imperial Government, though it accepted, in 1871, four per cent. as the rate of interest, because India averred that she could not obtain the money for less than four per cent., cannot, as is well known, invest at that rate; accordingly further loss ensued.

"*c.* The arrangement had made no provision for pensions granted previously to 1870–1, which became consequently a charge on the British Exchequer.

"*d.* The capitalised sums were, when paid, treated as Revenue, and the Imperial Exchequer accordingly received more than the War Office actually expended in the year on Indian pensions, in respect of which it had been paid a sum down. By this mistaken method of proceeding, the finances of one year benefitted at the expense of the finances of future years. Thus, if India paid the Imperial Government a sum of 100*l.* in 1880–1, representing the capitalised pension of a particular soldier, this sum was at once paid into the Exchequer as revenue, and consequently in subsequent years the Indian liability for that soldier's pension in each succeeding year fell upon the Army Votes of that year without any corresponding receipt for the Exchequer.

"In consequence of these defects and mistakes a heavy liability accrued against the Consolidated Fund, a liability which was estimated 18 months ago at not much less than four millions and a quarter."

The remedy sanctioned by the Act of 1885 was:—

"1. To terminate the system of capitalisation after the 31st March 1884, and to require India to contribute to Army Funds every year her share of the charge for pensions granted since that date.

"2. To provide a special Deficiency Fund, which would gradually liquidate the Consolidated Fund Liability. This Deficiency Fund would consist:—

"(*a.*) Of the arrears of capitalisation up to 31st March 1884, which have been set aside since 1881–2.

"(*b.*) Of the sums received from India since 31st March 1884, in excess of the actual charge of Indian pensions on Army Votes and added to the asset in the hands of the Paymaster-General.

"(*c.*) Of further arrears of capitalisation which India will have to pay.

"(*d.*) Of an annuity of 150,000*l.* charged on the Consolidated Fund for 57 years.

"3. To entrust the management of the Deficiency Fund to the National Debt Commissioners, who were to pay annually to the War Office whatever sum represented the charge on Army Funds for the pensions formerly capitalised and to invest surplus funds."

The Deficiency Fund was calculated to satisfy all the requirements of the War Department in respect of pensions granted previous to 31st March 1884; but it has become necessary to increase it by over 60,000*l.* a year.

As regards pensions granted since that date, the arrangement is that, when the proper Indian share of the annual payment to each pensioner, on the basis of past service, has been ascertained, the charge against India (settled once for all at the time of retirement) shall be "*the original Indian share multiplied by the "chance of the pensioners being alive in the year*," according to a fair rate of mortality. The meaning of this is that India pays her share of each man's pension for as long as it is, actuarily, probable that the man is alive, so as to save the trouble of ascertaining whether he is alive or not. India's actual payment for 1894–5 was 430,674*l.*

The actual receipts by the War Office for non-effective services of troops in India (including half pay) were, in 1893–4, 809,693*l.*, and in 1894–5, 807,737*l.*; but nearly half of these sums came from the National Debt Commissioners. The contribution, however, from those Commissioners sinks, as that from India rises.

The total pension of a soldier, whether he retires directly from Indian or British service, appears to be divided between British and Indian Funds, according to the number of years' service in and out of India respectively, without reference to rank held whilst in that service.

It is alleged that the non-effective charge against India is unfairly enhanced by such measures as the abolition of purchase, &c., in the adoption of which India has no voice. But if it pays India better to employ the British army than to have an European army of her own, she must take the former as she finds it.

III.—Indian In-pensioners in Chelsea and Kilmainham Hospitals.

Under the Acts 2 Will. 4. c. 53 and 29 & 30 Vict. c. 37, forfeited and unclaimed prize money of the British army, whether at home or serving in India, is applicable to the service of Chelsea Hospital.

The India Office, in 1881, claimed that the prize money of this kind appertaining to British troops serving in India ought to be surrendered to the Indian Government, which paid the pensions of such troops, and asked that the Chelsea Hospital Commissioners should refund all such prize money as they had received since 1861. The amount was then estimated at about 50,000*l.*, but is now put at 43,000*l.*

The War Office met this claim by a counter-claim to the Indian share of the difference between the cost of an in-pensioner of Chelsea or Kilmainham Hospitals, and his suspended out-pension, so far as regards pensioners who had served in India, where they had not improbably contracted the illness which drove them into hospital. This claim was at the time estimated at about 1,000*l.* per annum, but it has since grown, as ex-Indian in-pensioners increased, to about 5,000*l.* a year.

No payment has yet been made on either side, and the Comptroller and Auditor-General has recently drawn attention to the matter.

The India Office contend that before the charge for the in-pension establishments can be equitably divided between the two Governments, it ought to be determined what diminution of the annual expense of the two hospitals would have resulted if the British Government had not (prior to 1st May 1861) appropriated nearly 600,000*l.* of unclaimed prize money to the reduction of Army Estimates, instead of applying it to the hospitals.

No part, however, of the above 600,000*l.* belonged to India; and if the whole of it had been used as an endowment of the hospitals, the interest might have been employed in increasing the comforts and numbers of the in-pensioners, not in reducing the yearly charge on Army Votes.

It has been determined by the War Department and Treasury to refer the claim and counter-claim to the Royal Commission on Indian Expenditure (18960/84 and 4403/95).

G. L. R.

20th February 1896.

APPENDIX No. 51.

INDIAN HOME CHARGES (EFFECTIVE SERVICES).

(Paper handed in by Sir Ralph Knox, K.C.B.)

The actual cost to the British Exchequer of raising and training the force necessary to maintain the Army in India is clearly the cost of raising, paying, and maintaining the force existing in this country, which would not be maintained if the Indian Army had not to be kept up.

At the very minimum this consists of 200 private soldiers in each of 50 infantry battalions, and 400 in three others, viz., those intended to effect the annual reliefs; on the other hand, an allowance must be made for a decrease during that part of the year when the drafts are being despatched, and the numbers fall below establishment.

In addition to these there is one-fifth of the cadres of 53 depôts, the whole of the cavalry depôts, the two depôt batteries of horse artillery, four depôt batteries

of field artillery, and five batteries of garrison artillery (including one mountain battery). The total of these numbers amounts to a little more than 16,000 officers and men, or about one-seventh of the home force. (Sub-Appendix I.)

In connection with these are the staff and departmental charges as well as the charges for administration.

With the exception of the Ordnance Store Department, whose heaviest work arises from the supply of armaments to the navy and land fortifications, the time of the officers of the staff and departments is largely occupied in dealing with the raising and training of the younger soldiers, their inspection and embarkation, and it is evident that these 16,000 men should bear a share of their cost. Besides these there is a part of the cost of the educational establishments and the hospitals for Indian invalids. On this basis the total cost of this force would amount to 1,081,000*l.*, as detailed in Sub-Appendix I.

When it is borne in mind that all the difficulties in the organization of the Army during recent years, and the grants of additional inducements to men to join the Army, have been mainly due to the necessity of keeping a largely increased European force in India, it is difficult, in justice to the home taxpayer, to see on what grounds any modification can be made of this claim as the payment to be made by the Indian Government.

Arguments have been advanced, however, in support of a reduction, the chief one being that during their recruit training, and even more so after its completion, these men are of service to the Home Government, and, being on the spot, are, at all events, available in times of emergency.

The fact that, so long as they remain in this country they are available cannot be denied; but yet the Home Government does not rely on them, because, in the case of emergency, it is not these young soldiers who would be used; and, to avoid the necessity of their services the Home Government is paying nearly 500,000*l.* a year for the reserve. In fact, the Home Government rather regards the year's drafts as the first reserve for the Indian Army in the event of active operations, inasmuch as the despatch of the annual draft would at once increase the Indian force by 10,000 men, the short-service men due for discharge from the colours being at the same time retained in that country.

In assessing the charge against India for pensions, the service given at home, although it may be while the men are attached to the establishments maintained solely for Indian service, is charged for both officers and men to the Home Government, and it may fairly be advanced that, in accepting this charge for the pensions, the Home Government makes sufficient allowance for whatever advantage is derived from the presence of these young soldiers in this country.

Nevertheless, in deference to the arguments advanced, there has been every desire to treat the Indian Government with as much generosity as was defensible. Every consideration has been given to the various arguments advanced for making some reduction in the full cost, and for providing the force as economically as possible. With this object the system of short service has been introduced, a measure most beneficial to Indian revenues, and a mode of calculating the depôt charges proposed, which relieves the Indian Government of more than one-third of the actual cost incurred.

It has already been stated that the actual cost of the home charges amounts to 1,081,000*l.*, whereas the charge proposed to be made is only 605,000*l.*, or a reduction of 476,000*l.* (For details, *see* Sub-Appendix II.)

On referring to the charges made against the Indian Government for the supply of recruits in the times before the Indian Mutiny, and between that period and the introduction of short service, it will be found that the following claims were admitted:—

Period.	Amount per annum.	British Force in India.	Numbers embarked.
	£		
1834–57	170,000*	24,000 Cavalry and Infantry.	Not known.
1870–71	450,000*	63,000 Cavalry, Artillery, and Infantry.	9,216

* As readjusted for purposes of comparison with the normal claim.

The charge for the present force of 72,400 men, calculated at these rates, would amount to 510,000*l.* and 517,000*l.* respectively. Improved rates of pay account for a further increase of 20,000*l.*, making a total charge of 537,000*l.*, to compare with the claim now preferred of 605,000*l.*

It is calculated (*see* Sub-Appendix V.) that the number of men to be despatched to India yearly, excluding the cadres of old soldiers who are exchanged on the relief of a regiment or battery, is 11,583. This number is obtained on the hypothesis that no man sent out to India has given more than one year's service, a condition which reduces the number to a minimum, and is therefore very favourable to the Indian Government. If this number be assumed for the future, it gives an increase beyond the total of those embarked in 1870–1 (after making allowance for the augmented force) of about 10 per cent., which corresponds very closely with the increase in the proposed claim, and this notwithstanding the stringent conditions made in recent years for securing that only completely trained men of full age shall be despatched from home (*see* Sub-Appendices VI. and VII.).

The system of enlistment for short service was introduced for a threefold object:—

(1.) To meet the growing objection to lengthened service in the army.

(2.) To obtain the means of rapidly expanding the army by means of a thoroughly trained reserve.

(3.) To reduce the cost of the army by largely diminishing the charge for pensions.

It was obvious that short service would create an increased demand for recruits, the cost of whose training would give rise to a considerable expenditure. As affecting the Indian Government this would be due to:—

(1.) The increased number of recruits trained.

(2.) The increased number of men to be interchanged between home and India.

(3.) The grant of deferred pay.

Against this, however, there must be set the large saving in the charge for pensions.

Summing up these figures, and charging the full estimated amount for deferred pay, the financial effect, as regards India, of short service, both for the present and in the future, may be stated as follows:—

The payments to be made by India for the year 1889–90 under the long and short service compare thus—

	Under Long Service.	Under Short Service.
	£	£
1. Home charges, Sub-Appendix II.	537,000	605,000
2. Deferred pay	620,000	160,000
3. Pensions		452,000
Total	1,157,000	1,217,000
	Increase 60,000*l.*	

While in the future, when a normal condition is reached, the claims would be—

	Under Long Service.	Under Short Service.
	£	£
1. Home charges	537,000	605,000
2. Deferred pay } Appendix III.	971,667	211,000
3. Pensions }		302,233
Total	1,508,667	1,118,233
	Saving 390,434*l.*	

Furthermore the charge for sea transport, so far from growing, shows a large decrease since the year 1870–1. The charge for the year 1887–8 (*see* Sub-Appendix IV.) may be fairly taken to represent the normal, as the numbers that embarked in that year approximate

to those estimated by the actuaries to be required for the augmented force.

In the mode adopted for making a large reduction in the charge for depôts there may be some minor points which are debateable, due to the fact that it is built up artificially, but I submit that the result, which surrenders nearly 500,000*l.* to the Indian Exchequer, is so favourable to the Indian Government, that no force can be allowed to criticisms upon minute details, and that the Home Government cannot consent to any further diminution of the claim.

The proposal made would stand thus—

1. The Indian Government shall pay a contribution of 600,000*l.* a year, in quarterly instalments, on account of the home charges stated.
2. That for every man deficient in the establishment of the Army in India on 1st May in each year, a deduction of 50*l.* shall be made from the quarterly instalment next due.
3. That a direct charge be made against the Indian Government for deferred pay.

War Office, 26th April 1889. R. H. KNOX.

SUB-APPENDIX I.

ESTIMATED COST to BRITISH EXCHEQUER of MAINTENANCE of BRITISH TROOPS in INDIA (EFFECTIVE CHARGES).

1. Cost of depôts:—

	Numbers.			
	Officers.	Non-Commissioned Officers and Men.	Total.	Horses.
Cavalry	23	1,149	1,172	218
Royal Horse Artillery (including part of the riding establishment).	12	445	457	232
Field Artillery	28	1,504	1,532	400
Garrison Artillery	21	875	896	42
Infantry	106	11,921	12,027	—
Total	190	15,894	16,084	892

		£	£
Cavalry			89,377
Royal Horse Artillery (including armaments)			38,481
Field Artillery (including armaments)			106,036
Garrison Artillery (4 depôt batteries and 1 mountain battery)			56,399
Infantry:—			
(*a.*) One-fifth of cost of staff of 53 depôts		78,747	
(*b.*) Cost of additional men to 53 battalions:—			
	11,200 men at 43*l.* 15*s.* 2*d.* = 490,093*l.*		
Deduct for pay, rations, and deferred pay of men short of establishment	2,250 men at 32*l.* = 72,000*l.*		
	8,950	418,093	496,840
2. Pay, &c. of young officers of cavalry, artillery, and infantry before embarkation for India			7,500
3. Pay and allowances of young officers of Royal Engineers while under instruction at Chatham			5,400
4. Proportion of cost of educational establishments chargeable against India			40,100
5. Proportion of cost of staff of Netley and Woolwich Hospitals, and of Gosport and Woolwich Discharge Depôts			25,027
6. Advance of 25 days' pay to drafts proceeding to India			11,900
7. Pay of men on passage home who return as invalids, or for discharge or transfer to the Reserve			11,112
			888,172
8. Add for staff and departmental charges			*193,000
Total			1,081,172

* The total effective cost of the staff and departments for the force at home is as follows:—

	£
General staff	143,152
Army Pay Department	139,527
Veterinary	30,296
Commissariat and Transport staff and subordinates	349,714
Ordnance Store Department	45,000
Chaplains' Department	52,514
Military police	18,700
Prison establishments	16,000
Medical Department (including Medical Staff Corps)	377,572
War Office	264,800
Miscellaneous charges (such as stationery, postal and telegraph expenses, rents, furniture, &c.)	118,000
	1,555,275

The above gives an average of about 12*l.* a man, which, for 16,084 officers and men, amounts to 193,000*l.*

SUB-APPENDIX II.

ESTIMATED NORMAL CLAIM FOR HOME CHARGES.

1.—Capitation on troops embarked for India—

	Numbers.	Rates.			
		£ s. d.	£	£	£
(*a.*) Recruits—					
Horse Artillery	281	42 14 8	= 12,007		
Field „	1,069	40 12 1	= 43,405		
Garrison „	627	27 11 1	= 17,276		
Cavalry	840	40 17 1	= 34,317		
Infantry	8,750	23 3 3	= 202,672		
Engineers	16	100 (average)	= 1,600		
				311,277	
	11,583				
(*b.*) Cadres of regiments, &c., that embark for relief	812		say	4,000	
2. Cost of staff of depôts for training recruits	2,329			224,364	
					539,641
3. Charge for men who desert, &c.					14,000
4. Pay, &c., of young Officers of Cavalry, Artillery, and Infantry before embarkation					7,500
5. Pay and allowances of young Officers of Royal Engineers while under Instruction					5,400
6. Educational Establishments					40,100
7. Advance of 25 days' pay to drafts					11,900
8. Expenses of men awaiting discharge, and pay and travelling expenses of invalids					31,000
9. Proportion of cost of Staff of Hospitals and Discharge Depôts, and expenses of invalids except pay and travelling					32,200
10. Cost of training Veterinary Surgeons for India—estimated normal number, four at 150*l.*					600
11. Cost of examination of Candidates for Indian Medical Service					500
12. Cost of Medical Stores, &c., supplied to troopships and hired transports					950
Total					683,791

13. *Deduct* Rebate for men returning for further service with the Colours (including invalids who recover) or in the Reserve—

	Numbers.	Rates.			
		£ s. d.	£	£	£
Royal Horse Artillery	201	14 4 11	= 2,863		
Field Artillery	662	13 10 8	= 8,959		
Garrison Artillery	859	9 3 8	= 7,888		
Cavalry	564	13 12 4	= 7,679		
Infantry	6,598	7 14 5	= 50,941		
Engineers	6	40 0 0	= 240		
	8,890			78,570	
Total					605,221

N.B.—This statement is calculated on the basis that the average period of service to be given in India is seven years. The charge is, therefore, calculated on the lowest possible numbers. Taking the duration of Indian service at six years, which was the average period to be given by the drafts embarked in 1887-8 and 1888-9, the above claim, after allowing for a proportionately larger rebate, would be increased by about 20,000*l.*

SUB-APPENDIX III.

Actuaries' Report, No. 392.

NON-EFFECTIVE SAVING TO INDIA CONSEQUENT ON INTRODUCTION OF SHORT SERVICE IN 1871.

1. Before the introduction of Reserve Service in 1871, all men enlisted for long service, subject to a proportion quitting the Army on the expiration of their first term of service.

Allowing for this break of service, it was calculated in 1871 that for an army of the then strength (178,200) the normal annual charge for pensions would be 2,221,300*l.* In 1884 the strength had risen to 196,665, and various changes in rates of pension in favour of the pensioner had been made, bringing the normal charge for pensions to 2,573,100*l.* By the estimates of 1888-9, the total force was 211,414, which, by proportion, would have involved a pension list of 2,765,000*l.*; to which would have to be added about 150,000*l.* for temporary pensions of invalided soldiers, say 2,915,000*l.* in all. As the force in India is almost exactly a third of the whole, it may be taken that India's charge for soldiers' pensions would, if long service had continued, have ultimately reached 971,667*l.* a-year.

The introduction of short service arrested the progress towards that charge, and India paid its highest payment in 1878-9 — viz., 733,477*l.* The payments by India were at that time capitalizations, so that this sum had reference also to payments in later years; but the actual Indian payment for pensions rose from 181,091*l.* in 1870-1 to the highest point actually reached—viz., 504,719*l.* in 1882-3. At this point (1882-3) the effect of the great augmentation, for the Mutiny, of the Army in India was seriously felt; and the charge would have gone on steadily increasing till about 1902, when the maximum (for 60,000 men in India) of 834,700*l.* would have been reached. The effect of the later addition of upwards of 10,000 men to the force in India would have

culminated subsequently in the maximum of 971,667*l.* Since 1882-3, under the influence of short service, the charge against India has gradually fallen, and is estimated at 452,058*l.* for the year 1889-90.

With short service the Pension List is gradually decreasing towards a normal of 756,700*l.*, plus 150,000*l.* for temporary pensions to invalids, together 906,700*l.*; of which the Indian share would be 302,233*l.*, showing a normal saving to India on *Pensions* of 669,434*l.*, and to Britain 1,338,866*l.*

The institution of Deferred Pay, being pension in a modified form, may be regarded as some set-off to this saving. The normal amount should be for India 211,000*l.*, and 422,000*l.* for Britain.

A further set-off is Reserve Pay, which is also pension in another form, for which the Reserve of men is an equivalent. India has the benefit of the Reserve; but pays nothing towards it. The normal reserve may be taken as 55,352 men, costing Britain 495,000*l.* a year.

The general result (normal) of the substitution of short for long service becomes—

	Normal.			
	India.		Britain.	
	Saving.	Increase.	Saving.	Increase.
	£	£	£	£
Decreased charge for pensions.	669,434	—	1,338,866	—
Deferred Pay	—	211,000	—	422,000
Reserve Pay	—	—	—	495,000
Net result	458,434	—	421,866	—
Percentage of long service charge saved by introduction of short service (normal).	47·2		21·71	

War Office,
15th January, 1889.

DENHAM ROBINSON.
J. G. ASHLEY.

SUB-APPENDIX IV.

COMPARATIVE STATEMENT of the COST of the INDIAN TROOP SERVICE in 1870-1 and 1887-8.

	1870-1.	1887-8.
Number of voyages	17	20
Distance run (knots)	110,067	125,657
Coal consumed (tons)	32,652	25,680
Numbers of adults conveyed	18,053	24,098
	£	£
1. Repairs, alterations, &c.	48,835	38,071
2. Coal for the troopships	55,958	24,350
3. Victualling troops, including messing.	48,047	20,169
4. Bedding for troops	5,870	
5. Victualling the crews, including messing.	29,972	59,552
6. Pay and allowances of officers and crews.	60,521	
7. Transit charges in Egypt	25,437	32,640
8. Wages, coal, stores, &c., for steam tenders, Egypt	4,223	—
Brought forward	£	£
9. Wages, coal, stores, &c., for steam tugs, Bombay	7,550	—
10. Expenses of embarking and disembarking troops, Bombay.	—	1,813
11. Establishments in England, Egypt, and India.	14,215	8,296
12. Miscellaneous expenses	9,348	2,790
13. Compensation to owners of merchant ships and others.	—	5,500
	309,976	193,181
Abate repayments	6,132	—
Net charge	303,844	193,181
Cost per adult	16*l.* 16*s.* 7*d.*	8*l.* 0*s.* 4*d.*

SUB-APPENDIX V.

Actuaries' Report, No. 397.

INDIAN DRAFTS.

1. Taking the force in India as practically maintained by drafts of men who serve seven years in India and then pass to the Reserve, and of non-commissioned officers who return home for the auxiliary forces on completing 16 years' total service, and the numbers as—

Cavalry	5,418
Horse Artillery	1,732
Field Artillery	6,620
Garrison Artillery	3,886
Infantry	52,164
	69,827

we find from the table of Army waste recently calculated, that the number to be sent yearly to India will be—

Cavalry		840
Artillery—		
Horse	281	
Field	1,069	
Mountain	137	
Garrison	490	
		1,977
Infantry		8,750
		11,567

2. Of the men who thus proceed to India, the ultimate disposal would be as follows:—

Arm of the Service.	Die.	Desert.	Miscellaneous Losses.	Invalided Home.			Return Home.		
				Discharged as Invalids.	Die.	Rejoin Service at Home.	For Service.	For the Reserve.	For Discharge after 12 Years' Service.
Cavalry	73	4	80	67	4	72	31	461	48
Artillery—Horse	24	1	25	21	1	23	21	157	8
Artillery—Field	89	5	96	80	5	86	80	596	32
Artillery—Mountain	12	1	12	10	1	11	10	76	4
Artillery—Garrison	41	3	44	37	2	40	37	272	14
Infantry	700	45	750	619	38	666	909	5,023	—

War Office,
22nd February 1889.

DENHAM ROBINSON.
J. G. ASHLEY.

Sub-Appendix VI.

Copy of Circular Letter despatched annually to Commanding Officers, containing the Instructions to be observed in the selection of Drafts for India.

Sir, Horse Guards, War Office, S.W.

I have the honour, by direction of His Royal Highness the Commander-in-Chief, to request that you will be pleased to cause the detachment specified in the margin to be prepared by the

Officers.	Colour-serjeants.	Serjeants.	Corporals.	Drummers.	Privates.

and held in readiness for embarkation for India to join the proceeding, *viâ* the Suez Canal, H.M. troopship which will leave Portsmouth on the and Queenstown on the

The men to compose the draft are to be in every respect fit for service in India, must have completed their drill, including a recruit's course of musketry, and are to be taken in the following order:—

1. Men in the 2nd, 3rd, and 4th years of their service, if over 20 years of age.
2. Men in the 1st year of their service, if over 20 years of age, and with six months' service.
3. Men with more than four years' service, provided they have still five years to serve.

Only those men included in the above categories are permitted to embark.

Boys enlisted to fill vacancies in the foreign battalion should be included in the draft, provided they have over three months' service, are medically fit, and will be 15 years of age by the date of arrival of the draft in India.

The following may be exempted:—

Lance-corporals.
Servants and bâtmen.
Full bandsmen.
Pioneers, and six trained signallers.
Men invalided home, who have not been home one year.

The non-commissioned officers should be selected, as far as practicable, from those with over four years' service, having five years still to serve; and no men are to be promoted simply for the purpose of embarking, without special authority having first been obtained.

The General Officer Commanding

Sub-Appendix VII.

Return showing the Services at time of Embarkation of Recruits raised for certain Regiments in India in 1849–50, as compared with the Services of Drafts embarked for India in 1888–89.

1849–50.

	Under 3 Months.	3 to 4 Months.	4 to 5 Months.	5 to 6 Months.	6 to 7 Months.	7 to 8 Months.	8 to 9 Months.	9 to 12 Months.	12 Months and over.
Cavalry.									
3rd Dragoons -	8	10	6	8	7	3	5	20	10
9th Dragoons -	21	10	6	9	3	—	—	—	—
Infantry.									
32nd Foot - -	33 [all under 2 month's service].								
53rd Foot - -	10	1	17	12	—	—	—	—	6
64th Foot - -	13	1	—	15	2	2	2	1	6

1889–90.

	Under 6 Months.	6 to 12 Months.	1 to 2 Years.	2 to 3 Years.	3 to 4 Years.	4 to 5 Years.	Over 5 Years.	Total.	Average Service per Man.
Cavalry of the Line -	—	87	120	105	12	2	20	346	1 year 11 months.
Infantry of the Line -	93	612	2,599	2,311	488	66	240	6,409	2 years 1 month.

7521-2891.

APPENDIX No. 52.

Chelsea and Kilmainham Hospitals.

Memorandum forwarded for submission to the Royal Commission with War Office Letter of the 26th July 1895.

The question to be referred to the Royal Commission is as follows, viz.:—

> What proportion (if any) of the cost to the public, in respect of Chelsea and Kilmainham Hospitals, should be paid by India?

This question has formed the subject of much correspondence between the War Office and the India Office. It is the contention of the War Office that Indian revenues ought to bear their full share of the expense incurred in respect of the purely in-pension services of Chelsea and Kilmainham Hospitals, such full share being calculated in the same ratio that the service in India bears to the total service of the in-pensioners maintained in the hospitals from time to time.

The total net charge provided for in Army Estimates in respect of the in-pension services of the two hospitals is as follows, viz.:—

	£
Chelsea Hospital - - -	22,967
Kilmainham Hospital - -	5,530
Total - - -	28,497

There is a further charge against the public on account of fuel, light, furniture, maintenance of buildings, &c., as follows, viz.:—

	£
Chelsea Hospital - - -	7,480
Kilmainham Hospital - -	4,395
Total - - -	11,875

but as this sum is provided in the Civil Service Estimates, it has been disregarded in the following calculations.

The total service rendered by the present in-pensioners of Chelsea Hospital amounts approximately to an aggregate of 9,740 years, of which 2,889 years were spent in India. Taking the cost of Chelsea Hospital as 22,967*l.*, the proportion of that amount payable by India in the ratio of 2,889 to 9,740, would be 6,812*l.* 5*s.* 8*d.*

Similarly, the total service of the in-pensioners of Kilmainham Hospital amounts to 2,459 years, of which 823 years were given in India. The Indian share of the cost of that institution calculated in the ratio of 823 to 2,459 on the full expense of 5,530*l.*, amounts to 1,850*l.* 16*s.* 5*d.*

The total of these two sums is 8,663*l.* 2*s.* 1*d.*, and the Secretary of State for War contends that Indian Revenues should contribute this amount towards the cost of the two hospitals.

At the present time the sum contributed by India in respect of in-pensioners who were pensioned on or after the 1st April 1870, is based upon the amount of the undrawn out-pensions held by the men at the time of their admission to the in-pension list, India paying the same proportion of the pensions that the men's Indian service bears towards their total service. In respect of men pensioned during the period from the 1st April 1861 to the 31st March 1870, the contribution paid by India was included in a capitation of 3*l.* 10*s.* a head on the effectives employed in India; and, as regards those pensioned before the 1st April 1861, a fixed annuity of 60,000*l.* was paid by India.

The value of the pensions which lapse on admission is, as a rule, materially less than the average cost of the pensioner's maintenance in the hospitals, and the amount contributed by India under the existing arrangement is thus very much less than would be payable if the course suggested by the War Office were adopted.

The present payments made by India are, approximately, as follows, viz.:—

	£	s.	d.
In respect of the undrawn pensions of inmates of Chelsea Hospital - - -	2,675	2	11
Do. Kilmainham Hospital -	713	5	5
Total - - -	3,388	8	4

	£	s.	d.
The difference between - -	8,663	2	1
and - - -	3,388	8	4
viz.: - - - -	5,274	13	9

represents the additional amount that would at the present time be payable by India under the proposed new arrangement.

The Secretary of State for India, however, demurs to making this additional payment, primarily upon the ground that, when the capitation system of payment of pensions to soldiers with Indian service came into operation in 1861, and again when the system was amended in 1870, the payment of an increased charge for in-pensioners formed no part of the arrangement between the two Governments. It was urged, moreover, by the India Office that the British Government had hitherto maintained these establishments at its own cost, and that it would in future do so, quite irrespective of whether a part of the Army is employed in India or not.

The India Office contended further that the Institution of Chelsea Hospital would have been self-supporting had not the British Government from time to time appropriated unclaimed prize money to the extent of nearly 600,000*l.* towards the relief of votes of Parliament for the payment of out-pensions.

In considering these contentions of the India Office it must be borne in mind that for some years after the introduction of the capitation system the Indian proportion of the cost of the in-pensioned establishments was represented by a merely nominal figure, in respect of which the War Office made no claim on the Indian Government. Gradually, however, the proportion of soldiers in the British Army who have given service in India has increased towards the nominal limit, and as a result the Indian share of the additional cost in respect of such of the men as have been admitted to in-pension has increased from an estimated average of 1,000*l.* a year for the 22 years from 1861 to 1883 to a sum of over 5,000*l.* a year, as before stated, at the present time. Thus, although the matter was not of great importance in 1870, it will be seen that it has now developed into one of considerable magnitude.

It must be pointed out that the India Office has, to a certain extent, recognised the justice of the War Office claim against Indian revenue, inasmuch as the

Secretary of State for India agreed in 1885 to make an additional payment of 1,000*l.* a year to the British Government towards the costs of the hospitals, as from the year 1861. This payment was, however, to be in the nature of a compromise, and was to be conditional upon the surrender to the Indian Government of the Indian share of the unclaimed army prize money held by the Commissioners of Chelsea Hospital. Such share was at the time believed to be about 50,000*l.*, but has since been more accurately stated at 43,817*l.* 9*s.* 11*d.*

The Treasury and the War Office were willing that the Indian share of the prize money should be thus surrendered, but only on the understanding that India should pay her full and increasing share of the cost of the hospitals. The India Office, however, declined to proceed with an arrangement which would thus have added considerably to the liabilities already incurred by her in respect of Army pensioners. Moreover, the Commissioners of Chelsea Hospital, who are empowered under Act 2 Will. IV. c. 53 (1832) to expend the prize money at their discretion for the general services and expenses of the hospital, demurred to the handing over to India of any portion of the prize fund; and, indeed, the proposed surrender could not have been carried into effect without fresh legislation for the purpose.

The compromise by means of which the India Office proposed to settle the matter in dispute, thus fell to the ground; and the question was not re-opened until the War Office found that the claim against India in respect of the increased cost of the in-pensioners was in excess of the interest derived from the Indian share of the prize money. No immediate action was, however, taken by the War Office, nor has any further claim yet been made on the Indian Government.

It may be remarked, with reference to the appropriation of prize money to the extent of 600,000*l.* by the British Government for the payment of out-pensions that such expenditure was specifically authorised or legalised by various Acts of Parliament. It is not considered that this point has any direct bearing on the question under consideration.

War Office,
26th July 1895.

APPENDIX No. 53.

Paper handed in by the Financial Secretary, India Office.

CHELSEA AND KILMAINHAM HOSPITALS.

REPLY to the WAR OFFICE MEMORANDUM of July 26, 1895.

The correspondence mentioned in the first paragraph of the Memorandum deals with two subjects:—

1. A claim by the India Office for a refund of all unclaimed prize-money paid to the Treasurer of Chelsea Hospital since the 1st of May, 1861, on account of booty captured in India by the Forces of Her Majesty.
2. A counter-claim by the War Office that India shall bear a share of the expense of the maintenance of the pensioners in Chelsea Hospital since the 1st of May, 1861, based on the proportion of the Indian to the British service of those pensioners.

In reply to the latter claim, it is urged, on the part of the India Office, that the grant of the in-pension is an act of grace by selection, not of right; and that in paying her share of the out-pension, India discharges her full liability.

That Chelsea Hospital was erected and maintained from the proceeds of a poundage deducted from the pay of every soldier up to 1847, and on officers' commissions, and from unclaimed prize-money and other effects of soldiers, and not by the funds of the British Government. The Hospital was built and opened in 1690, before the king's troops had ever been employed in India.

That if the British Government had not appropriated, in aid of its revenue from time to time, sums amounting to 642,382*l.*, Chelsea Hospital would be self-supporting.

That, therefore, the British Government can have no claim upon India to contribute towards the cost of the Hospital, until it replaces that sum, and credits the Hospital annually with the interest thereon.

The India Office has never recognised a right to make India pay for the proportionate share of the expense. What happened was, that, having at the beginning of January, 1881, preferred a claim on the War Office, which after nearly four years the War Office admitted, if India would agree to pay her share of Chelsea Hospital, estimated at "about 1,000*l.* a year," the India Office agreed to accept the condition. Seven months afterwards the War Office found their estimate to be inaccurate; and it is now shown to exceed 5,000*l.* a year. The India Office thereupon declined to proceed with the compromise.

The claim of the India Office to a refund of prize-money, stated in the present Memorandum to amount to 43,817*l.*, is founded on the following facts:—

Unclaimed shares of prize-money were granted to the authority upon whom devolved the duty of providing pensions for the troops to whom such prize had been awarded—shares of soldiers in the East India Company's service to the Clive Fund, of seamen in that service to the Poplar Hospital Fund, of the British Army to Chelsea Hospital, and of sailors in the Royal Navy to Greenwich Hospital.

Up to 1861 India only paid 60,000*l.* a year towards the non-effective charges of the British Army: but since the 1st of May, 1861, she has borne the full share of those charges due on account of service in India.

It is, therefore, claimed that lapsed shares of Indian prize-money since that date should be paid to the Government of India as the authority bearing the charge for pensions of the troops that earned such prize.

It is true that the law gives the money to Chelsea Hospital; but it is contended that equity demands an alteration of the law.

APPENDIX No. 54.

RATE of MORTALITY in the BRITISH ARMY in INDIA.

Handed in by Major-General Sir Edwin Collen, with reference to Qq. 5862 and 6234.

COMPANY'S TROOPS (ALL INDIA).

1800–29.	Mortality per 1,000	-	84·6
1830–39.	,, ,,	-	55·6
1840–49.	,, ,,	-	64·6
1850–56.	,, ,,	-	50·5

BRITISH TROOPS (BENGAL).

1857.	Mortality per 1,000	-	71·5
1858.	,, ,,	-	111·07
1859.	,, ,,	-	45·35

BRITISH TROOPS (ALL INDIA).

Year.	Per 1,000.	Year.	Per 1,000.	Year.	Per 1,000.
1860	33·	1872	24·21	1884	12·56
1861	36·7	1873	15·30	1885†	14·55
1862	26·1	1874	13·58	1886†	15·18
1863	21·7	1875	17·48	1887†	14·20
1864	19·8	1876	15·32	1888‡	14·84
1865	25·7	1877	12·71	1889	16·60
1866	19·	1878	24·46	1890	13·84
1867	26·	1879*	24·28	1891	15·89
1868	19·05	1880*	24·85	1892	17·07
1869	35·08	1881	16·86	1893	12·61
1870	20·39	1882	12·07	1894	16·07
1871	17·53	1883	10·88		

* Excluding troops serving in Afghanistan.
† Excluding troops on active service in Burma.
‡ Excluding troops on active service in Burma for first three months of the year.

APPENDIX No. 55.

TOTAL PAST SERVICE (INDIA and elsewhere) and AVERAGE SERVICES of the NON-COMMISSIONED OFFICERS and MEN of the BRITISH ARMY in INDIA on 1st JANUARY 1895.

Handed in by Major-General Sir Edwin Collen, K.C.I.E.

(With reference to Q. 6041).

(*Compiled from General Annual Return of the British Army for* 1894.

Service.	No. of Men.	Aggregate Service of each Class.	Average.
Under 1 year	1,142	Under 1,142 years	571
Over 1 under 2	6,051	„ 12,102 „	9,076½
2 to 3 years	12,494	„ 37,482 „	31,235
3 „ 4 „	11,308	„ 45,232 „	39,578
4 „ 5 „	10,136	„ 50,680 „	45,612
5 „ 6 „	9,812	„ 58,872 „	53,966
6 „ 7 „	8,582	„ 60,074 „	55,783
7 „ 8 „	6,503	„ 52,024 „	48,772½
8 „ 9 „	1,873	„ 16,857 „	15,920½
9 „ 10 „	2,050	„ 20,500 „	19,475
10 „ 11 „	1,284	„ 14,124 „	13,482
11 „ 12 „	1,074	„ 12,888 „	12,351
12 „ 13 „	430	„ 5,590 „	5,375
13 „ 14 „	323	„ 4,522 „	4,360½
14 „ 15 „	358	„ 5,370 „	5,191
15 „ 16 „	298	„ 4,768 „	4,619
16 „ 17 „	266	„ 4,522 „	4,389
17 „ 18 „	215	„ 3,870 „	3,762½
18 „ 19 „	194	„ 3,686 „	3,589
19 „ 20 „	106	„ 2,120 „	2,067
20 „ 21 „	90	„ 1,890 „	1,845
Total	74,589	418,315	381,020½

The Average is, therefore, about 5·106.

APPENDIX No. 56.

ABSTRACT STATEMENT showing the NUMBER OF MEN who have proceeded, or will proceed, out of INDIA during the TROOPING SEASON, 1895-96, showing the DURATION of their SERVICE in INDIA up to 31st March, 1896.

Handed in by Major-General Sir Edwin Collen, K.C.I.E.

Command.	Under 1 Year.	1 and under 2.	2 and under 3.	3 and under 4.	4 and under 5.	5 and under 6.	6 and under 7.	7 and under 8.	8 and under 9.	9 and under 10.	10 and over.	Total.	Average.	Remarks.
Punjab	9	27	119	236	139	840	429	193	36	12	29	2,069	Yr. Mth. 5 5 and 29 days.	Average for four commands equal 5 years, 4 months, and 19 days
Bengal	2	191	116	218	219	718	641	201	21	65	108	2,500	5 6 and 10 days.	
Madras	4	44	182	214	234	196	341	124	3	8	25	1,375	5 0 and 7 days.	
Bombay	7	168	35	49	102	255	278	239	82	104	44	1,363	5 6 and 3 days.	
Total	22	430	452	717	694	2,009	1,689	757	142	189	206	7,307	—	—

APPENDIX No. 57.

STATEMENT showing the AGES of NON-COMMISSIONED OFFICERS and MEN of the several ARMS of the SERVICE in INDIA on the 1st January 1895.

Handed in by Major-General Sir Edwin Collen, K.C.I.E. (With reference to Qq. 6099 and 6234.)

—	Between 18 and 25 Years of Age.	Between 25 and 30 Years of Age.	Between 30 and 50 Years of Age.	Total.
Sergeants - - - - -	214*	1,756	1,655(*a*)	3,625
Corporals and bombadiers - -	1,132†	1,758	492	3,382
Privates, drummers, &c. - -	45,399‡	19,184	3,209(*b*)	67,792

* Between 21 and 25 years of age. † Between 19 and 25 years of age. ‡ Includes 629 men under 18 years of age.
(*a*) Includes three sergeants over 50 years of age and four "not reported." (*b*) Includes three men over 50 years of age and 330 "not reported."

APPENDIX No. 58.

STATISTICS of INVALIDING and MORTALITY of BRITISH TROOPS in INDIA (taken from the Report of the Sanitary Commissioner, 1894).

Paper put in with reference to Q. 6234.

(Major-General Sir Edwin Collen, K.C.I.E.)

EUROPEAN TROOPS IN INDIA.

Year.	Strength.	Ratio per Mille of Strength.				
		Admissions into Hospital.	Constantly Sick.	Deaths.	Invaliding.	Total Loss.
1870–79	57,742	1,475	60	19·34	43	62
1881–90*	61,399	1,471	73	14·24	27	42
1890	67,823	1,520	87	13·84	25	39
1891	67,030	1,379	79	15·89	27	43
1892	68,137	1,517	84	17·07	24	41
1893	70,091	1,415	87	12·61	25	38
1894	71,082	1,508	92	16·07	25	42

* Including troops in Afghanistan during 1881.

VENEREAL DISEASES IN THE ARMY OF INDIA.

Year.	Total Venereal Disease per Mille.	Year.	Total Venereal Disease per Mille.	Year.	Total Venereal Disease per Mille.
1872	179·0	1880	249·7	1888	370·6
1873	166·7	1881	260·5	1889	481·5
1874	192·7	1882	265·2	1890	503·5
1875	205·1	1883	270·3	1891	400·7
1876	189·9	1884	293·9	1892	409·9
1877	208·5	1885	342·7*	1893	466·0
1878	271·3	1886	389·5*	1894	511·4
1879	234·8	1887	361·2*		

* Including troops on active service in Burma.

APPENDIX No. 59.

STATEMENT showing the ANNUAL AMOUNT of PERMANENT and TEMPORARY PENSIONS granted to Warrant Officers, Non-Commissioned Officers, and Men of the Army in each Year, from 1878–79 to 1894–95, inclusive, together with the INDIAN SHARE of the same.

Handed in by Sir Ralph Knox, K.C.B. (With reference to Qq. 6717 and 12,496.)

Year.	Permanent Pensions on Discharge (excluding Campaign Pensions).		Temporary Pensions made Permanent and Pensions increased.		Total Permanent Pensions.		Temporary Pensions on Discharge.		Temporary Pensions Renewed.		Total Temporary Pensions.		Grand Total.	
	Pensions Awarded. (1.)	Indian Share. (2.)	Pensions Awarded. (1.)	Indian Share. (2.)	Pensions Awarded. (1.)	Indian Share. (2.)	Pensions Awarded. (3.)	Indian Share. (4.)	Pensions Awarded. (3.)	Indian Share. (4.)	Pensions Awarded. (3.)	Indian Share. (4.)	Pensions Awarded. (1.) & (3.)	Indian Share. (2.) & (4.)
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1878–79 -	168,866	57,800	8,383*	1,915	177,249	59,715	24,691	6,462	3,319*	1,895	28,010	8,357	205,259	68,072
1879–80 -	150,138	47,590	6,775	2,004	156,913	49,594	15,998	5,176	3,737	1,711	19,735	6,887	176,648	56,481
1880–81 -	120,518	40,390	7,365	1,897	127,883	42,287	18,155	6,400	3,602	1,329	21,757	7,729	149,640	50,016
1881–82 -	120,027	38,076	7,582	2,164	127,609	40,240	21,023	6,589	3,896	1,271	24,919	7,860	152,528	48,100
1882–83 -	102,308	32,740	10,895	2,721	113,203	35,461	21,002	6,142	4,182	1,464	25,184	7,606	138,387	43,067
1883–84 -	61,480	21,130	9,300	2,360	70,780	23,490	16,984	4,513	5,019	1,431	22,003	5,944	92,783	29,434
1884–85 -	62,789	21,750	8,848	2,275	71,637	24,025	12,488	3,728	4,094	1,396	16,582	5,124	88,219	29,149
1885–86 -	73,395	25,390	7,098	2,268	80,493	27,658	14,302	3,501	3,097	1,091	17,399	4,592	97,892	32,250
1886–87 -	67,657	23,120	9,121	2,292	76,778	25,412	10,692	2,972	4,594	1,276	15,286	4,248	92,064	29,660
1887–88 -	67,203	23,290	7,579	1,696	74,782	24,986	9,298	3,526	4,455	1,203	13,753	4,729	88,535	29,715
1888–89 -	80,627	27,560	8,779	2,129	89,406	29,689	11,409	4,431	4,158	1,304	15,567	5,735	104,973	35,424
1889–90 -	72,158	25,220	10,181	2,615	82,339	27,835	12,535	5,220	3,531	1,535	16,066	6,755	98,405	34,590
1890–91 -	66,555	19,470	9,833	2,815	76,388	22,285	14,121	5,783	4,162	1,847	18,283	7,630	94,671	29,915
1891–92 -	72,521	19,808	8,481	2,447	81,002	22,255	12,713	5,167	5,641	2,661	18,354	7,828	99,356	30,083
1892–93 -	55,888	15,235	7,763	2,169	63,651	17,404	11,176	4,254	6,575	3,200	17,751	7,454	81,402	24,858
1893–94 -	54,840	13,601	7,054	2,947	61,894	16,548	11,448	4,324	7,196	3,060	18,644	7,384	80,538	23,932
1894–95 -	47,969	12,255	7,676	2,426	55,645	14,681	13,267	5,422	7,708	3,269	20,975	8,691	76,620	23,372

* Approximate figures.

APPENDIX No. 60.

Paper handed in by Mr. Jacob with reference to Questions 6856 *and* 9803

ACCOUNTS and ESTIMATES of ROYAL INDIAN MARINE.

1891–2 to 1894–5.

INDIA.	1891–2.		1892–3.		1893–4.		1894–5.	
	Estimate.	Accounts.	Estimate.	Accounts.	Estimate.	Accounts.	Estimate.	Accounts.
GROSS EXPENDITURE.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
General Supervision and Accounts	*14,850*	13,755	*15,300*	14,322	*15,460*	16,303	*17,090*	15,982
Marine Survey Department	*9,050*	6,997	*8,900*	7,110	*9,000*	8,625	*10,590*	7,902
Miscellaneous Shore Establishment	*1,884*	1,573	*1,807*	1,620	*1,640*	1,269	*1,620*	1,536
Dockyards	*73,700*	71,665	*84,000*	88,687	*78,050*	87,364	*71,607*	82,102
Salaries and Allowances of Officers and Men Afloat.	*69,000*	64,884	*70,000*	59,488	*68,500*	62,414	*70,600*	69,404
Victualling of Officers and Men Afloat	*21,050*	22,044	*22,000*	17,686	*22,000*	18,976	*20,500*	20,104
Stores	*55,000*	68,982	*60,000*	67,447	*65,800*	60,997	*66,830*	61,120
Purchase and Hire of Ships	*1,400*	604	*37,000*	39,447	*1,400*	—	*800*	1,076
Miscellaneous	*22,700*	20,845	*19,900*	18,201	*20,400*	16,718	*17,960*	15,126
TOTAL GROSS EXPENDITURE	*268,634*	271,349	*318,907*	314,008	*282,250*	272,666	*277,597*	274,352
RECOVERIES.								
Services and Supplies :—								
(*a.*) Dockyard Receipts	*65,000*	78,953	*76,000*	3,278	*76,500*	4,035	*3,000*	8,179
(*b.*) Sale Proceeds of Stores	*1,500*	1,262	*1,500*	12,346	*1,500*	1,202	*1,500*	3,605
(*c.*) Deduction from Dockyard Charge	—	—	*3,507*	34,267	*4,450*	36,319	*17,307*	33,448
(*d.*) Deduction from Stores Charge for Supplies to other Departments.	*12,000*	15,553	*18,400*	84,588	*20,800*	90,399	*68,490*	89,019
(*e.*) General Deduction for Supplies to Military Department.	*6,634*	11,207	—	—	—	—	—	—
Total Services and Supplies	*85,134*	106,975	*99,407*	134,479	*103,250*	131,955	*90,297*	134,251
Hire of Indian Marine Vessels	—	—	—	2,409	—	13,329	—	6,607
Sale Proceeds of Marine Vessels	—	855	—	4,300	—	300	—	640
Freight, Passage, and Tonnage	—	63	—	4	—	—	—	—
Miscellaneous	*10,000*	5,456	*10,000*	6,094	*7,000*	6,491	*5,600*	6,573
TOTAL RECOVERIES	*95,134*	113,349	*109,407*	147,286	*110,250*	152,075	*95,897*	148,071
*Net Charge Royal Indian Marine in India	*173,500*	158,000	*209,500*	166,722	*172,250*	120,591	*181,700*	126,281
ENGLAND.		£		£		£		£
Allowances of Marine Officers whilst under Instruction.		286		697		727		931
Pay, Passage, &c., of Marine Officers, and Miscellaneous Charges.		327		1,468		1,554		611
Stores		76,876		†182,210		†131,823		72,785
TOTAL IN ENGLAND		77,489		184,375		134,104		74,327
Exchange		33,651		110,925		87,149		61,839
GRAND TOTAL NET CHARGE.—INDIA AND ENGLAND.	Rx.	269,140		462,022		341,844		262,447

* These figures do not include the Superannuation Receipts and Charges which are shown in the Financial Reviews of the Marine Department Receipts and Expenditure, as they do not form a part of the Royal Indian Marine Budget, but are estimated for under the Receipt and Charge heads of "Superannuation."

† Include special amounts for purchase of vessels, &c., as follows:—

	1892–93.	1893–94.
	£	£
I. G. S. "Minto"	28,272	13,977
I. G. S. "Warren Hastings"	71,341	53,962
Dredger "Mud Turtle"	10,806	2,000
	110,419	69,939

APPENDIX No. 61.

Paper handed in by Captain Hext, R.N., with reference to Q. 6911.

Authorities :—
"Finance and Revenue Accounts of the Government of India, 1861–62"; pp. 46, 47, and 7.

Authorities :—
"Finance and Revenue Accounts of Government of India, 1894–95," pp, 74–77 and 98.
"Account of the Receipts and Disbursements of the Home Treasury of the Government of India, 1894–95," p. 7.

MARINE EXPENDITURE BY GOVERNMENT OF INDIA, 1861–62 AND 1894–95.

1861–62.			1894–95.			
Charges in India :—	Rx.	Rx.	*Charges in India :—*	Rx.	Rx.	Rx.
Direction, Survey, Dockyards, Harbour and Sea-going Vessels, Salaries, Mail Charges, Indus Flotilla, Stores and Miscellaneous	401,270		Direction, Survey, Dockyards, Harbour and Sea-going Vessels, Shore Establishments, Pensions and Gratuities, Stores and Miscellaneous	343,740		
Naval Charges	284,923		Naval Commander-in-Chief on East India Station	1,209		
			Allowances to Royal Indian Marine Officers on Indian Defence Vessels	1,554	2,763	
Total in India		686,193	Total in India			346,503
				£	£	Rx.
Charges in England :—			*Charges in England :—*			
Furlough Pay	11,425		Contribution towards expenses of Her Majesty's ships in Indian waters	*100,121* 50,121		
Pensions	26,526		Subsidy to Admiralty for Manning and Maintenance of Defence Vessels	59,600		
Miscellaneous	79		Passages to and from England for Officers of the Indian Defence Vessels not covered by the Subsidy	1,048	*160,769* 110,769	
			Allowances, Pay, and Passage of Marine Officers and Miscellaneous	1,658		
			Furlough Pay	6,743		
			Pensions	28,492		
			Coal for India	22,770		
			Miscellaneous Stores for India	50,015	109,678	
					Rx. *225,007*	
			Exchange on Charges in England		183,408	
Total in England		38,030	Total in England			*495,454* 403,855
Grand Total of Expenditure		724,223	*Grand Total of Expenditure*			*841,957* 750,358
Deduct Receipts		155,723	Deduct Receipts			154,883
Net Expenditure		568,500	*Net Expenditure*			*687,074* 595,475

* The *italic* figures show what the charges would have been had the contribution for Her Majesty's ships in Indian waters been 100,000*l.* a year (as arranged for 1896–97, &c.), instead of 50,000*l.*, the rate paid during the years 1892–93, 1893–94, and 1894–95.

APPENDIX

(*Handed in by Captain J. Hext, R.N.*,

(With reference

STATEMENT showing COST OF REPAIRS AND STORES CHARGED AGAINST ROYAL NAVY SHIPS

ROYAL NAVY

	1885–86.		1886–87.		1887–88.		1888–89.		1889–90.		1890–91.		1891–92.	
	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
"Admiralty"	2,018	80	1,456	220	875	2,662	1,199	73	2,069	54	9,557	152	5,492	3,874
"Agamemnon"	—	—	—	—	—	—	—	—	1	—	—	—	—	—
"Algerine"	—	—	—	37	75	3,167	42	1,361	459	4,930	—	—	—	—
"Bacchante"	543	243	12,789	10,048	40	2,134	494	1,755	—	—	—	—	—	—
"Blanche"	—	—	—	—	—	—	—	—	—	—	—	—	13,300	1,356
"Boadicea"	—	—	—	—	—	—	120	1,273	7,367	3,153	1,667	1,995	3,099	3,278
"Bonaventure"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
"Bramble"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
"Brisk"	—	—	—	—	—	—	—	—	—	—	18,241	15,855	20,853	14,911
"Briton"	291	219	21,920	4,981	31	13	—	—	—	—	—	—	—	—
"Conquest"	—	—	—	—	—	—	—	—	—	—	17,852	25,412	2,335	2,319
"Cossack"	—	—	—	—	—	—	—	—	7,150	10,996	9,821	5,945	18,997	11,128
"Dragon"	42	73	—	—	—	—	—	—	—	—	—	—	—	—
"Dryad"	45	—	—	—	—	—	—	—	—	—	—	—	—	—
"Egeria"	—	—	—	—	3	—	—	—	—	—	—	—	—	—
"Euryalus"	71	800	—	—	—	—	—	—	—	—	—	—	—	—
"Garnet"	—	—	—	—	3	—	9,012	22,206	748	5,647	176	5	—	—
"Griffon"	—	—	—	—	34	1,843	173	4,320	6,019	3,762	1	2	—	—
"Herald"	—	—	—	—	—	—	—	—	—	—	7	—	84	2,439
"Himalaya"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
"Humber"	—	—	—	—	—	—	145	—	—	—	—	—	—	—
"Kingfisher"	—	—	10,622	143	10,830	4,337	3,229	13,285	14,927	10,639	737	9,820	54	502
"Lapwing"	—	—	—	—	—	—	—	—	—	—	—	—	4,607	4,998
"Marathon"	—	—	—	—	—	—	—	—	—	—	34	761	7,662	10,403
"Mariner"	—	—	1,377	—	310	3,921	8,351	4,415	8,052	7,432	761	6,896	169	2,619
"Mercury"	—	—	—	—	—	—	—	—	—	—	1	—	—	—
"Mosquito"	—	—	—	—	—	—	—	—	—	—	1	—	3	2,240
"Orontes"	—	—	856	—	1,339	115	—	—	—	—	—	—	—	—
"Osprey"	—	—	11,984	261	1,598	10,114	301	3,102	—	—	—	—	—	—
"Penguin"	—	—	2,126	3,322	20	—	357	7,008	5	—	—	—	—	—
"Philomel"	7,730	1,322	96	—	—	—	—	—	—	—	—	—	—	—
"Pigeon"	—	—	—	—	—	—	—	—	1,487	4,672	5,857	8,187	10,625	6,761
"Ranger"	23	4	1,001	30	13,126	7,023	12,862	3,181	2,331	5,925	1,248	4,740	—	
"Redbreast"	—	—	—	—	—	—	—	—	—	—	220	2,434	11,322	5,634
"Redpole"	—	—	—	—	—	—	—	—	—	—	—	173	—	—
"Reindeer"	287	28	144	1	10,553	4,452	3,125	4,593	1,490	9,419	3,190	8,010	—	—
"Sphinx"	3,515	177	5,586	313	5,943	2,179	1,224	5,839	12,851	4,981	3,085	17,086	13,202	8,699
"Stork"	—	—	—	—	—	—	4	1,543	8	1,625	36	2,155	12	1,773
"Turquoise"	100	6	7	—	37,941	19,813	9,829	15,801	1,940	12,982	3,880	17,987	7	—
"Tyne"	—	—	43	36	—	—	—	—	—	—	—	—	—	—
"Woodlark"	—	57	4,235	489	3	—	—	—	—	—	—	—	—	—
Total	14,665	3,009	74,242	19,881	82,724	61,773	50,467	89,755	67,404	86,217	76,372	1,27,615	1,11,823	82,934
Ten per cent.	1,467	300	7,424	1,988	8,273	6,177	5,047	8,976	6,740	8,622	7,637	12,761	11,182	8,293
Grand Total	16,132	3,309	81,666	21,869	90,997	67,950	55,514	98,731	74,144	94,839	84,009	1,40,376	1,23,005	91,227

No. 62.

Director of the Royal Indian Marine.)
to Q. 9308.)
and DEFENCE SQUADRON in ROYAL INDIAN MARINE DOCKYARDS, from 1885-86 to 1894-95.

SHIPS.

1892-93.		1893-94.		1894-95.		Total.		Ten per cent.	Grand Total.	Remarks.
Re-pairs.	Stores.	Re-pairs.	Stores.	Re-pairs.	Stores.	Re-pairs.	Stores.			
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1,343	299	1,017	693	1,111	3,17,543	26,137	3,25,650	35,179	3,86,966	
—	—	—	—	—	—	1	—	—	1	
—	—	—	—	—	—	576	9,495	1,007	11,078	
—	—	—	—	—	—	13,866	14,180	2,805	30,851	
—	—	—	—	—	—	13,300	1,356	1,465	16,121	
5,239	986	8,496	4,367	677	304	26,665	15,356	4,202	46,223	Re-commissioned at Malta, 24th June 1891.
—	—	—	—	3,890	7,403	3,890	7,403	1,129	12,422	
—	—	—	—	2,304	1,345	2,304	1,345	365	4,014	
9,966	8,549	11,140	9,491	43,925	11,872	104,125	60,678	16,480	181,283	Re-commissioned at Bombay, 1st November 1891. " " " 1st January 1895.
—	—	—	—	—	—	22,242	5,213	2,745	30,200	" " Suakim, 1st May 1884.
—	—	—	—	—	—	20,187	27,731	4,792	52,710	" " Hong Kong, 12th April 1889.
11,501	11,725	12,432	6,656	50,206	12,084	1,10,107	58,534	16,864	1,85,505	" " Bombay, 22nd March 1892. " " " 8th April 1895.
—	—	—	—	—	—	42	73	12	127	
—	—	—	—	—	—	45	—	4	49	
—	—	—	—	—	—	3	—	—	3	
—	—	—	—	—	—	71	800	87	958	
—	—	—	—	—	—	9,939	27,858	3,780	41,577	Re-commissioned at Malta, 1st November 1890.
—	—	—	—	—	—	6,227	9,927	1,615	17,769	
—	—	—	—	—	—	91	2,439	253	2,783	
112	—	—	—	—	—	112	—	11	123	
—	—	—	—	—	—	145	—	15	160	Re-commissioned at Sheerness, 1st July 1889.
—	—	—	—	—	—	40,399	38,726	7,913	87,038	" " Bombay, 8th April 1888.
961	1,053	10,636	7,034	6,142	8,155	22,346	21,240	4,359	47,945	" " " 21st February 1894.
3,567	319	26,802	15,798	3,695	2,169	41,760	29,450	7,121	78,331	" " " 21st February 1894.
—	—	—	—	—	—	19,020	25,283	4,430	48,733	" " Trincomalee, 10th January 1889.
—	—	—	—	—	—	1	—	—	1	
—	—	—	—	—	—	4	2,240	224	2,468	
—	—	—	—	—	—	2,195	115	231	2,541	
—	—	—	—	—	—	13,883	13,477	2,736	30,096	Re-commissioned at Bombay, 11th April 1886.
—	—	—	—	—	—	2,508	10,330	1,284	14,122	" " Hong Kong, 9th May 1893
—	—	—	—	—	—	7,826	1,322	915	10,063	" " Bombay, 1st April 1883.
4,674	6,372	459	993	6,439	3,222	29,541	30,207	5,975	65,723	" " " 22nd March 1892. " " " 8th April 1895.
—	—	—	—	—	—	31,091	20,903	5,200	57,194	" " " 1st November 1887.
6,007	265	9,391	5,047	261	873	27,201	14,253	4,146	45,600	" " " 30th April 1893.
—	—	—	—	—	—	—	173	17	190	" " Hong Kong, 17th January 1893.
—	—	—	—	—	—	18,789	26,503	4,529	49,821	" " Bombay, 8th April 1888.
4,411	6,947	6,400	9,738	4,787	10,360	61,004	66,319	12,732	140,055	" " " 19th March 1887. " " " April 1890. " " " 30th April 1893.
—	—	—	—	—	—	60	7,096	716	7,872	" " Malta, 6th March 1891. " " " 25th March 1894.
—	—	—	—	—	—	53,704	66,589	12,029	132,322	" " Bombay, 3rd November 1887.
—	—	—	—	—	—	43	36	8	87	
—	—	—	—	—	—	4,238	546	478	5,262	
47,781	36,515	86,773	59,817	1,23,437	3,75,330	7,35,688	9,42,846	1,67,853	18,46,387	
4,778	3,652	8,677	5,982	12,344	37,533	73,567	94,284	—	—	
52,559	40,167	95,450	65,799	1,35,781	4,12,863	8,09,257	10,37,130	—	18,46,387	

DEFENCE

	1885–86.		1886–87.		1887–88.		1888–89.		1889–90.		1890–91.		1891–92.	
	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.	Repairs.	Stores.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
"Abyssinia"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
"Assaye"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
"Magdala"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
"Plassy"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
"Tenasserim"	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Torpedo Boat, No. 100	—	—	—	—	—	—	—	—	—	—	—	—	—	—
„ „ 101	—	—	—	—	—	—	—	—	—	—	—	—	—	—
„ „ 102	—	—	—	—	—	—	—	—	—	—	—	—	—	—
„ „ 103	—	—	—	—	—	—	—	—	—	—	—	—	—	—
„ „ 104	—	—	—	—	—	—	—	—	—	—	—	—	—	—
„ „ 105	—	—	—	—	—	—	—	—	—	—	—	—	—	—
„ „ 106	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ten per cent.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Total	—	—	—	—	—	—	—	—	—	—	—	—	—	—

ABSTRACT.

ROYAL NAVY SHIPS	14,665	3,009	74,242	19,881	82,724	61,773	50,467	89,755	67,404	86,217	76,372	1,27,615	1,11,823	82,934
DEFENCE SQUADRON	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	14,665	3,009	74,242	19,881	82,724	61,773	50,467	89,755	67,404	86,217	76,372	1,27,615	1,11,823	82,934
Ten per cent.	1,467	301	7,424	1,988	8,272	6,177	5,047	8,976	6,740	8,622	7,637	12,762	11,182	8,293
Grand Total	16,132	3,310	81,666	21,869	90,996	67,950	55,514	98,731	74,144	94,839	84,009	1,40,377	1,23,005	91,227

SQUADRON.

1892–93.		1893–94.		1894–95.		Total.		Ten per cent.	Grand Total.	Remarks.
Re-pairs.	Stores.	Re-pairs.	Stores.	Re-pairs.	Stores.	Re-pairs.	Stores.			
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
2,610	7,860	8,420	4,196	10,129	3,470	21,159	15,526	3,669	40,354	
8,507	3,284	7,977	2,873	9,746	4,257	26,230	10,414	3,664	40,308	
1,745	9,740	9,573	13,329	26,673	14,022	47,991	37,091	8,508	93,590	
12,170	5,794	12,247	5,911	11,015	8,372	35,430	20,077	5,551	61,058	
309	2,348	8,998	8,454	7,220	5,266	16,527	16,068	3,260	35,855	
1,600	756	2,967	401	5,677	1,173	10,244	2,330	1,257	13,831	
—	10	2,718	955	1,958	304	4,676	1,269	595	6,540	
175	306	1,943	501	7,140	1,192	9,258	1,999	1,126	12,383	
2,930	146	2,296	376	4,737	870	9,963	1,392	1,135	12,490	
48	228	1,175	973	2,542	186	3,765	1,387	515	5,667	
53	147	1,443	803	3,427	233	4,923	1,183	611	6,717	
54	147	1,014	879	3,656	352	4,724	1,378	610	6,712	
30,201	30,766	60,771	39,651	103,918	39,697	194,890	110,114	30,501	335,505	
3,021	3,077	6,077	3,965	10,392	3,969	13,490	11,011	—	—	
33,222	33,843	66,848	43,616	114,310	43,666	214,380	121,125	—	335,505	

ABSTRACT.

47,781	36,515	86,773	59,817	123,437	375,330	735,688	942,846	167,853	1,846,387	
30,201	30,766	60,771	39,651	103,918	39,697	194,890	110,114	30,501	335,505	
77,982	67,281	147,544	99,468	227,355	415,027	930,578	1,052,960	198,354	2,181,892	
7,798	6,723	14,754	9,947	22,736	41,503	93,058	105,296	—	—	
85,780	74,009	162,298	109,415	250,091	456,530	1,023,636	1,158,256	—	2,181,892	

Bombay, 29th November, 1895.

C. E. PALMER,
Examiner Marine Accounts.

APPENDIX No. 63.

Paper handed in by Sir Henry Waterfield, K.C.S.I., C.B., with reference to Q. 12,273.

CORRESPONDENCE connected with the AWARD of Viscount HALIFAX on the ADJUSTMENT of the CHARGES and RECEIPTS relating to the EAST INDIAN MAIL SERVICE.

No. 1.

India Office,
4th July 1874.

SIR,

WITH reference to the letter from this Office of the 26th ultimo, relative to your employment in connexion with the establishment of a Parcel Post and Money Order System between India and Germany, and other important questions, I am directed by the Secretary of State for India in Council to forward herewith copy of correspondence* between this Office and the General Post Office in London, relative to the adjustment of the accounts of the Indian Mail Service, and the examination of certain documents and vouchers connected therewith, together with copies of the accounts forwarded by the General Post Office for the period from February 1868 to March 1871, and for the years 1871–72 and 1872–73, and to request that you will place yourself in communication with the authorities of the General Post Office, and inform the Secretary of State for India in Council whether, in your opinion, the accounts now rendered by the Post Office are as complete as it is practicable for the Postmaster-General to make them, and whether you can suggest any improvement in the accounts, or in the examination on the part of this Office which it is proposed in the correspondence to make.

I am, &c.
LOUIS MALLET.

A. M. Monteath, Esq.

No. 2.

12th June 1875.

SIR,

IN your communication of the 4th July 1874, I was requested to place myself in communication with the authorities of the General Post Office, and to report whether, in my opinion, the accounts now rendered by the Post Office in respect of the receipts and disbursements of the Eastern Mail Service are as complete as it is practicable for the Postmaster-General to make them, suggesting also any improvement in the accounts or in the examination thereof proposed to be undertaken on the part of the India Office.

I have taken occasion from time to time, as I have had opportunity, to examine the Post Office Accounts, and the result, so far as I have gone, is an increased conviction of the necessity of investigation.

In the enclosed memorandum I have described generally the results of my examination up to date.

Perhaps the first question to be considered is, whether any attempt should be made to bring under revision and readjustment the accounts for periods prior to 31st March 1874, or whether the steps now to be taken should be directed to procuring a satisfactory adjustment of future accounts, commencing with those of 1874–75, which will very shortly come under preparation.

On the whole, my own opinion is on the side of not re-opening past accounts, and, should the Secretary of State take this view, what is now needed is:—

(1.) Decisions upon the main questions raised in my memorandum.

(2.) A careful supervision on behalf of India of the preparation of the accounts of 1874–75 in accordance with those decisions.

(3.) A consideration of the question whether, the adjustment of 1874–75 having been carefully worked out with proper supervision on the part of India, it may not be made the basis of an arrangement for simplifying the adjustments of future years.

As to my first suggestion, the main questions to be decided may be enumerated as follows, the letters (A, B, C, &c.) being those indicating the headings of the several objections raised in the enclosed Memorandum. Although the objections and the amounts mentioned in each case relate to the figures for 1873–74, they all involve questions equally applicable to the accounts of future years:—

A (*vide* para. 7 of Memorandum).—The inclusion (claimed by me) of "intermediate correspondence" in the correspondence on which the apportionment of the cost of the Mediterranean section is based; or, as an alternative, the exclusion of it from the calculation on which the apportionments east of Galle are made.

I do not think that the London Post Office will raise any objection to the former alternative.

B (*vide* paras. 8 to 19 of Memorandum).—My objection to the apportionment of the cost of the Mediterranean section "according to the number of mails used," instead of simply according to the amount of correspondence conveyed.

The objection involves a reduction of the Indian share by about 16,000*l.* per annum. I believe that my conclusions will be resisted by the London Post Office either partially or wholly.

C (*vide* paras. 20 and 21 of Memorandum).—My claim that, in the event of the above-mentioned objection being overruled, the correspondence sent by the Southampton and Brindisi mails shall be separately treated. This claim (which is alternative to the above, B) involves a reduction of the Indian share by about 4,300*l.* per annum.

I do not understand that the London Post Office will raise objection to this.

D (*vide* paras. 22 to 24 of Memorandum).—My objection to the apportionment of cost to India in respect of the Bombay and Galle line; involving a reduction of the Indian share by about 3,500*l.* per annum.

I should think it quite probable that this point will be conceded, and, as observed in the Memorandum, the Indian Post Office can, if the claim be refused, easily dispense with the use of the line, thus relieving itself of even a greater sum, viz., 7,580*l.*

E (*vide* paras. 25 and 26 of Memorandum).—An error in respect of the apportionment of the cost of the services east of Galle, amounting either to 5,800*l.* (in one view) or 782*l.* (in another view).

The London Post Office will probably admit the latter.

F (*vide* paras. 27 and 28 of Memorandum).—A miscalculation of the apportionment of the miscellaneous expenses, involving a reduction of the Indian share by about 1,386*l.* per annum.

The London Post Office will probably admit this.

The remaining points (G to P) relate to details about which it is unlikely that any difference of opinion would arise.

If the main questions (A to F) be decided, my second suggestion, viz., a careful supervision on behalf of India of the preparation of the accounts of 1874–75 can easily be carried out.

And, when this has been done, it will be readily seen how far the results warrant the conclusion of an arrangement with the view of avoiding, more or less, the compilation of the voluminous statistics on which the adjustment is based, and the laborious working of them out with so many risks of error both in principle and in detail. This is a question to which I know that the London Post Office would gladly turn attention, and the object, if attained, would, I am sure, be equally advantageous to the India Office.

I have, &c.
A. M. MONTEATH.

The Under Secretary of State for India.

No. 3.

MEMORANDUM on the adjustment by the General Post Office of the Charges and Receipts relating to the Eastern Mail Service, 12th June 1875.

I shall commence with a few introductory remarks, having for their object a proper preliminary understanding on the subject in hand.

2. The Report of the Select Committee on East India Communications of July 1866, and the correspondence and negotiations respecting the revision of the Eastern Mail Service both before and after that Report, resulted in the acceptance in November 1867, by the Lords Commissioners of Her Majesty's Treasury, of an offer made by the Peninsular and Oriental

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* Letter from General Post Office, dated 8th December 1873.
Ditto to ditto, dated 19th December 1873.
Ditto from ditto, dated 14th January 1874.
Ditto to ditto, dated 12th February 1874.

Company; and, when requesting the Secretary of State for India to give his formal assent on the part of the Indian Government to the acceptance of the offer in question, it was stated by the Treasury* that "the "proportion in which the loss is to be borne by the "two Governments will form the subject of an arrange- "ment between this Board and the India Office." This letter was followed two days after by another communication,† forwarding copy of a letter from the Post Office, together with certain statements prepared by it, of which one was "an estimate of the sums which "should be contributed towards the cost of keeping "up the communication between this country and "India, China, Japan, Ceylon, and the Mauritius, by "the Imperial Government and by the Colonies "benefiting by such communication." This estimate was a sample of the calculations, or rather of the results of calculations, to be worked out annually; and, although no details of the calculations were given, the professed principle on which they were based was described in the concluding clause, which I quote, viz.: "The principle adopted throughout has been that each "portion of the cost be divided rateably amongst the "correspondence for the benefit of which the cost is "incurred."

3. This principle was, in fact, the result of a controversy respecting the proper apportionment of the sea-service charges, which had been going on for a considerable time; and, having been approved by the Secretary of State for India,‡ has ever since been regarded as the basis of an agreement between the Treasury and the India Office.

4. When the Government of India protested,§ through the Secretary of State, against an item of charge in respect of the Calcutta and Galle line, the Treasury‖ referred to this correspondence of November 1867 as an agreement which should not be disturbed; and it was not till the Government of India, through the Secretary of State, proved the demand¶ to be one, not for the setting aside of that agreement, but for the fulfilment of its principle, that the Treasury** conceded the point at issue. I mention this simply to show that this correspondence of November 1867, to which I have drawn attention at the outset, has been from the first regarded as the foundation on which the system of international adjustment rests. And, although every year's adjustment has witnessed some modification or another of the detailed calculations with reference to changing circumstances, the agreement of November 1867 has throughout remained the professed basis of them all.

5. As a matter of course, therefore, in the present examination, the agreement of November 1867 forms the starting point, and the aim in the investigation has been to ascertain how far the actual calculations give effect to that agreement.

6. The sea service is divided for the purpose of these calculations into various portions or sections, the cost of each being calculated in proportion to the number of miles run annually; and the first of these is the Mediterranean Section, comprising the services between Southampton, Brindisi, and Egypt. In enumerating my objections, I shall note opposite each the section to which it relates.

OBJECTION A.

Mediterranean Section.

Omission of intermediate Correspondence.

7. The correspondence conveyed over the Mediterranean lines has been wrongly limited to what is termed by the Post Office "international and transit correspondence," *i.e.*, correspondence for or from Great Britain and countries served through Great Britain; "intermediate correspondence," such as that for or from the continent of Europe, or between offices in the Mediterranean, or between them and places east of Suez, being omitted. In the similar calculations for the lines east of Galle, "intermediate correspondence" is taken into account, and gives rise to a large charge upon India, and my argument is that "intermediate correspondence" should either be omitted altogether from all the calculations, or taken into account in all of them. This argument will, I believe, be admitted by the Post Office, the alternative of taking intermediate correspondence into account being preferred. I have reason for regarding the omission as one materially prejudicial to the interest of India, and a rough testing of statistics, carried out at my suggestion, with the view of establishing a *primâ facie* ground for my objection, bore out my opinion.

OBJECTION B.

Mediterranean Section.

Calculation according to Number of Mails.

8. This objection is an important one as regards the financial result, the excess charge to India resulting from the mode of calculation to which I object being no less than about 16,000*l.* per annum. The object of the calculation, according to the principle laid down in the correspondence of November 1867, is to divide the cost of the Mediterranean service rateably amongst the correspondence conveyed. Now, taking the Post Office figures for 1873-74, the cost of the Mediterranean service is 145,094*l.* Out of that sum the Indian correspondence was charged with 88,088*l.*,* and the Australian correspondence with only 26,788*l.*, but the Indian correspondence consisted of 2,009,050 letters, and that of Australia consisted of 2,337,350. A question, therefore, at once arises as to the nature of the "rateable division" under which the country with so much the larger correspondence is charged with so much the smaller share of the cost. I admit that such a question only arises when, as now, the correspondence statistics forming the data of the calculation have been obtained from the Post Office, for these statistics, though forming the basis of the "rateable division," were not communicated to the India Office either with the first estimate or with any subsequent calculations or accounts—never, in fact, till the present investigation was set on foot.

9. A similar calculation of the Australian and Mauritius share of the cost of the old mail service (prior to the present contract of 1867) was the subject of considerable interest to the Select Committee of July 1866, who, however, got no insight into its character from the evidence of the Assistant Secretary, General Post Office, Mr. Fred. Hill, who described, not the mode of calculating actually followed, but the correct mode which (then as now) should have been followed. Mr. Fred. Hill's evidence, to which I refer, will be found in questions Nos. 137 to 139 of the printed volume. The illustration given by him, in his answer No. 139, is so much to the point that I quote it below:— "Say, for instance, that there are 5.000,000 letters "conveyed altogether by the Indian and China "packets, and say that the cost of conveying 5,000,000 "letters is so much, and say that 1,000,000 of the "letters are on account of Australia, then the cost of "conveying the Australian letters is one-fifth part of "the whole cost of the conveyance of all the letters." I give below a repetition of Mr. Fred. Hill's illustration, merely entering the actual figures (obtained from the Post Office) for 1873-74, instead of the imaginary figures used in his illustration:—"Say, for instance, "that there are 5,266,650 letters conveyed altogether "by the Indian and China packets, and say that the "cost of conveying 5,266,650 letters is 145,094*l.*, and "say that 2,337,350 of the letters are on account of "Australia, then the cost of conveying the Australian "letters is 44·38 per cent. of the whole cost of the "conveyance of all the letters."

10. Now my complaint is that, instead of apportioning to Australian correspondence 44·38 per cent. (64,392*l.*) of the whole cost of the Mediterranean section, the London Post Office apportions only 18·46 per cent. (26,788*l.*), and that, instead of apportioning to Indian correspondence 38·146 per cent. (55,348*l.*), it apportions 60·7 per cent. (88,088*l.*), thus increasing the half payable by India from 27,674*l.* (as it ought to be) to 44,044*l.*, *i.e.*, by an excess item of 16,370*l.*

11. Thus the natural interpretation of the principle described by the Post Office in November 1867, and approved by the Secretary of State for India, accords completely with the principle described and illustrated

* From the Treasury to the India Office, dated 14th November 1867.
† From the Treasury to the India Office, dated 16th November 1867. Nos. 12 and 15 of Parliamentary Paper, No. 353 of 1867.
‡ From India Office to Treasury, 19th November 1867. No. 18 of Parliamentary Paper above quoted.
§ India Office to Treasury, 20th August 1869.
‖ Treasury to India Office, 27th September 1870.
¶ India Office to Treasury, 26th April 1872.
** Treasury to India Office, 23rd May 1872.

* Which was divided between the United Kingdom and India, the latter being charged with 44,044*l.*, as shown in the Statement (*a*) attached to the Post Office Letter of 16th December 1874. The figures in the above mentioned statement are perhaps liable to mislead, for the amount under India, viz., 44,044*l.*, is half of the total chargeable to Indian correspondence, whereas the amount under Australia, viz., 26,788*l.*, is the whole amount (including the British half) chargeable to Australian correspondence.

by Mr. Fred. Hill in his examination before the Select Committee of 1866, and what I claim now on behalf of India is the carrying out of that principle.

12. But I have not yet explained the principle of calculation by which the London Post Office has brought out the results of which I complain. It has done so by a mode of calculation quite different from that described by Mr. Fred. Hill in 1866, and quite different from the natural interpretation of the principle declared in the correspondence of November 1867. The London Post Office method is that of calculating, not in direct proportion to the number of letters conveyed, but in reference also to the number of mails by which they are sent. Thus, in the Mediterranean service of which we are speaking, the mail of (say) the first week carries *Indian* mails, that of the second week carries *Indian and China* mails, that of the third week carries *Indian* mails, and that of the fourth week carries *Indian, China, and Australian* mails, and so on, every second mail carrying China correspondence, and every fourth mail carrying China and Australian correspondence. Each of these mails is, so to speak, viewed by the London Post Office as a distinct service, the cost of the Mediterranean section being divided into four equal portions, one for each of these so-called separate services; and, as the Australian mails are to be found in only one of these so-called services, they are made to share the cost of that one only, the China mails, which are to be found in only two of these services, sharing the cost of two only, while the Indian mails, being found in all four sections, take their share of the cost of all. And thus is brought out the anomaly that, while the annual number of Australian letters conveyed over the Mediterranean lines is far in excess of the corresponding number for India, the Australian share of the cost of the Mediterranean section is less than a third of the Indian share.

13. Now, while fully admitting the ingenuity of this system of calculation, I maintain that it is not alluded to, far less contained, in the correspondence of November 1867, which forms the basis of agreement. I further point out that it is directly contrary to the principle expounded by Mr. Fred. Hill, on the part of the Post Office, to the Select Committee of 1866, by which exposition the India Office would naturally be guided in its understanding of what was meant by a cost to be "divided rateably amongst the correspondence;" and I now proceed to point out one way in which this peculiar principle very markedly fails to give justice.

14. Australia, as we have seen, gets her $2\frac{1}{3}$ millions of letters conveyed at less than $\frac{1}{3}$ of the charge made for the conveyance of 2 millions of Indian letters, solely because the former are accumulated into one mail every four weeks instead of being sent in equal proportions in the weekly mails. Now this accumulation of the Australian mails, far from lessening the cost of the mail service, is a source of increased cost, for the mail rooms of every vessel used on the section, or I may say in the fleet, have to be so constructed* as to carry the largest mail, *i.e.*, the mail which contains the accumulated Australian correspondence. To show the effect of this, I give below a specimen of the weight by measurement of four consecutive mails taken from the Statistics given in Appendix 9 (p. 571) of the Report of the Select Committee of 1866. No like statistics of more recent date happen to be available, but even if they were the general result would be the same:—

JANUARY 1865.

	Carrying Mails for	Cubic Tons.
First Mail	India, China	18
Second Mail	India	13
Third Mail	India, China, Australia	99
Fourth Mail	India	10

If the Australian correspondence were equally divided amongst the four mails, the mail-room accommodation need not exceed 40 tons, whereas a mail room of 100 tons is required when the whole Australian correspondence is accumulated in one mail out of every four.

15. And the extent of this mail-room accommodation was a matter of some moment to those who had to tender for the mail service, as may be inferred from the evidence given by Mr. Howell on behalf of the Peninsular and Oriental Company to the Select Committee of 1866 (Questions 1419 to 1421, and 1587 and 1588) in which he points out that "our Australian Mail from Southampton is now a cargo for a small ship."

16. Considering, then, that on every vessel it is practically necessary to provide a mail room measured by the requirements of the Australian mail, and that these large requirements affecting the whole fleet are caused by the fact of the Australian mail being sent only once in every four weeks, I think it is unreasonable that this very fact, which is a cause of increased expense to the service generally, should be the cause of diminishing the share chargeable to the Australian correspondence.

17. My argument is merely that the principle is unreasonable. I believe it to be so; but, whether reasonable or unreasonable, it has been introduced, as already stated, without any warrant in the agreement of November 1867, and in direct opposition to Mr. Hill's exposition to the Select Committee of the principle of apportionment.

18. And the introduction of this principle is not only unwarranted by the agreement, not only opposed to Mr. Hill's exposition, not only, as I believe, unreasonable in itself, but its application gives rise, as might be expected, to many anomalies. The correspondence travelling by one mail is calculated to cost about 42*l.* per 1,000 letters, that travelling by the following week's mail about 60*l.* per 1,000 letters, and by the third week's mail about 11*l.* per 1,000 letters. If, for instance, the East African Time Table is so arranged as to fall in with the cheap Mediterranean mail, the Zanzibar correspondence will cost 11*l.* per 1,000 letters, but if (and it happens to be so) it comes by one of the expensive mails, the charge is five times as great. Similarly, the Queensland correspondence by the new Torres Strait route comes (and it so happens since 1874) by a more expensive Mediterranean mail than the other Australian correspondence, the charge being thereby more than trebled.

19. Of course, I mention these anomalies merely as anomalies, resulting from a system of calculation which I hold to be not only anomalous, but unreasonable in itself, to be wholly unwarranted by the express declaration of the principle of calculation in the correspondence of November 1867, and to be also in direct opposition to the principle explained by Mr. Fred. Hill, in his evidence before the Select Committee.

OBJECTION C.

Mediterranean Section.

Separation of Southampton and Brindisi Mails.

20. My next objection will only arise in the event of the preceding objection (B) being overruled. I have in the preceding paragraphs argued against the splitting up of the Mediterranean section into particular mails according to the use made of them by the several countries interested; and I trust that it will be considered that I have given good reason for that objection. But, should it be ruled that the London Post Office is warranted, by agreement or otherwise, in splitting up the service into sub-sections according to the use made of them, then I submit that that principle should be fully carried out; it should be carried out not merely (as has been the case) where it happens to benefit the Australian or China correspondence, but where it may be found to benefit the Indian correspondence. It so happens that for Indian correspondence the Southampton route is much less used (in proportion) than for Australian correspondence, and what I claim is, that the subdivision system should be extended, so as to make distinct calculations for the Southampton and Brindisi mails. In other words, if in the calculation before us a subdivision of Mediterranean mails is to be made according to the use made of them by particular countries, India is, I submit, entitled to have the benefit of the fact that she uses the Southampton route less than other countries. India will, of course, pay fully for her use of the Southampton mails, and fully for her use of the Brindisi mails, the only change being that the calculation will be made out separately for each route instead of in lump for both.

* The mail room is a portion of the vessel quite separate from the cargo portion, and cannot, even if nearly empty, be used otherwise than for mails.

21. Taking the figures of 1873-74, this alteration would reduce the charge upon India by about 4,300*l.* per annum.

OBJECTION D.

Bombay and Galle Section.

This Section was not and is not one required for Postal purposes.

22. My next objection relates to the Bombay and Galle line. This line and the Calcutta and Galle line were not required for postal purposes; and, this point having been definitely settled in communication with the Government of India, no tenders for the service generally were called for; but the Peninsular and Oriental Company represented that their vessels must for commercial purposes run over these lines, the subsidy required for the postal lines being in no way affected by their inclusion or exclusion, and on that account, and that alone, they were included in the contract. This being the case, it was held by India that, in apportioning the subsidy payment among the several lines, these lines should be omitted, being, in fact, not postal lines but commercial adjuncts. The effect of this would be to throw upon the lines really required for postal purposes the share of subsidy erroneously apportioned to these commercial lines, India, of course, bearing its share of the increased cost of the other lines, but escaping the far heavier share assigned to it by the treatment of these commercial lines as if they were lines for postal purposes.

23. After some correspondence,* the point was conceded by the Treasury *as respects the Calcutta and Galle line*, and my present objection has reference, therefore, solely to the Bombay and Galle line. In my representation of the case which was forwarded with the Government of India Despatch (Financial), of the 22nd March 1875, No. 5, and which formed an enclosure of the India Office communication to the Treasury quoted in the margin above, both of these lines were included, but *by an apparent oversight* the Government of India covering Despatch *omitted to mention the Bombay and Galle line*, and the reply of the Treasury was, of course, similarly limited. The Government of India was then writing in continuation of a previous despatch which had sole reference to the Calcutta and Galle line, and appears to have inadvertently described the later representation as having a like object. But in point of fact it had a wider object, as will be seen by reference to the enclosure; and I may here remark that there is not an argument advanced on behalf of the exclusion of the Calcutta and Galle line (to which the Treasury acceded) which was not advanced on behalf of and is not equally applicable to the Bombay and Galle line. To apply the same principle to the latter line would give a saving of about 3,500*l.* per annum to India, that is, the Indian share of the supposed cost of the Bombay and Galle line, viz., 7,580*l.* a year, would be struck off, but owing to the increased amount thereby apportioned to the other lines the net decrease of charge would be only about 3,500*l.* a year.

24. I may mention that the Indian Post Office has the settlement of this question practically in its own power, and that the knowledge I have now acquired of the strangely anomalous results of the continued application to this line of an unjustifiable principle will probably induce the above-mentioned Department to exercise that power, in the event of the course indicated above being objected to by the British Post Office or the British Treasury. The Indian Post Office has no need whatever to send any correspondence by the Bombay and Galle line (having other independent routes by land and sea), and if it stops sending correspondence the result will be that, under the principle of calculation hitherto insisted on by the British Post Office, the whole cost will fall upon Great Britain, thus relieving India of the charge of 7,580*l.* a year, instead of the more moderate relief (3,500*l.*) which would result from the adoption of the course recommended by me above. In other words, if the British Post Office should continue to charge the cost of this line (which, as already stated, was not required or contracted for on postal grounds) on the small amount of correspondence which happens to be sent by it (though under no necessity of being so sent), the practical answer of India will be the sending of no correspondence, leaving the whole cost of the line to be charged against the correspondence sent by non-Indian offices. There will, in this case, be no alteration of the calculation or its principle, except that the figures therein representing Indian correspondence and Indian liability will be *nil*.

* From India Office to Treasury, 26th April 1872.
From Treasury to India Office, 23rd May 1872.

OBJECTION E.

Galle and Singapore; Singapore and Hong Kong; Hong Kong and Yokohama Sections.

Error of Calculation.

25. This objection takes the ground that the actual calculation does not follow even the professed principle of calculation. I have already alluded, under Objection A., to the unwarrantable difference in the principle of calculation adopted in respect of the Mediterranean service and the service east of Galle, "intermediate correspondence" (*i.e.*, correspondence other than that with the United Kingdom or countries served through it) being omitted in the one case and included in the other. If, in reference to my remarks, it be determined to omit "intermediate correspondence" from the calculations of the lines east of Galle, I have no objection to make, the charge raised against India being in that case diminished by about 5,800*l.*; but, if this be not done, then I take the ground of observing that even the principle professed to be acted on is not carried out in the actual calculations.

26. The professed principle, as stated in the London Post Office description thereof, is that the Imperial Government should bear half the cost of these services, the remaining moiety being divided between India and the other countries in proportion to the number of letters conveyed for each. Now, when I come to examine the actual calculation, I find that this principle is not carried out, the excess charge to India being 782*l.* per annum.

OBJECTION F.

Miscellaneous Expenses.

Miscalculation.

27. This objection relates to miscellaneous expenses. These expenses are for the maintenance of packet agencies at Alexandria and Suez, for janissaries to accompany the mails in Egypt, for the transit charges of mails through Egypt, for Dover and Calais packets, for mail bags, and for Continental mail officers, aggregating altogether, for 1873–74, 13,797*l.* Besides this, the British Post Office pays 1,690*l.* for packet agencies in Ceylon, China, the Straits Settlements, and Japan, India on the other hand paying for the agency at Aden. The question in hand is the share of the sum of 13,797*l.* which properly belongs to India. The plan followed has been to regard this as a charge to be apportioned rateably among the international and transit correspondence, *excluding, however, the Australian correspondence.* The reason of this exclusion is that, as respects some of the items* composing the account of miscellaneous expenses, the charge debitable to Australian correspondence has been separately settled, the amount shown in the account being what belongs to the India, China, and other mails (not including the Australian); but, on the other hand, no reason whatever is given for relieving Australian correspondence from its share of the other items. The Indian share, if reckoned rateably with Australian, China, and other correspondence in respect of the last-mentioned items, and rateably with China and other mails (not Australian) in respect of the items first mentioned, amounts (for 1873–74) to 3,761*l.*, instead of 4,732*l.*, as calculated by the London Post Office, the saving to India being 971*l.* per annum.

28. And even the supposed previous settlement of the Australian share of the Egyptian transit charge cannot be accepted as a proper settlement. The amount paid by Australia is stated to have been 3,250*l.*, which, no doubt, more than represents the Australian half of the share due on account of Australian correspondence, but it does not represent the full share due jointly from Australia and Great Britain for that correspondence. Making this further adjustment, the Indian share, calculated by the London Post Office at 4,732*l.*, already reduced by me (preceding paragraph) to 3,761*l.*, is still further reduced to 3,346*l.*, the saving to India being 1,386*l.*, per annum.

29. I have now gone over what I may call the objections involving methods or principles of calcula-

* Viz., Egypt transit; Calais and Dover packets; cost of mail bags.

tion. But there are besides a number of detailed points on which I raise questions or objections, as well as others to which it will be necessary to give attention in any future calculations; and to some of these I may make the following brief reference, each point being indicated by a letter of the alphabet in continuation of the objections already given.

G The statement of international and transit correspondence, which forms the foundation of calculations both in the Mediterranean and in the East, appears to be open to question, for, while it professes to include mails in both directions, the Manilla mails are given only in one direction (outwards). I have as yet received no satisfactory explanation of this, though, of course, it may turn out that the return correspondence is sent wholly by French packet or in the mails from some other office.

H The Zanzibar correspondence appears to have been wrongly entered in the calculation for 1873–74; it has been entered half under the head (*b*) and half under the head (*c*), whereas under present time table arrangements it belongs to neither. It is a question depending on the time tables in force in the year in question, which the London Post Office has promised to consult. With Zanzibar correspondence should be included any other East African correspondence. It may have been too small in 1873–74 to be taken notice of, but has possibly increased.

J In the calculations of 1874–75 and future years it will be necessary to see to the correct treatment of Queensland correspondence with reference to the remark already made incidentally under objection B.

K The Zanzibar and East African mails ought to bear a share of the cost of the Suez and Bombay section.

L In the calculations for the sections Galle and Singapore, Singapore and Hong Kong, and Hong Kong and Shanghai, the correspondence with Europe through France and Italy has been entirely omitted. In future years direct German mails will probably have to be included in these calculations.

M In none of these calculations has account been taken of the closed mails sent by British packet between France, Spain, or Holland, and the East.

N In the calculation for the sections Singapore to Hong Kong, and Hong Kong to Shanghai, and Hong Kong to Yokohama, the correspondence to Java is entered, but none from Java, a fact which points to a possible omission, though, of course, it may be found on inquiry that the missing correspondence is included in some other returns.

O The calculation for the section Galle to Singapore will also, in 1874–75 and future years, be considerably affected by the new Torres Straits route to and from Queensland.

P The new contract with the Peninsular and Oriental Company respecting the use of the canal, will also affect (quite apart from the alteration of subsidy) the calculation for the Mediterranean service; indeed, by altering the mileage of the Southampton route, it will indirectly affect all the calculations. It will be important here to bear in mind the distinction between the Southampton and Brindisi mails referred to under C.

30. I now turn to the accounts showing the division with India of the postage collections. My examination, so far, has not led me to expect much error in these accounts. An error appears to have been committed in the account for 1873–74, whereby too much postage has been entered under the heads of France and Italy, the excess being 3,418*l.*, so that the credit to India is in excess to the extent of one-half thereof, viz., 1,709*l.* This error does not relate to 1872–73, but only to 1873–74. Should it be decided to bring the accounts for 1873–74 under revision, this item in favour of the British Post Office may be allowed as a set-off so far to the large claims to be raised on behalf of India.

A. M. MONTEATH.

No. 4.

India Office,
21st August, 1875.

SIR,

With reference to previous correspondence, more especially to the letters noted in the margin,* I am directed by the Secretary of State for India in Council to forward, for submission to the Lords Commissioners of Her Majesty's Treasury, copy of a letter from Mr. A. M. Monteath, the Director General of the Post Office of India,† enclosing a memorandum, in which that gentleman raises objections to the way in which the General Post Office carries out the adjustment of the charges and receipts relating to the Eastern Mail Service.

The Marquis of Salisbury trusts that attention will be given to the points referred to by Mr. Monteath in adjusting the accounts of 1874–75. Should the Lords Commissioners of Her Majesty's Treasury or Her Majesty's Postmaster-General require any further explanation respecting the objections raised by Mr. Monteath against the present mode of adjustment, I am desired to state that Mr. Monteath will be happy to afford it during the remainder of his visit in this country, which extends to the end of October next. His address is, care of Messrs. H. S. King and Co., 45, Pall Mall.

I am to add that Lord Salisbury will be glad to be informed of the decision of the Lords of the Treasury on this subject.

I am, &c.
LOUIS MALLET.

The Secretary to the Treasury.

No. 5.

No. 427/76. Treasury Chambers,
18th January 1876.

SIR,

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 21st August last, transmitting copy of a letter from Mr. A. M. Monteath, the Director-General of the Post Office of India, enclosing a Memorandum, in which he raises objections "to the way in which the General Post "Office carries out the adjustment of the charges and "receipts relating to the Eastern Mail Service."

I am commanded to acquaint you that my Lords, having referred the question brought forward in Mr. Monteath's Memorandum to the Postmaster-General, have received from his Lordship a Report covering a Memorandum on the subject, which has been prepared in his Department.

I am now directed to forward to you copies thereof, and to request that, in laying the same before the Secretary of State for India in Council, you will state to his Lordship that, as respects the objections raised by Mr. Monteath, my Lords concur in the observations contained in the Post Office Memorandum.

I am further to state, with reference to the concluding paragraph in Mr. Monteath's letter to the Under Secretary of State, and to the remarks thereon of the Postmaster-General, that my Lords see no reason to object to an arrangement such as that proposed therein being carried out—namely, that, instead of the present method of adjustment between the Imperial and Indian Post Offices, a fixed percentage of the gross cost of the service should be agreed upon to regulate the contribution to be made by India, until the termination of the present contract with the Peninsular and Oriental Steam Navigation Company.

I am, &c.
WILLIAM LAW.

Sir Louis Mallet, C.B.

No. 6.

General Post Office,
8th January 1876.

MY LORDS,

I HAVE the honour to return the letter from the India Office, referred to me by your Lordships on the 24th August last, containing a letter from Mr. Monteath, the Director-General of the Post Office of India, accompanied by a Memorandum in which he raises objections to the manner in which this Department carries out the adjustment of the charges relating to the Eastern Mail Service.

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* From Treasury to India Office, 14th and 16th November 1867.
To ditto from ditto, 19th November 1867.
To ditto from ditto, 20th August 1869.
From ditto to ditto, 27th September 1870.
To ditto from ditto, 26th April 1872.

† 12th June 1875.

It seems to me that the most convenient mode of placing your Lordships in possession of the views of this Department, and of enabling you to consider Mr. Monteath's objections, will be to forward a Memorandum which has been prepared on the subject, and which refers specifically to each point under discussion.

In now submitting the Memorandum in question to your Lordships, I beg leave to say that I consider it desirable that an arrangement such as that proposed in the last paragraph of Mr. Monteath's letter to the Under Secretary of State for India should be carried out, and that, instead of the present method of adjustment, which requires the laborious compilation of voluminous statistics, exposed to risks of error, both in principle and detail, a fixed percentage of the gross cost of the service should be agreed upon to regulate the contributions to be made by India, until the termination of the present contract with the Peninsular and Oriental Steam Navigation Company.

I have, &c.
JOHN MANNERS.

The Lords Commissioners
of the Treasury.

No. 7.

MEMORANDUM.

Mr. Monteath does not appear to have rightly apprehended the general principle of the arrangements for the division of the expenditure incurred for the conveyance of Eastern mails, which was approved of by the Secretary of State for India in his letter to the Treasury, dated 19th November 1867. In the Appendix to the Report of the Select Committee on East India Communications, pages 559–60, will be found a letter from the Secretary of the Treasury to the Postmaster-General, dated 11th July 1854, referring to the relations which should exist between this country and India, thus,—

"So far as the commercial relations between this country and India are concerned, my Lords are of opinion that each country is equally interested, and therefore the revenues of England and India may fairly be called upon to contribute equally to any expense the object of which is to encourage such commercial intercourse."

"So far as political considerations are involved, it appears to my Lords, adverting to the principle upon which the Indian Government is conducted in relation to financial matters, that the whole cost on this consideration should be defrayed from Indian revenue."

The existing contract with the Peninsular and Oriental Steam Navigation Company was entered into chiefly with the view of securing for India the benefit of a direct weekly service with this country, a fact which it is most important to bear in mind whilst considering the points now raised by Mr. Monteath. Mr. Monteath's objections are now dealt with *seriatim*.

As to Objection A.

Intermediate correspondence has been excluded from the Mediterranean section, as it did not come within the arrangement contemplated in the principles laid down in November 1867. It certainly does not form part of the correspondence for the benefit of which the cost was incurred, and the effect of including it would be a loss to this country, and a consequent gain to India, of 4,742*l*. per annum.

It must not be supposed that India receives no benefit from this intermediate correspondence, for she is credited with her portion of the sea postage derived from it, and therefore is placed in the same position as the United Kingdom with respect to the cost.

With regard to Mr. Monteath's observations as to either including or omitting altogether intermediate correspondence, in calculating the cost of the service, the latter course appears preferable.

As to Objection B.

In adverting to Mr. Monteath's objections under this head, it is right to give some explanation of the plan actually adopted for dividing the cost of the Mediterranean section. This section is divided into three sub-heads, viz.:—

Yearly No.
a (26 packets).
b (13 packets).
c (13 packets).

As the exact number of letters conveyed by each packet cannot be ascertained, it is necessary to take into consideration the number of packets employed when calculating the charges to be made rateably amongst the correspondence for the benefit of which the cost is incurred, for example:—

Sub-head a (26 packets).

India uses 26 packets more than any other country, and, the total number of packets running being 52 annually, India is charged for one half its total number of letters under this sub-head.

Letters for Gibraltar, Malta, and Egypt are also sent 52 times annually, and half these letters are consequently charged to the Imperial Government under sub-head *a*.

Sub-heads b and c (13 packets each).

India is charged upon one quarter of its letters under each of these sub-heads:—

Gibraltar, Malta, and Egypt.—One quarter of the letters for these places is charged to the Imperial Government under each of these sub-heads.

China, Japan, &c., use 26 packets annually, and their letters are therefore divided equally between these sub-heads.

Australia uses 13 packets only, and its letters are charged under sub-head *c*.

Zanzibar letters are forwarded 13 times annually, and are equally divided between *b* and *c*. This service is further referred to under replies to objections H and K.

On the principles thus described, the division of cost of the Mediterranean section for the year 1874 was as follows:—

Indian Share.

	£
2,009,050 letters, carried in 52 packets -	43,513

Australian Share

(now borne by the Imperial Government).

2,337,350 letters, carried in 13 packets -	26,788
Balance of cost borne by Imperial Government - - - -	74,793
Total cost of section -	£145,094

India is considerably the gainer by its correspondence being associated with Australian and other correspondence in this service, for, if a contract had been made for India alone, at the present rate per mile, the share of the cost of the service to be borne by the Indian Government would have been 72,547*l*. instead of 43,513*l*.

The method of calculating this section according to the number of mails conveyed is in accordance with the principle laid down in the correspondence of November 1867, and approved by the Secretary of State for India on 19th of the same month. That principle distinctly provides that "the cost should be divided rateably "amongst the correspondence for the benefit of which "the cost is incurred."

The present cost was incurred to provide India with a weekly mail, China, &c., with a fortnightly mail, and Australia with a four-weekly mail. Australian correspondence bears its full share of the cost of the number of packets which are actually used for its conveyance.

Mr. Monteath evidently misapprehends the principle in question, since he states it, or rather misstates it, as that of division of cost "rateably amongst the correspondence conveyed," entirely ignoring the different degree of benefit accruing to each country by the conveyance of the correspondence 52, 26, or 13 times a year.

Mr. Hill's answers to the questions referred to by Mr. Monteath were in explanation of a sum of 33,000*l*., the cost of Australian and Mauritius mails under the old system, when the whole of the sea postage was deducted from the cost of the India and China lines of packets, and the remainder, which represented the loss, was paid in contributions of equal proportions by the Imperial Government and the Government of India. But, when India complained of being obliged to contribute to services in which she was not substantially interested, the system was revised, and India is now only charged to the extent to which she uses the service.

Mr. Hill's answer related, therefore, to an entirely different state of things, and has nothing whatever to do with the present.

If India had the benefit of 13 mails a year only while Australia had the benefit of 52 mails a year, we should hardly expect Mr. Monteath to argue that India should pay anything for the 39 mails which conveyed no letter for India.

The natural and reasonable view has been taken by this Department in separating, for the purposes of the computation of the Australian share of the loss, those packets which carried Australian letters from those which carried no Australian letters, and in giving India the advantage of the Australian contribution to the packets which carried both Indian and Australian correspondence.

By including the intermediate correspondence in distributing the cost of the Mediterranean section, and by assessing the Australian correspondence as though it were sent by 52 mails in the course of the year instead of by 13, the loss devolving upon the United Kingdom would be increased by no less a sum than 17,556*l.* per annum.

The additional accommodation required for the Australian mail is a contingency inseparable from the nature of the service, and, as it existed at the time the contract was entered into, there can be no doubt the point was well considered when the present service was granted to India.

But it cannot be supposed that, even if the Australian mails had ceased to be carried to Galle, the Peninsular and Oriental Company would have abated anything worth mentioning from their tender for the remaining service.

As to Objection C.

The suggestion to divide the Southampton and Brindisi mails and make a separate calculation for each is quite contrary to the principles laid down in November 1867, and agreed to by the India Office. This would be an anomalous proceeding, inasmuch as the Brindisi mail is but an accelerated portion of the service.

The fact of India sending a smaller proportion of correspondence *viâ* Southampton than *viâ* Brindisi is no argument in favour of India being further relieved from its liabilities in respect of the service between Southampton and Suez, inasmuch as this service was established chiefly for such correspondence, and can only be maintained during the present contract in its entirety.

If India were to send all her mails *viâ* Brindisi, and to abandon the Southampton route altogether, then, according to Mr. Monteath's suggestion that the Southampton service should be divided into two portions, India would be relieved from contributing anything to the Southampton portion of the service, although the packets must still of necessity run between Southampton and Suez, in order to carry forward the Indian mails.

If the calculations were made on the plan set forth by Mr. Monteath, and intermediate correspondence were included as proposed under the head of Objection A, the effect would be a loss to this country and a gain to India of about 7,000*l.* a year.

As to Objection D.

The Bombay and Galle section has been included in the calculations, in accordance with the arrangements made in November 1867.

Originally India was charged with a share of the cost of the lines, both between Calcutta and Galle and between Bombay and Galle, but, at the urgent solicitation of the Indian Government, the Treasury consented to relieve the Indian Revenue from any charge for the former of these two lines of communication between India and China. It cannot be supposed that the Indian Government would consent to adopt the course which Mr. Monteath states to be open to the Indian Post Office, and, with the view of evading the charge which properly devolves upon India (as agreed to by the Secretary of State for India on the 19th November 1867), divert into other channels the correspondence proper to the Bombay and Galle line.

It may be added that the advantage to India of the Bombay and Galle line is shown in Despatch No. 5A, dated at Simla, 11th June 1869, from the Government of India to the Duke of Argyll, wherein the abolition of the Galle and Calcutta line is advocated, on the grounds that the Indian Post Office had "alternative "channels of communication, *viâ* Bombay, by the "railway and the Bombay and Galle line, and by "local contract steamers down the coast."

As to Objections E, F, I, L, O, P.

If a certain fixed percentage be agreed upon, the objections under these heads will no longer exist.

As to paragraph G.

It has been ascertained that the Manilla mails (inwards) were accounted for together with the Singapore mails. The explanation has since been given to Mr. Monteath.

As to paragraphs H. and K.

The Zanzibar mails are forwarded only thirteen times a year, and have been treated accordingly.

As shown in reply to Objection B, the cost has been calculated under subheads *b* and *c*. It might have been limited to *c*, that being the sub-head for 13 mails, but by charging one half of the correspondence under sub-head *b* the charge upon India under that sub-head has been proportionately reduced, and this reduction may fairly be considered as compensation to India for the conveyance of Zanzibar correspondence from Suez to Aden on the Suez and Bombay Section.

As to paragraph M.

The closed mails referred to have, with some trifling exceptions, been forwarded between the countries named and their possessions in the East, and, as these countries could not be required to contribute towards the loss on the service, the correspondence has properly been omitted from the calculations. The sea postage derived from this correspondence has been shared in due proportions with India.

As to paragraph N.

Mails *from* Java have not been included in the calculations of the cost of any of the sections, as there is no trace in this Office of such correspondence.

As to paragraph 30.

In preparing the accounts for 1873–74, for the division of sea postage between this country and India, the amounts for direct mails from France and Italy were inadvertently entered in bulk, instead of those items only which properly fell to the Indian share.

As this was obviously a clerical error in preparing the accounts, the amount in question will be adjusted in the accounts now under preparation.

No. 8.

India Office,
14th February 1876.

SIR,

I AM directed by the Secretary of State for India in Council to acknowledge the receipt of Mr. Law's Letter of the 18th January, No. 427/76, relative to the objections urged by Mr. Monteath, the Director-General of the Post Office of India, "to the "way in which the General Post Office carries out the "adjustment of the charges and receipts relating to "the Eastern Mail Service."

2. In reply, I am directed to state that the Marquis of Salisbury proposes that it be referred to the arbitration of Viscount Halifax, G.C.B., to settle, first, a fixed percentage of the gross cost of the Mail Services which shall regulate the contribution to be made by India until the termination of the present contract with the Peninsular and Oriental Steam Navigation Company, with special reference to the several questions raised in the Memoranda by Mr. Monteath and the London Post Office; and, secondly, the extent to which the principle determined on shall be applied to the accounts which have not yet been rendered.

I am, &c.,
G. HAMILTON.

The Secretary to the Treasury.

No. 9.

Treasury Chambers,
My Lord, 16th February 1876.

With reference to your Lordship's letter of the 14th instant, relating to the objections raised by Mr. Monteath, the Director-General of the Post Office of India, to the way in which the Post Office carries out the adjustment of the charges and receipts relating to the Eastern Mail Service, I am directed by the Lords Commissioners of Her Majesty's Treasury to acquaint you, for the information of the Secretary of State for India in Council, that my Lords agree to the proposal that the matters in dispute between the two Departments should be referred to the arbitration of Viscount Halifax, G.C.B.

I am desired to transmit, herewith, for your information, a copy of a letter* which my Lords have caused to be addressed to the Postmaster-General on this subject, and I am to request that Mr. Monteath may be placed in immediate communication with the Postmaster-General.

I have, &c.,
William Law.

Lord George Hamilton, M.P.,
India Office.

No. 10.

Treasury Chambers,
My Lord, 16th February 1876.

With reference to your Lordship's letter of the 8th ultimo, and the reply from this Board dated the 18th ultimo, relating to the objections raised by Mr. Monteath, the Director-General of the Post Office of India, to the manner in which your Lordship's Department carries out the adjustment of the charges relating to the Eastern Mail Service, I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, for your Lordship's information, a copy of a letter which my Lords have received from the India Office, proposing that the questions at issue shall be referred to the arbitration of Viscount Halifax, G.C.B.

I am to state that my Lords understand that Mr. Monteath is about to return to his post, and it would, therefore, appear desirable that the questions to be submitted to Lord Halifax (whose decision the Government will accept) should be agreed between the two Departments, and it would also be desirable that Mr. Monteath should have, previous to his departure, the opportunity of putting his statement in writing, in support of his contention, before Lord Halifax.

I have, &c.,
William Law.

The Postmaster-General.

No. 11.

India Office,
My Lord, 18 February 1876.

Mr. Monteath, the Director-General of the Post Office in India, having urged some objections "to "the way in which the General Post Office in London, "carries out the adjustment of the charges and receipts "relating to the Eastern Mail Service,"—it has been determined to refer the questions at issue to arbitration.

2. Your Lordship having consented to act as arbitrator, I herewith forward the correspondence† between Mr. Monteath and the Post Office, with the letters received from the Lords Commissioners of Her Majesty's Treasury.

3. I shall esteem it an additional favour if your Lordship will name an early day for holding the arbitration, as Mr. Monteath, has engaged his passage for India by the next mail, and will leave London on the 23rd instant.

I have, &c.
Salisbury.

The Viscount Halifax, G.C.B.

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* 16th February 1876.
† From India Office to Mr. Monteath, 4th July 1874.
Mr. Monteath to India Office, 12th June 1875.
India Office to Treasury, 21st August 1875.
Treasury to India Office, 18th January 1876.
India Office to Treasury, 14th February 1876.
Treasury to India Office, 16th February 1876.

No. 12.

10, Belgrave Square,
My Lord, 25th February 1876.

I have received your Lordship's letter of the 18th February, and the papers to which it refers, on the subject of the questions raised by Mr. Monteath, the Director General of the Post Office in India, as to the adjustment of the charges and receipts relating to the Eastern Mail Contract.

I have read these papers, and others which I received from the General Post Office, and I saw together Mr. Monteath and two gentlemen, Mr. Chetwynd and Mr. Cardin, on behalf of the General Post Office.

I understand, from the proposal in the letter from the India Office to the Treasury of 14th February 1876, and assented to by them, that I am to settle, first, "a "fixed percentage of the gross cost of the Mail Service "which should be paid by India till the conclusion of "the present contract, with special reference to the "several objections raised by Mr. Monteath," and, secondly, "the extent to which the principle determined "on shall be applied to the accounts which have not "been rendered."

After a long discussion with Mr. Monteath and the gentlemen representing the General Post Office, and going through with them the several objections to the charge now made on India, contained in Mr. Monteath's Memorandum of 12th June 1875, and the answers thereto, in a Memorandum prepared at the General Post Office, and transmitted to the Treasury in a letter from Lord John Manners of 8th January 1876, which were included in the papers sent to me from the India Office, I have come to the following conclusions:—

1. I have decided on all the questions raised in those papers, and marked from A to P, and I transmit, in a separate paper annexed to this letter, my decisions thereon.
2. These decisions will enable the General Post Office to make out the accounts for 1874–75 in accordance with those decisions; and I was assured by the gentlemen whom I saw that there could be no difficulty in doing so, with the concurrence of both parties.
3. It will then be a simple calculation to ascertain what percentage of the whole cost of the Mail Service for the year 1874–75 the sum charged to India will be, and that percentage of the cost, in every subsequent year to the end of the contract, should be paid by India.
4. I am further of opinion that it is not desirable to raise any question as to the accounts of any year previous to 1874–75.

I have the honour to be,
My Lord,
Yor Lordship's obedient Servant,
Halifax.

The Marquis of Salisbury.

Paper annexed to Lord Halifax's letter, containing his Decision on the various points submitted to him, and marked from A to P.

A I am of opinion that, as regards the Mediterranean section of the service, no charge should be imposed on India in respect of correspondence between places east of Suez, other than India, and the Continent of Europe, India paying for her own correspondence.

B, C, D The charge to remain as at present.

E The miscalculation stated by Mr. Monteath is admitted, and will be corrected.

F To remain as at present.

G Mr. Monteath was satisfied.

H, I, K To remain as at present.

L To be dealt with in accordance with the decision on A.

M To remain as at present.

N No such correspondence.

O This correspondence to be included when the case arises.

P The percentage or proportion of payment by India to remain the same in any altered annual payment.

Halifax.

25th February 1876.

No. 13.

India Office,
28th February 1876.

My Lord,

I have the honour to acknowledge the receipt of your letter of the 25th instant, containing your Lordship's decision on the points at issue between the General Post Office and Mr. Monteath, the Director-General of the Post Office in India.

2. I request that your Lordship will accept my most sincere acknowledgments and thanks for the great trouble you have taken in effecting a settlement of these intricate questions. I have no doubt that your Lordship's award will have the excellent effect of preventing any renewals of discussions in connexion with the contract for the Mail Service between England and India.

I have, &c.

Salisbury.

The Right Honourable
The Viscount Halifax, G.C.B.

APPENDIX No. 64.

Memorandum by Mr. Stephen Jacob, C.S.I., handed in by Sir H. Waterfield (referred to in Q. 12,326.)

Zanzibar—Mauritius Cable.

In June 1890 the Government of India addressed the Secretary of State on the subject of telegraphic communication between India and England in time of war, and put forward the specific proposal that, in order to give an alternative route in time of war, India should be placed in telegraphic communication with the Cape, and thus with England, by means of a new cable from Ceylon viâ Mauritius to the Cape.

This despatch and proposal were referred to a Departmental Committee, consisting of two members, each from the India Office and the Colonial Office, and one member each from the Admiralty, the Foreign Office, and the War Office.

This Committee did not recommend expenditure on increasing the routes between England and India, but considered that telegraphic communication with Mauritius would be of the utmost importance, in the event of war, both to Great Britain and India, and strongly urged that arrangements should be at once made to secure such communication by providing a cable connecting Mauritius with Africa (viâ Seychelles), and thus with England on the one side and with India (via Aden) on the other. They recommended that the expense should be shared by the Governments of Great Britain and India and the Colony of Mauritius, but did not specify any definite proportion to be borne by each.

This was, therefore, an entirely new proposal. It did not afford India any new route of communication with England; that had already been secured viâ Aden and the Eastern and Western coasts of Africa. The Committee's proposal was based on the view that, in the event of a diversion of the commerce of India from the Suez Canal to the Cape route, which might occur in case of a European war, Mauritius would be the base from which our cruisers would operate for the protection of that commerce, and in any case would be an outpost of the greatest importance to India.

The Government of India (the Financial Member—Sir David Barbour—dissenting) accepted the conclusion of the Committee* as to the vital importance to the Eastern carrying trade of establishing telegraphic communication between the Mauritius and India by the proposed cable, and accordingly recommended that India should bear *a moderate share* of the necessary subsidy.

The grounds of Sir David Barbour's dissent are thus stated in the despatch:—

"Our colleague, Sir David Barbour, dissents from the view that a portion of the subsidy for the proposed cable should be paid by India. He considers that it is the duty of India to preserve internal tranquillity, and to protect her frontiers by land and sea, and, therefore, to incur the necessary expenditure for the protection of her ports; but that the duty of protecting commerce on the high seas should, in the future, as it has done in the past, devolve on England. All this commerce is carried under the English flag, and in British ships, and would have equally to be protected, in the interest of England, if India were a foreign and neutral power."

The Government of India admitted the soundness of the general principles thus enunciated, and trusted that they would be borne in mind in fixing the proportion of the subsidy to be paid by India; but, in view of the importance of the scheme, they considered that they were justified in giving some assistance towards its early completion.

On the 7th of July 1891, before the views of the Government of India, as expressed in the above despatch, could have reached England, the Secretary of State telegraphed to the Government of India as follows:—

"Her Majesty's Government have decided that cables to Mauritius viâ Seychelles be laid, and propose after a time abating contribution of Mauritius, remainder of subsidy, probably the maximum of 24,000*l.*, being equally divided between England and India. What do you say?"

To which the Government of India replied:—*

"For reasons given in our Despatch, No. 11 (Telegraph) dated 23rd June, we consider Indian contribution should be substantially less than that contributed by Imperial Government."

On 12th August 1891 the Secretary of State again telegraphed:—

"Treasury declines to contribute more than half subsidy after Mauritius contribution, which might be 8,000*l.*, is paid. I propose to agree. Her Majesty's Government already pay 55,000*l.* to East Africa line."

The Government of India accepted this proposal, feeling that it was the only means by which telegraphic communication between India and Mauritius could be secured.

The Treasury, it will be observed, gave no reasons for its decision, or, at any rate, no reasons for it were communicated to the Government of India.

It is submitted that the grounds put forward in Sir D. Barbour's dissent, as quoted above, were sufficient to justify the recommendation of the Government of India that India should bear only "a moderate share" of the subsidy.

* In Despatch No. 11 (Telegraph) of 23rd June, 1891.

* No. W. 42, July 9th, 1891.

APPENDIX No. 65.

Paper handed in by Sir Henry Waterfield, K.C.S.I., C.B.

(Statement referred to in Answer 12,412.)*

EXPENDITURE IN PERSIA.

(Statement prepared at the Foreign Office.)

DIPLOMATIC.

Year.	Salaries (Estimate).	Wages.	Journeys.	Couriers.	Telegrams.	Postage.	Fuel and Light.	Incidental Expenses.	Outfits.	Special Missions (Karun River Subsidy).	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1893–4 -	7,940 0 0	1,694 2 2	190 17 9	798 0 11	1,640 18 1	37 15 11	33 10 0	420 15 9	300 0 0	1,000 0 0	14,056 0 7
1894–5 -	7,775 0 0	1,686 16 4	1,022 2 9	655 17 4	1,462 4 3	28 10 7	29 0 7	337 15 2	2,000 0 0	1,000 0 0	15,997 7 0
1895–6 -	7,925 0 0	1,695 0 0	601 10 11	733 11 1	802 17 7	37 1 10	29 2 10	309 15 3	—	500 0 0	12,633 19 6
	23,640 0 0	5,075 18 6	1,814 11 5	2,187 9 4	3,905 19 11	103 8 4	91 13 5	1,068 6 2	2,300 0 0	2,500 0 0	42,687 7 1

CONSULAR.

Year.	Salaries (Estimate).	Office Expenses (Estimate).	Fee Allowances (Estimate).	Special Services, Outfits, and Travelling.	Postage.	Telegrams.	Incidental Expenses.	Total.	Fees received.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£
1893–4 - -	2,500 0 0	670 0 0	30 0 0	226 13 1	15 10 10	24 15 4	2 0 8	3,468 19 11	207
1894–5 - - -	2,550 0 0	670 0 0	30 0 0	51 16 0	10 15 9	24 16 1	—	3,337 7 10	206
1895–6 - -	2,550 0 0	960 0 0	30 0 0	836 6 3	32 12 10	40 13 2	8 9 1	4,458 1 4	245
	7,600 0 0	2,300 0 0	90 0 0	1,114 15 4	58 19 5	90 4 7	10 9 9	11,264 9 1	658

—	Buildings.†	Non-Effective Services.
	£ s. d.	£ s. d.
1893–4 - - - - -	1,640 14 5	2,007 0 0
1894–5 - - - -	1,696 11 4	2,048 0 0
1895–6 - - - - -	1,967 15 3	2,164 0 0
	5,305 1 0	6,219 0 0

SUMMARY.

—	Expenditure.	Receipts.
	£ s. d.	£
Diplomatic - - - -	42,687 7 1	—
Consular - - - -	11,264 9 1	658
	53,951 16 2	658
Buildings† - - - -	5,305 1 0	
Non-effective services - -	6,219 0 0	
Total - - - -	65,475 17 2	

* The figures relating to the Buildings and Non-Effective Services have been added since the answer was given. The totals now shown are in the ratio of 58·3 for India, and 41·7 for the United Kingdom.
† This contains no charge for the original outlay on Buildings.

PERSIAN LEGATION and other ESTABLISHMENTS in PERSIA and TURKISH ARABIA.—*continued.*

PAYMENTS by the GOVERNMENT of INDIA in INDIA.

	Account, 1893-4.	1894-5. Revised Estimate.	1894-5. Account.	1895-6. Budget.	1895-6. Revised Estimate.	Budget, 1896-7.
Persian Legation.—Establishment and Contingent Charges:—	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Officer on special duty	1,301	—		—		
Clerks and newswriters	2,172	1,450		1,710		
Couriers	6,312	6,000		7,000		
Telegrams	14,774	7,000		20,000		
Miscellaneous	722	7,430		1,200		
Superannuation	2,039	510		430		
	27,320	22,390		30,340		
Telegraph.—Treaty allowance of 3,000 tomans to Persian Government for Mekran Line.	12,245	12,240		12,240		
Total	39,565	34,630		42,580		
Political resident at Bushire:—						
Resident, 3 assistants, and surgeon	59,175	63,990		66,580		
Establishment	24,085	23,890		24,410		
Travelling expenses, house rent, &c.	5,408	4,180		4,180		
Contingencies (less, casual receipts)	16,391	15,690		15,980		
Durbar presents	138	200		200		
Superannuation	2,549	3,100		2,990		
Total	1,07,746	1,11,050	Details not received.	1,14,340	Details not received.	Details not received.
Political Resident in Turkish Arabia and Consul-General at Baghdad:—						
Resident, assistant agent, and surgeon	52,187	50,150		57,310		
Medical officer in charge of Busreh agency.	742	1,200		1,200		
Establishment	18,475	18,870		18,920		
Travelling expenses	215	700		1,200		
Contingencies (less casual receipts)	19,646	18,680		18,500		
Durbar presents	50	50		—		
Superannuation	2,916	2,950		2,870		
Consulate house at Busreh	—	—		65,000		
Total	94,231	92,600		1,65,300		
Perso-Afghan frontier, Khorassan:—						
Agent to Governor-General at Meshed, assistant, surgeon, and attaché.	33,621	57,830	58,789	60,490	55,870	55,600
Establishment	36,561	35,570	34,544	37,470	34,230	37,500
Travelling allowances, &c.	3,144	3,680	3,515	3,500	2,000	3,260
Contingencies and supplies	58,715	52,370	51,112	61,500	47,200	55,700
Total	1,32,041	1,49,450	1,47,960	1,62,960	1,39,300	1,52,060
Grand Total, in rupees	Rs.3,73,583	3,87,730		4,85,180		
		*1,490		†23,660		
		3,86,240		4,61,520		
Equivalent at official rate of exchange, in sterling.	s. d. 1 2¼ £22,960	s. d. Av. 1 1¾ 22,128		s. d. 1 1¼ 25,480		s. d. 1 1¼

* Difference on actual accounts for Khorassan.

† Difference on revised estimates for Khorassan.

PAID by the GOVERNMENT of INDIA in ENGLAND.

	£	£	£	£	£	£
Persian Legation.—Contribution	7,000	7,000	7,000	7,000	7,000	7,000

SUMMARY for THREE YEARS.

1893-4	29,960
1894-5	29,128
1895-6	32,480
	91,568

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ON THE

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